

United Arab Bank P.J.S.C.

Review report and condensed interim financial statements

For the nine months period ended 30 September 2022

United Arab Bank P.J.S.C.

**Review report and condensed interim financial statements
For the nine months period ended 30 September 2022**

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Report on review of condensed interim financial statements to the Board of Directors of United Arab Bank P.J.S.C

Introduction

We have reviewed the accompanying condensed interim financial statements of United Arab Bank P.J.S.C. (the "Bank"), which comprise the interim statement of financial position as at 30 September 2022 and the related interim statements of income and comprehensive income for the three months and nine months period then ended, statements of cash flows and changes in equity for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed 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 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

9 November 2022

Sharjah, United Arab Emirates

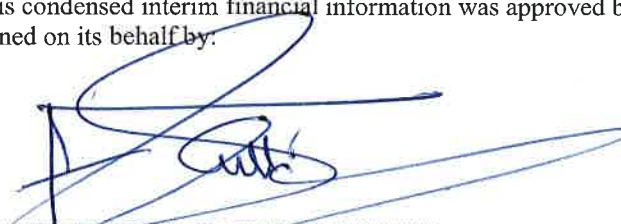
United Arab Bank P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

For the nine months period ended 30 September 2022 (Unaudited)

		<i>Unaudited</i> 30 September 2022 <i>AED'000</i>	<i>Audited</i> 31 December 2021 <i>AED'000</i>
	<i>Note</i>		
Assets			
Cash and balances with UAE Central Bank	5	1,439,535	2,009,565
Due from other banks	6	176,762	378,735
Loans and advances and Islamic financing receivables	7	7,788,145	8,213,350
Investments and Islamic securities	8	3,435,203	3,530,217
Property, equipment and capital work-in-progress		300,915	303,271
Other assets		925,386	744,904
TOTAL ASSETS		14,065,946	15,180,042
Liabilities and shareholders' equity			
Liabilities			
Due to banks	9	2,512,071	2,410,988
Customer deposits and Islamic customer deposits	10	9,240,956	10,406,425
Other liabilities		929,891	850,737
TOTAL LIABILITIES		12,682,918	13,668,150
Shareholders' equity			
Share capital	4	2,062,550	2,062,550
Special reserve		7,019	7,019
Statutory reserve		35,943	35,943
General reserve		9,311	9,311
Cumulative changes in fair value		(240,272)	7,656
Accumulated losses		(491,523)	(610,587)
TOTAL SHAREHOLDERS' EQUITY		1,383,028	1,511,892
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,065,946	15,180,042

This condensed interim financial information was approved by the Board of Directors on 09 November 2022 and signed on its behalf by:



Sheikh Faisal Bin Sultan Bin Salem Al Qassimi
Chairman



Shirish Bhide
Chief Executive Officer

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF INCOME

For the nine months period ended 30 September 2022 (Unaudited)

	Notes	Three month period ended 30 September (Unaudited)		Nine month period ended 30 September (Unaudited)	
		2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Interest income		121,560	110,480	349,571	349,347
Income from Islamic financing products		33,036	6,423	45,700	19,877
Total interest income and income from Islamic financing products		154,596	116,903	395,271	369,224
Interest expense		(59,496)	(35,297)	(140,652)	(114,917)
Distribution to depositors – Islamic products		(11,856)	(9,872)	(30,453)	(39,300)
Total interest expense and distribution to depositors		(71,352)	(45,169)	(171,105)	(154,217)
Net interest income and income from Islamic products net of distribution to depositors		83,244	71,734	224,166	215,007
Net fees and commission income		11,534	10,444	38,969	34,578
Foreign exchange income		5,357	4,404	14,589	13,401
Other operating income		8,111	13,602	73,236	73,564
Total operating income		108,246	100,184	350,960	336,550
Employee benefit expenses		(37,458)	(35,024)	(104,452)	(105,656)
Other operating expenses		(24,330)	(19,856)	(62,240)	(55,390)
Depreciation		(6,098)	(5,700)	(17,235)	(19,273)
Total operating expenses		(67,886)	(60,580)	(183,927)	(180,319)
Profit before impairment loss		40,360	39,604	167,033	156,231
Net impairment loss	11	(4,568)	(21,785)	(47,969)	(111,490)
Net profit for the period		35,792	17,819	119,064	44,741
Basic and Diluted earnings per share (in AED)	4	0.02	0.01	0.06	0.02

The notes on pages 8 to 25 form an integral part of the condensed interim financial information. The independent auditors' report on review of the Bank's condensed interim financial information is set out on page 2.

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months period ended 30 September 2022 (Unaudited)

	<i>Three month period ended 30 September (Unaudited)</i>		<i>Nine month period ended 30 September (Unaudited)</i>	
	2022 <i>AED'000</i>	2021 <i>AED'000</i>	2022 <i>AED'000</i>	2021 <i>AED'000</i>
Net profit for the period	35,792	17,819	119,064	44,741
Other comprehensive income / (loss)				
<i>Items that are or may be reclassified subsequently to the statement of income</i>				
Fair value through other comprehensive income (FVOCI):				
Net change in fair value during the period	(102,594)	(29,420)	(420,645)	(45,045)
Change in allowance for expected credit losses	(10)	332	5,973	4,645
Reclassified to the income statement	48,248	13,667	166,744	40,177
Other comprehensive loss for the period	(54,356)	(15,421)	(247,928)	(223)
Total comprehensive (loss)/ income for the period	(18,564)	2,398	(128,864)	44,518

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the nine months period ended 30 September 2022 (Unaudited)

	<i>Nine months period ended 30 September (unaudited)</i>	
	2022 AED'000	2021 AED'000
Operating activities		
Net profit for the period	119,064	44,741
Adjustments for:		
Depreciation	17,235	19,273
Gain on write off of property, equipment and capital work-in-progress	-	2,589
Gain on sale of property and equipment	-	(2,904)
Gain on sale of assets acquired in settlement of debt	(14,143)	(5,945)
Impairment on assets acquired in settlement of debt	11 2,286	3,562
Net credit impairment losses	11 45,683	107,928
Amortisation of premium paid on investments	7,414	10,637
Net fair value gain on disposal of investments and Islamic instruments	221	(40,796)
Unrealised loss on investments	-	341
Insurance proceeds	-	(167)
Operating cash flows before movements in working capital	<u>177,760</u>	<u>139,259</u>
Changes in operating assets and liabilities:		
Loans and advances and Islamic financing receivables	379,576	855,567
Balances with the UAE Central Bank maturing after three months	4,559	10,696
Cash margin held by counterparty banks against borrowings and derivative transactions	81,367	79,954
Other assets	(241,528)	(91,342)
Due to banks maturing after three months	(345,054)	327,851
Customer deposits and Islamic customer deposits	10 (1,165,469)	(918,505)
Other liabilities	246,054	(79,210)
Net cash generated (used in)/ from operating activities	<u>(862,735)</u>	<u>324,270</u>
Investing activities		
Purchase of property, equipment and capital work-in-progress	(11,215)	(9,039)
Purchase of investments	(531,563)	(1,260,973)
Proceeds from redemption / sale of investments	201,774	907,131
Proceeds from sale of property and equipment	-	7,500
Proceeds from sale of assets acquired in settlement of debt	71,525	24,107
Insurance proceeds	-	167
Net cash used in investing activities	<u>(269,479)</u>	<u>(331,107)</u>
Financing activities		
Financing activities	-	-
Net cash used in financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	<u>(1,132,214)</u>	<u>(6,837)</u>
Cash and cash equivalents as at 1 January	1,680,891	746,707
Cash and cash equivalents as at 30 September	<u><u>548,677</u></u>	<u><u>739,870</u></u>
Cash and cash equivalents comprise the following statement of financial position amounts with original maturities of three months or less:		
Cash and balances with UAE Central Bank	1,177,251	1,145,059
Due from other banks	138,351	184,896
Due to banks	(766,925)	(590,085)
	<u><u>548,677</u></u>	<u><u>739,870</u></u>

The notes on pages 8 to 25 form an integral part of the condensed interim financial information. The independent auditors' report on review of the Bank's condensed interim financial information is set out on page 2.

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months period ended 30 September 2022 (Unaudited)

	<i>Share capital AED'000</i>	<i>Special reserve AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Revaluation reserve AED'000</i>	<i>Cumulative Changes in fair value AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Total AED'000</i>
At 1 January 2022 (audited)	2,062,550	7,019	35,943	9,311	-	7,656	(610,587)	1,511,892
Net profit for the period	-	-	-	-	-	-	119,064	119,064
Other comprehensive loss for the period	-	-	-	-	-	(247,928)	-	(247,928)
Total comprehensive loss for the period	-	-	-	-	-	(247,928)	119,064	(128,864)
At 30 September 2022 (unaudited)	2,062,550	7,019	35,943	9,311	-	(240,272)	(491,523)	1,383,028
At 1 January 2021 (audited)	2,062,550	-	28,924	9,311	517	20,498	(667,257)	1,454,543
Net profit for the period	-	-	-	-	-	-	44,741	44,741
Other comprehensive loss for the period	-	-	-	-	-	(223)	-	(223)
Total comprehensive income for the period	-	-	-	-	-	(223)	44,741	44,518
Depreciation transfer for land and buildings	-	-	-	-	(6)	-	6	-
Revaluation transfer upon sale of building	-	-	-	-	(511)	-	511	-
At 30 September 2021 (unaudited)	2,062,550	-	28,924	9,311	-	20,275	(621,999)	1,499,061

The notes on pages 8 to 25 form an integral part of the condensed interim financial information.

The independent auditors' report on review of the Bank's condensed interim financial information is set out on page 2.

1 LEGAL STATUS AND ACTIVITIES

United Arab Bank P.J.S.C. (the “Bank”) was incorporated in 1975 as a Private Joint Stock Company in the Emirate of Sharjah. The legal form of the Bank was converted to a public company with limited liability in 1982 by a decree of His Highness the Ruler of Sharjah and has been registered as a Public Joint Stock Company under the UAE Commercial Companies Law No. (8) of 1984 (as amended). The Bank’s registered office is located in the Emirate of Sharjah, United Arab Emirates. The address of the registered office is PO Box 25022, Sharjah, United Arab Emirates.

The Bank carries out the business of commercial banking through its offices and branches in the United Arab Emirates. The Bank also carries out Islamic banking operations through Islamic banking windows at selected branches.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and applicable requirements of laws of the United Arab Emirates. Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 20 September 2021 and the amendments came into effect on 2 January 2022. The Bank is in the process of reviewing the new provisions and will ensure compliance with the applicable amendments.

2 CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

2.1 Changes in accounting policies

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

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

The Bank has consistently applied the accounting policies as applied in the annual financial statements for the year ended 31 December 2021, except for effect of the Inter Bank Offer Rate (“IBOR”) transition as mentioned below. The Bank’s financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2021.

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

Description	Effective from
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).	1 January 2022

Standard Issued but not yet Effective

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

Interest Rate Benchmark Reform - Phase 2 amendments

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

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

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

2.1 Changes in accounting policies (continued)

Interest Rate Benchmark Reform - Phase 2 amendments (continued)

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

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 Bank's financial year beginning on 1 January 2022 that would be expected to have a material impact on the Bank's financial statements.

2.2 Key accounting estimates and judgments

The preparation of the condensed 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 this condensed interim financial information, significant judgments made by management in applying the Bank's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited financial statements as at and for the year ended 31 December 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The condensed interim financial information of the Bank has been prepared in accordance with the International Financial Reporting Standards ("IFRS"), International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by International Accounting Standard Board (IASB).

The accounting policies applied by the Bank in the preparation of the condensed interim financial information are consistent with those applied by the Bank in the annual financial statements for the year ended 31 December 2021, except for changes in accounting policies explained in Note 2.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Bank's audited financial statements as at and for the year ended 31 December 2021. In addition, results for the nine months period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the full financial year ending 31 December 2022.

In preparing this condensed interim financial information, significant judgments made by the management in applying the Bank's accounting policies and the key sources of estimation were the same as those that were applied to the financial statements as at and for the year ended 31 December 2021 as explained in Note 2.2.

4 EARNINGS PER SHARE

Basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	<i>Unaudited nine months period ended 30 September</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Net profit for the period	119,064	44,741
<i>Weighted average number of ordinary shares:</i> Weighted average number of shares of AED 1 each outstanding for the period	2,062,550,649	2,062,550,649
Basic earnings per share	AED 0.06	AED 0.02

The figures for diluted earnings per share are the same as basic earnings per share as the Bank has not issued any instruments which would have an impact on earnings per share if or when exercised.

5 CASH AND BALANCES WITH THE UAE CENTRAL BANK

	<i>Unaudited 30 September 2022 AED'000</i>	<i>Audited 31 December 2021 AED'000</i>
Cash on hand	38,314	56,424
Balances with UAE Central Bank:		
- Statutory and other deposits with UAE Central Bank*	301,221	653,141
- Overnight deposit facility	1,100,000	1,300,000
	1,439,535	2,009,565

* includes statutory reserve requirement of AED 262,284 thousand (31 December 2021: AED 266,843 thousand)

6 DUE FROM OTHER BANKS

	<i>Unaudited 30 September 2022 AED'000</i>	<i>Audited 31 December 2021 AED'000</i>
Demand deposits	176,762	228,735
Term deposits	-	150,000
	176,762	378,735

The Bank holds a stage 1 expected credit loss allowance of AED 29 thousand (31 December 2021: AED 134 thousand) on its due from other banks.

Due from other banks include AED 145,996 thousand (31 December 2021: AED 137,268 thousand) placed with foreign banks outside the UAE. AED 38,411 thousand (31 December 2021: AED 119,778 thousand) is held as margin for derivative transactions.

6 DUE FROM OTHER BANKS (continued)

Grading of gross balances of due from other banks along with stages

	<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>
High	108,604	-	-	108,604
Standard	68,158	-	-	68,158
As at 30 September 2022 (unaudited)	176,762	-	-	176,762
	<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>
High	180,915	-	-	180,915
Standard	197,820	-	-	197,820
As at 31 December 2021 (audited)	378,735	-	-	378,735

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>Unaudited</i> <i>30 September</i> <i>2022</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED'000</i>
The composition of the loans and advances portfolio is as follows:		
Overdrafts	930,543	1,089,186
Term loans (medium and short term)*	6,964,443	7,176,977
Loans against trust receipts	487,313	505,367
Bills discounted	147,094	153,989
Other cash advances	28,892	42,785
Bills drawn under letters of credit	45,265	49,871
Gross amount of loans and advances and Islamic financing receivables	8,603,550	9,018,175
Less: Provision for impairment on loans and advances and Islamic financing receivables	(815,405)	(804,825)
Net loans and advances and Islamic financing receivables	7,788,145	8,213,350

* Includes retail loans of AED 1,450,412 thousand (31 December 2021: AED 1,680,393 thousand)

Islamic financing receivables amount to AED 473,161 thousand (31 December 2021: AED 454,646 thousand) recognized through the Bank's Shari'a – compliant Islamic window.

At 30 September 2022, the gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 981,111 thousand (31 December 2021: AED 1,138,023).

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Grading of gross balances of loans and advances and Islamic financing receivables along with stages

	<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>
High	11,559	-	-	11,559
Standard	6,876,506	413,690	-	7,290,196
Watchlist	-	320,684	-	320,684
Default	-	-	981,111	981,111
Total gross carrying amount	6,888,065	734,374	981,111	8,603,550
Expected credit loss	(83,811)	(198,331)	(533,263)	(815,405)
As at 30 September 2022 (unaudited)	6,804,254	536,043	447,848	7,788,145
	<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>
High	13,164	-	-	13,164
Standard	7,250,111	492,037	-	7,742,148
Watchlist	-	124,840	-	124,840
Default	-	-	1,138,023	1,138,023
Total gross carrying amount	7,263,275	616,877	1,138,023	9,018,175
Expected credit loss	(85,063)	(175,107)	(544,655)	(804,825)
As at 31 December 2021 (audited)	7,178,212	441,770	593,368	8,213,350

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	7,263,275	616,877	1,138,023	9,018,175
Net of new assets originated and assets repaid	(346,342)	45,767	(34,747)	(335,322)
Write-offs	-	-	(79,303)	(79,303)
Transferred from Stage 1	(71,867)	66,590	5,277	-
Transferred from Stage 2	42,999	(64,739)	21,740	-
Transferred from Stage 3	-	69,879	(69,879)	-
As at 30 September 2022	6,888,065	734,374	981,111	8,603,550
	<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	7,468,058	1,523,926	1,677,199	10,669,183
Net of new assets originated and assets repaid	(193,816)	(243,833)	(201,500)	(639,149)
Write-offs	-	-	(1,011,859)	(1,011,859)
Transferred from Stage 1	(326,591)	291,710	34,881	-
Transferred from Stage 2	315,624	(954,926)	639,302	-
Transferred from Stage 3	-	-	-	-
As at 31 December 2021	7,263,275	616,877	1,138,023	9,018,175

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Movement in provision for impairment of loans and advances:

	<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>
Balance as at 31 December 2021	85,063	175,107	544,655	804,825
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred to 12 month ECL	495	(495)	-	-
Transferred to lifetime ECL not credit impaired	(19,138)	19,138	-	-
Transferred to lifetime ECL credit-impaired	(175)	(5,394)	5,569	-
Transferred from lifetime ECL credit-impaired	-	11,178	(11,178)	-
Transferred from lifetime ECL credit-impaired on commitments and contingent liabilities	-	-	50	50
Charge to income statement	17,566	(1,203)	52,389	68,752
Write-offs	-	-	(58,222)	(58,222)
As at 30 September 2022 (unaudited)	83,811	198,331	533,263	815,405
	<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>
Balance as at 31 December 2020	87,398	294,841	1,273,305	1,655,544
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred to 12 month ECL	2,907	(2,907)	-	-
Transferred to lifetime ECL not credit impaired	(26,076)	26,076	-	-
Transferred to lifetime ECL credit-impaired	-	(204,477)	204,477	-
Transferred to lifetime ECL credit-impaired on commitments and contingent liabilities	-	-	10,960	10,960
Charge to income statement	20,834	61,574	67,772	150,180
Write-offs	-	-	(1,011,859)	(1,011,859)
As at 31 December 2021 (audited)	85,063	175,107	544,655	804,825

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At 30 September 2022 (Unaudited)

8 INVESTMENTS AND ISLAMIC INSTRUMENTS

	<i>Unaudited</i> 30 September 2022			<i>Audited</i> 31 December 2021		
	<i>Quoted</i> AED'000	<i>Unquoted</i> AED'000	<i>Total</i> AED'000	<i>Quoted</i> AED'000	<i>Unquoted</i> AED'000	<i>Total</i> AED'000
Debt:						
<i>FVOCI</i>						
Local	1,881,584	-	1,881,584	2,314,568	-	2,314,568
Overseas	1,040,206	-	1,040,206	1,106,020	-	1,106,020
<i>Amortised cost</i>						
Local	266,744	-	266,744	-	-	-
Overseas	248,278	-	248,278	111,176	-	111,176
Total debt securities	3,436,812	-	3,436,812	3,531,764	-	3,531,764
Equity:						
<i>FVOCI</i>						
Local	-	467	467	-	467	467
Overseas	90	76	166	152	76	228
Total equities	90	543	633	152	543	695
Total investments	3,436,902	543	3,437,445	3,531,916	543	3,532,459
Expected credit loss			(2,242)			(2,242)
Net investments			3,435,203			3,530,217

Included in the above are investment securities amounting to AED 733,518 thousand (31 December 2021: AED 816,437 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 8,067 thousand (31 December 2021: AED 3,155 thousand) on these investment securities secured under repurchase agreements.

Grading of gross balances of investment securities (FVOCI and Amortised Cost) along with stages:

	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
High	1,691,917	-	-	1,691,917
Standard	1,744,895	-	-	1,744,895
Total gross carrying amount	3,436,812	-	-	3,436,812
Expected credit loss	(31,502)	-	-	(31,502)
As at 30 September 2022 (unaudited)	3,405,310	-	-	3,405,310
	<i>Stage 1</i> AED'000	<i>Stage 2</i> AED'000	<i>Stage 3</i> AED'000	<i>Total</i> AED'000
High	1,703,378	-	-	1,703,378
Standard	1,828,386	-	-	1,828,386
Total gross carrying amount	3,531,764	-	-	3,531,764
Expected credit loss	(25,502)	-	-	(25,502)
As at 31 December 2021 (audited)	3,506,262	-	-	3,506,262

8 INVESTMENTS AND ISLAMIC INSTRUMENTS (continued)

Movement in the provision for impairment of investment securities (FVOCI and Amortised Cost):

	<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>
Balance as at 31 December 2021	25,502	-	-	25,502
Net charge to income statement	6,000	-	-	6,000
As at 30 September 2022 (unaudited)	31,502	-	-	31,502
	<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>
Balance as at 31 December 2020	19,758	-	-	19,758
Net release to income statement	5,744	-	-	5,744
As at 31 December 2021 (Audited)	25,502	-	-	25,502

9 DUE TO BANKS

	<i>Unaudited</i> <i>30 September</i> <i>2022</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED'000</i>
Demand deposits	25,436	5,525
Term deposits	2,486,635	2,405,463
	2,512,071	2,410,988

Term deposits include borrowings through repurchase agreements of AED 670,111 thousand (31 December 2021: AED 709,245 thousand).

Demand deposits include AED 21,815 thousand (31 December 2021: AED Nil) held as margin for derivative transactions.

10 CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	<i>Unaudited</i> <i>30 September</i> <i>2022</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED'000</i>
Term deposits	6,416,909	7,304,064
Current accounts	2,643,603	2,819,597
Call and savings accounts	180,444	282,764
	9,240,956	10,406,425

Customer's deposits include Islamic customer deposits amounting to AED 1,816,100 thousand (31 December 2021: AED 2,299,713 thousand) undertaken through the Bank's Shari'a – compliant Islamic window.

11 NET IMPAIRMENT LOSS

Provision for losses recognized in the condensed statement of income is as follows:

	<i>Nine months period ended 30 September (Unaudited)</i>	
	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables	68,989	136,019
Contingent liabilities	1,588	(18,139)
Due from other banks	(105)	17
Investments and Islamic instruments	6,000	6,903
Principal waivers on loans and advances and Islamic financing receivables	-	(20)
Recovery on bad debts written-off	(30,789)	(16,852)
Net impairment of non-financial assets	2,286	3,562
Net impairment loss	47,969	111,490

12 COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities represent credit related commitments under letters of credit and guarantees that are designed to meet the requirements of the Bank's customers towards third parties. Commitments represent credit facilities that are undrawn as on the date of the interim statement of financial position. The Bank has the following gross credit related commitments:

	<i>Unaudited 30 September 2022 AED'000</i>	<i>Audited 31 December 2021 AED'000</i>
<i>Contingent liabilities</i>		
Letters of credit	298,864	278,000
Guarantees	2,401,123	2,386,034
	2,699,987	2,664,034
<i>Commitments</i>		
Undrawn loan commitments	2,280,874	2,286,975

The undrawn loan commitments of the Bank are all revocable and are not considered for ECL computation.

12 COMMITMENTS AND CONTINGENT LIABILITIES (continued)
Grading of gross balances of contingent liabilities along with stages

	<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>
High	4,307	-	-	4,307
Standard	2,248,152	205,370	-	2,453,522
Watchlist	-	101,102	-	101,102
Default	-	-	141,056	141,056
Total gross carrying amount	<u>2,252,459</u>	<u>306,472</u>	<u>141,056</u>	<u>2,699,987</u>
Expected credit loss	<u>(9,717)</u>	<u>(46,228)</u>	<u>(46,175)</u>	<u>(102,120)</u>
As at 30 September 2022 (unaudited)	<u>2,242,742</u>	<u>260,244</u>	<u>94,881</u>	<u>2,597,867</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>
High	4,947	-	-	4,947
Standard	2,086,697	310,828	-	2,397,525
Watchlist	-	53,351	-	53,351
Default	-	-	208,211	208,211
Total gross carrying amount	<u>2,091,644</u>	<u>364,179</u>	<u>208,211</u>	<u>2,664,034</u>
Expected credit loss	<u>(8,990)</u>	<u>(44,510)</u>	<u>(47,032)</u>	<u>(100,532)</u>
As at 31 December 2021 (audited)	<u>2,082,654</u>	<u>319,669</u>	<u>161,179</u>	<u>2,563,502</u>

Movement in the gross balance of contingent liabilities

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Gross carrying amount				
As at 31 December 2021	2,091,644	364,178	208,212	2,664,034
<i>Changes due to financial assets recognized in the opening balance that have:</i>				
Transferred from Stage 1	(109,779)	109,779	-	-
Transferred from Stage 2	151,126	(151,126)	-	-
Transferred from Stage 3	-	(3,307)	3,307	-
Originated / (expired) during the year	119,468	(13,052)	(70,463)	35,953
As at 30 September 2022	<u>2,252,459</u>	<u>306,472</u>	<u>141,056</u>	<u>2,699,987</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>
Gross carrying amount				
As at 31 December 2020	1,860,322	791,621	91,262	2,743,205
<i>Changes due to financial assets recognized in the opening balance that have:</i>				
Transferred from Stage 1	(58,986)	58,986	-	-
Transferred from Stage 2	160,523	(160,523)	-	-
Originated / (expired) during the year	-	(125,109)	125,109	-
As at 31 December 2021	<u>2,091,644</u>	<u>364,178</u>	<u>208,212</u>	<u>2,664,034</u>

12 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>
Balance as at 31 December 2021	8,990	44,510	47,032	100,532
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred from Stage 1	(15,423)	15,423	-	-
Transferred from Stage 2	2,170	(2,170)	-	-
Transferred from Stage 3	-	799	(799)	-
Charge to income statement	13,980	(12,334)	(58)	1,588
As at 30 September 2022 (unaudited)	9,717	46,228	46,175	102,120
	<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>
Balance as at 31 December 2020	18,255	56,710	37,397	112,362
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred from Stage 1	(7,247)	7,247	-	-
Transferred from Stage 2	1,838	(1,838)	-	-
Transferred from Stage 3	-	(1,860)	1,860	-
Charge to income statement	-	(7,997)	(2,963)	(10,960)
Changes in estimate	(3,856)	(7,752)	10,738	(870)
As at 31 December 2021 (audited)	8,990	44,510	47,032	100,532

13 DIVIDENDS

At the virtual Annual General Meeting of the shareholders held on 14 April 2022, no cash or scrip dividend was proposed or subsequently approved for the year ended 31 December 2021 (31 December 2020: Nil).

14 SEGMENTAL INFORMATION

For the purposes of reporting to the chief operating decision makers, the Bank is organised into two segments:

- Wholesale banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers. This segment also includes Financial Markets which is principally involved in providing money market, trading and treasury services, as well as the management of the Bank's funding operations
- Retail banking - principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit card facilities and funds transfer facilities as well as Islamic banking services

Transactions between segments are conducted at estimated market rates on an arm's length basis. Interest is charged / credited to business segments based on a pool rate which approximates the marginal cost of funds.

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14 SEGMENTAL INFORMATION (continued)

Segmental information for the nine months period ended 30 September 2022 is as follows:

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	177,710	46,456	224,166
Other operating income	115,595	11,199	126,794
Operating expenses	(140,692)	(43,235)	(183,927)
Net impairment losses	(48,529)	560	(47,969)
Profit for the period	<u>104,084</u>	<u>14,980</u>	<u>119,064</u>
Capital expenditure - Property and equipment	<u>10,165</u>	<u>1,050</u>	<u>11,215</u>
At 30 September 2022			
Segment assets	<u>12,748,549</u>	<u>1,317,397</u>	<u>14,065,946</u>
Segment liabilities	<u>10,756,862</u>	<u>1,926,056</u>	<u>12,682,918</u>

Segmental information for the nine months period ended 30 September 2021 was as follows:

	<i>Wholesale banking AED'000</i>	<i>Retail banking AED'000</i>	<i>Total AED'000</i>
Net interest income and income from Islamic products net of distribution to depositors	159,389	55,618	215,007
Other operating income	109,090	12,453	121,543
Operating expenses	(133,452)	(46,867)	(180,319)
Net impairment losses	(85,558)	(25,932)	(111,490)
Profit for the period	<u>49,469</u>	<u>(4,728)</u>	<u>44,741</u>
Capital expenditure - Property and equipment	<u>7,944</u>	<u>1,095</u>	<u>9,039</u>
At 30 September 2021			
Segment assets	<u>12,538,257</u>	<u>1,728,442</u>	<u>14,266,699</u>
Segment liabilities	<u>10,948,387</u>	<u>1,819,251</u>	<u>12,767,638</u>

The Bank operates in only one geographic area, the Middle East. Accordingly, no further geographical analysis of operating income, net profit and net assets is given.

15 RELATED PARTY TRANSACTIONS

The Bank carries out transactions in the ordinary course of business with related parties, defined as shareholders who have a significant equity interest in the Bank, directors of the Bank, key management personnel of the Bank and companies over which such shareholders and directors exercise control or significant influence either directly or indirectly.

The significant balances outstanding are as follows:

	<i>Unaudited</i> 30 September 2022 <i>AED'000</i>	<i>Audited</i> 31 December 2021 <i>AED'000</i> <i>Restated</i>
<i>Shareholders:</i>		
Due from banks	116	94
Due to banks	3,165	3,454
Commitments and contingencies	4,570	4,000
<i>Directors:</i>		
Loans and advances	15,859	11,045
Customer deposits	14,572	7,151
Commitments and contingencies	45	45
<i>Other related entities of shareholders and directors:</i>		
Loans and advances	187,141	171,989
Due from banks	14	13
Due to other banks	273	273
Customer deposits	214,565	235,035
Commitments and contingencies	90,138	76,020
	<i>Unaudited</i> 30 September 2022 <i>AED'000</i>	<i>Audited</i> 31 December 2021 <i>AED'000</i>
<i>Key management personnel of the Bank:</i>		
Loans and advances	1,047	2,132
Customers' deposits	4,015	4,312
<i>Shareholders, directors, their related entities and key management personnel:</i>		
Accrued interest income	611	221
Accrued interest expense	1,327	899

15 RELATED PARTY TRANSACTIONS (continued)

The income, expenses, purchase and sale of investments in respect of related parties during the period included in the interim statement of income are as follows:

	<i>Unaudited nine months period ended 30 September</i>	
	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
<i>Shareholders, directors and their related entities</i>		
Interest income	9,279	7,762
Interest expense	2,011	486
Professional fees	2,402	1,775
Loss from sale of investments	-	(4,078)
Sale of investments	-	66,105
<i>Unaudited nine months period ended 30 September</i>		
	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
Number of key management personnel	14	13
<i>Unaudited nine months period ended 30 September</i>		
	<i>AED'000</i>	<i>AED'000</i>
Salaries and other short term benefits	12,040	13,458
Employees' end of service benefits	778	903
Total compensation to key management personnel	12,818	14,361
Interest income	17	56
Interest expense	4	-
<i>Unaudited nine months period ended 30 September</i>		
	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
Expected credit loss – release from / (charge) to income statement	927	(1,295)

Terms and conditions of transactions with related parties

The above mentioned outstanding balances and transactions arose from the ordinary course of business and have been conducted on an arm's length basis. The interest charged to and by related parties is at normal commercial rates. Outstanding balances at year end are unsecured.

The Bank has leased office space in various premises owned by a related party. The property leases and associated expenses for the nine months period ended 30 September 2022 amounted to AED 1,411 thousand (30 September 2021: AED 1,442 thousand). The property rentals are negotiated each year at market rates.

15 RELATED PARTY TRANSACTIONS (continued)
Movement in the gross balances of all related party loans and advances

	<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	123,811	61,355	-	185,166
Net of new assets originated and assets repaid	23,643	(4,762)	-	18,881
As at 30 September 2022	147,454	56,593	-	204,047

	<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	167,743	23,071	-	190,814
Net of new assets originated and assets repaid	(40,505)	40,505	-	-
Transferred from Stage 1	167,743	23,071	-	190,814
Transferred from Stage 2	(5,265)	(383)	-	(5,648)
Transferred from Stage 3	(40,505)	40,505	-	-
As at 31 December 2021	123,811	61,355	-	185,166

Movement in provision for impairment of related party loans and advances

	<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>
Balance as at 31 December 2021	1,795	3,600	-	5,395
Charge to income statement	(157)	(770)	-	(927)
As at 30 September 2022	1,638	2,830	-	4,468

	<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>
Balance as at 31 December 2020	2,118	1,854	-	3,972
<i>Changes due to provisions recognized in the opening balance that have:</i>				
Transferred to 12 month ECL	120	(120)	-	-
Charge to income statement	(443)	1,866	-	1,423
As at 31 December 2021	1,795	3,600	-	5,395

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 - other techniques for which all inputs have a significant effect on the recorded fair value that are observable, either directly or indirectly; and
- Level 3 - techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
30 September 2022				
Investments	2,921,880	-	543	2,922,423
Derivative assets	-	98,304	-	98,304
	<u>2,921,880</u>	<u>98,304</u>	<u>543</u>	<u>3,020,727</u>
Derivative liabilities	-	11,753	-	11,753
31 December 2021				
Investments	3,420,741	-	543	3,421,284
Derivative assets	-	16,054	-	16,054
	<u>3,420,741</u>	<u>16,054</u>	<u>543</u>	<u>3,437,338</u>
Derivative liabilities	-	116,664	-	116,664

Financial instruments not recorded at fair value

The fair values of financial instruments not recorded at fair value includes cash and balances with the UAE Central Bank, due from other banks, loans and advances, investments held at amortised cost, other assets (excluding derivative assets), due to banks, customer deposits and other liabilities (excluding derivative liabilities). Derivative assets and liabilities are categorised as level two based on market observable inputs. The fair value of financial instruments not recorded at fair value are not materially different to their carrying values.

The fair value of the quoted debt instruments at amortised cost as at 30 September 2022 amounted to AED 478,307 thousand (31 December 2021: AED 111,176 thousand). The fair value determination of the quoted debt instruments will fall under level 1 category wherein fair value is determined based on inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

17 DERIVATIVES
Derivatives held for risk management

The tables below show the fair values of derivative financial instruments held for trading purposes, recorded as assets and liabilities, together with their notional amounts.

30 September 2022

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amounts by term to maturity			
				Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
Forward contracts	6,407	(4,222)	2,144,576	1,124,099	1,020,477	-	-
Interest rate swaps	7,531	(7,531)	895,317	-	13,317	282,000	600,000
	13,938	(11,753)	3,039,893	1,124,099	1,033,794	282,000	600,000

31 December 2021

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amounts by term to maturity			
				Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
Forward contracts	10,600	(1,710)	2,170,134	758,524	907,270	504,340	-
Interest rate swaps	5,454	(5,455)	1,082,415	-	-	482,415	600,000
	16,054	(7,165)	3,252,549	758,524	907,270	986,755	600,000

As at 30 September 2022, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest rate risk:

	Positive fair value AED'000	Negative fair value AED'000	Notional amount AED'000	Notional amounts by term to maturity			
				Within 3 months AED'000	3-12 months AED'000	1-5 years AED'000	Over 5 years AED'000
30 September 2022							
Hedge of investments	84,365	-	1,789,598	-	127,893	1,132,091	529,614
31 December 2021							
Hedge of investments	-	(109,499)	1,989,166	-	146,900	1,180,635	661,631

The carrying amount of the hedged items are included in the line item 'Investments' on the statement of financial position with the notional amount totaling to AED 1,720,995 thousand (31 December 2021: AED 2,110,459 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

The Bank has recognized the following gains relating to hedge ineffectiveness calculated as follows:

	30 September 2022		30 September 2021	
	Change in value AED'000	Effectiveness recognised in profit and loss AED'000	Change in value AED'000	Effectiveness recognised in profit and loss AED'000
On hedging instruments	193,786	23,806	87,430	6,207
On hedged items	(169,980)		(81,223)	

18 CAPITAL ADEQUACY RATIO

	<i>Unaudited</i> 30 September 2022	<i>Audited</i> <i>31 December</i> 2021
Common equity tier 1 ratio	12.3%	12.6%
Tier 1 capital ratio	12.3%	12.6%
Capital adequacy ratio	13.5%	13.8%