

United Arab Bank P.J.S.C.

Review report and condensed interim financial statements

For the three months period ended 31 March 2022

United Arab Bank P.J.S.C.

**Review report and condensed interim financial statements
For the three months period ended 31 March 2022**

	Pages
Independent auditor's review report to the shareholders and directors	2
Interim statement of financial position	3
Interim statement of income	4
Interim statement of comprehensive income	5
Interim statement of cash flows	6
Interim statement of changes in equity	7
Notes to the condensed interim financial statements	8 - 28

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

Introduction

We have reviewed the accompanying interim condensed financial statements of United Arab Bank P.J.S.C. (the "Bank"), which comprise the interim statement of financial position as at 31 March 2022 and the related interim statements of income and comprehensive income, cash flows and changes in equity for the three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed 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

28 April 2022

Sharjah, United Arab Emirates

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION
For the three months period ended 31 March 2022 (Unaudited)

		<i>Unaudited</i> <i>31 March</i> <i>2022</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED'000</i>
	<i>Note</i>		
Assets			
Cash and balances with UAE Central Bank	5	1,130,467	2,009,565
Due from other banks	6	171,823	378,735
Loans and advances and Islamic financing receivables	7	7,884,358	8,213,350
Investments and Islamic instruments	8	3,808,224	3,530,217
Property, equipment and capital work-in-progress		304,170	303,271
Other assets		721,629	744,904
TOTAL ASSETS		14,020,671	15,180,042
Liabilities and shareholders' equity			
Liabilities			
Due to banks	9	1,582,195	2,410,988
Customer deposits and Islamic customer deposits	10	10,120,218	10,406,425
Other liabilities		817,677	850,737
Total liabilities		12,520,090	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
Revaluation reserve		-	-
Cumulative changes in fair value		(34,043)	7,656
Accumulated losses		(580,199)	(610,587)
Total shareholders' equity		1,500,581	1,511,892
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,020,671	15,180,042

This condensed interim financial information was approved by the Board of Directors on 28 April 2022 and signed on its behalf by:

Sheikh Faisal Bin Sultan Bin Salem Al Qassimi
Chairman

Alexander Thomas
Interim Chief Executive Officer

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF INCOME

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
Interest income		107,589	114,822
Income from Islamic financing products		5,961	6,548
Total interest income and income from Islamic financing products		113,550	121,370
Interest expense		(38,209)	(41,950)
Distribution to depositors – Islamic products		(8,462)	(15,286)
Total interest expense and distribution to depositors		(46,671)	(57,236)
Net interest income and income from Islamic products net of distribution to depositors		66,879	64,134
Net fees and commission income		12,494	11,549
Foreign exchange income		4,616	4,312
Other operating income		32,863	52,324
Total operating income		116,852	132,319
Employee benefit expenses		(33,906)	(35,328)
Depreciation		(5,348)	(6,811)
Other operating expenses		(19,227)	(17,503)
Total operating expenses		(58,481)	(59,642)
Profit before impairment loss		58,371	72,677
Net impairment losses	11	(27,983)	(62,477)
Net profit for the period		30,388	10,200
Earnings per share (basic and diluted in AED)	4	0.02	0.01

United Arab Bank P.J.S.C.

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 AED'000</i>	<i>2021 AED'000</i>
Net profit for the period	30,388	10,200
Other comprehensive 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	(133,084)	(55,631)
Change in allowance for expected credit losses	5,996	4,246
Reclassified to the income statement	85,389	21,639
Other comprehensive loss for the period	(41,699)	(29,746)
Total comprehensive loss for the period	(11,311)	(19,546)

United Arab Bank P.J.S.C.

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 <i>AED'000</i>	2021 <i>AED'000</i>
Operating activities			
	Net profit for the period	30,388	10,200
	Adjustments for:		
	Depreciation	5,348	6,811
	Gain on sale of property and equipment	-	(2,904)
	Gain on sale of assets acquired in settlement of debt	(13,356)	(846)
	Net impairment losses	27,983	62,477
	Amortisation of premium paid on investments	3,088	3,729
	Net fair value loss / (gain) on disposal of investments and Islamic instruments	75	(42,000)
	Unrealised loss on investments	-	24
	Operating cash flows before movements in working capital	53,526	37,491
	Changes in operating assets and liabilities:		
	Loans and advances and Islamic financing receivables	301,707	430,784
	Balances with the UAE Central Bank maturing after three months	(15,341)	4,072
	Cash margin held by counterparty banks against borrowings and derivative transactions	88,885	56,648
	Other assets	(34,590)	(13,434)
	Due to banks maturing after three months	(1,118,611)	(230,835)
	Customer deposits and Islamic customer deposits	(286,207)	(407,995)
	Other liabilities	52,263	(57,426)
	Net cash used in operating activities	(958,368)	(180,695)
	Investing activities		
	Purchase of property, equipment and capital work-in-progress	(5,026)	(3,243)
	Purchase of investments	(479,246)	(749,721)
	Proceeds from redemption / sale of investments	70,356	676,630
	Proceeds from sale of property and equipment	-	7,500
	Proceeds from sale of assets acquired in settlement of debt	70,000	2,947
	Net cash generated used in investing activities	(343,916)	(65,887)
	Financing activities		
	Cash flows from financing activity	-	-
	Net cash used in financing activities	-	-
	Net decrease in cash and cash equivalents	(1,302,284)	(246,582)
	Cash and cash equivalents at 1 January	1,680,891	746,707
	Cash and cash equivalents at 31 March	378,607	500,125
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	848,283	913,639
	Due from other banks	140,930	405,989
	Due to banks	(610,606)	(819,503)
		378,607	500,125

United Arab Bank P.J.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 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
Profit for the period	-	-	-	-	-	-	30,388	30,388
Other comprehensive loss for the period	-	-	-	-	-	(41,699)	-	(41,699)
Total comprehensive income / (loss) for the period	-	-	-	-	-	(41,699)	30,388	(11,311)
At 31 March 2022 (unaudited)	2,062,550	7,019	35,943	9,311	-	(34,043)	(580,199)	1,500,581
At 1 January 2021 (audited)	2,062,550	-	28,924	9,311	517	20,498	(667,257)	1,454,543
Profit for the period	-	-	-	-	-	-	10,200	10,200
Other comprehensive loss for the period	-	-	-	-	-	(29,746)	-	(29,746)
Total comprehensive income / (loss) for the period	-	-	-	-	-	(29,746)	10,200	(19,546)
Depreciation transfer for land and buildings	-	-	-	-	(6)	-	6	-
Revaluation transfer upon sale of building	-	-	-	-	(511)	-	511	-
At 31 March 2021 (unaudited)	2,062,550	-	28,924	9,311	-	(9,248)	(656,540)	1,434,997

The notes on pages 8 to 28 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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 information 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

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 financial statements of the Bank 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 financial statements of the Bank 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.

2.1 Changes in accounting policies

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for de-recognition 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

These amendments had no impact on the interim condensed financial statements of the Bank as there were no modifications of the Bank'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 Bank's interim condensed financial statements are disclosed below. The Bank 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 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 statements 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 2.1.

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 three months period ended 31 March 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.

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

3.2 Significant accounting policies

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

4 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculations are as follows:

	<i>Unaudited three months period ended 31 March</i>	
	2022	2021
	AED '000	AED '000
Net profit for the period	30,388	10,200
<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 0.02	AED 0.01

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

5 CASH AND BALANCES WITH THE UAE CENTRAL BANK

	<i>Unaudited 31 March 2022 AED'000</i>	<i>Audited 31 December 2021 AED'000</i>
Cash on hand	46,655	56,424
Balances with UAE Central Bank		
- Statutory and other deposits with UAE Central Bank*	333,812	653,141
- Overnight Deposit Facility	750,000	1,300,000
	1,130,467	2,009,565

* includes statutory reserve requirement of AED 282,184 thousand (31 December 2021: AED 266,843 thousand)

The reserve requirements which are kept with the UAE Central Bank is not available to finance the day to day operations of the Bank. The UAE Central Bank balances are high grade in nature.

6 DUE FROM OTHER BANKS

	<i>Unaudited 31 March 2022 AED'000</i>	<i>Audited 31 December 2021 AED'000</i>
Demand deposits	171,823	228,735
Term deposits	-	150,000
	171,823	378,735

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

6 DUE FROM OTHER BANKS (continued)

The Bank holds a stage 1 expected credit loss allowance of AED 68 thousand (31 December 2021: AED 134 thousand) on its due from other banks.

Due from other banks includes AED 151,528 thousand (31 December 2021: AED 137,268 thousand) placed with foreign banks outside the UAE. AED 30,893 thousand (31 December 2021: AED 119,778 thousand) is held with other banks as margin for derivative transactions.

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES

	<i>Unaudited</i> <i>31 March</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	1,012,610	1,089,186
Term loans (medium and short term)*	6,920,536	7,176,977
Loans against trust receipts	539,648	505,367
Bills discounted	118,810	153,989
Other cash advances	31,371	42,785
Bills drawn under letters of credit	47,890	49,871
	<hr/>	<hr/>
Gross amount of loans and advances and Islamic financing receivables	8,670,865	9,018,175
Less: Provision for impairment on loans and advances and Islamic financing receivables	(786,507)	(804,825)
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Net loans and advances and Islamic financing receivables	7,884,358	8,213,350
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* Includes retail loans of AED 1,595,294 thousand (31 December 2021: AED 1,680,393 thousand)

Islamic financing gross receivables amount to AED 472,383 thousand (31 December 2021: AED 454,646 thousand) recognized through the Bank's Shari'a - compliant Islamic window.

At 31 March 2022, the gross amount of loans and advances and Islamic financing receivables, individually determined to be impaired, before deducting any individually assessed impairment allowance amounted to AED 1,073,742 thousand (31 December 2021: AED 1,138,023 thousand).

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

7 LOANS AND ADVANCES AND ISLAMIC FINANCING RECEIVABLES (continued)

Grading of gross balances of loans and advances 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	9,714	-	-	9,714
Standard	6,950,501	394,923	-	7,345,424
Watchlist	-	241,985	-	241,985
Default	-	-	1,073,742	1,073,742
Total gross carrying amount	6,960,215	636,908	1,073,742	8,670,865
Expected credit loss	(80,014)	(199,359)	(507,134)	(786,507)
As at 31 March 2022 (unaudited)	6,880,201	437,549	566,608	7,884,358
	<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)	(175,053)	(544,709)	(804,825)
As at 31 December 2021 (audited)	7,178,212	441,824	593,314	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	(253,340)	(18,713)	(5,921)	(277,974)
Write-offs	-	-	(69,336)	(69,336)
Transferred from Stage 1	(55,694)	54,824	870	-
Transferred from Stage 2	5,974	(16,080)	10,106	-
Transferred from Stage 3	-	-	-	-
As at 31 March 2022	6,960,215	636,908	1,073,742	8,670,865
	<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

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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
Charge to income statement	5,325	14,959	30,684	50,968
Write-offs	-	-	(69,336)	(69,336)
Transferred to 12 month ECL	427	(427)	-	-
Transferred to lifetime ECL not credit impaired	(10,801)	10,801	-	-
Transferred to lifetime ECL credit-impaired	-	(1,081)	1,081	-
Transferred from lifetime ECL credit impaired on commitments and contingent liabilities			50	50
As at 31 March 2022 (unaudited)	80,014	199,359	507,134	786,507

	<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
Charge to income statement	20,834	61,574	67,772	150,180
Write-offs	-	-	(1,011,859)	(1,011,859)
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
As at 31 December 2021 (audited)	85,063	175,107	544,655	804,825

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

8 INVESTMENTS AND ISLAMIC INSTRUMENTS

	<i>Unaudited</i> 31 March 2022			<i>Audited</i> 31 December 2021		
	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Quoted</i> <i>AED'000</i>	<i>Unquoted</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Debt:						
FVOCI						
Local	2,146,403	-	2,146,403	2,314,568	-	2,314,568
Overseas	1,069,719	-	1,069,719	1,106,020	-	1,106,020
Amortised cost						
Local	398,922	-	398,922	-	-	-
Overseas	194,757	-	194,757	111,176	-	111,176
Total debt securities	3,809,801	-	3,809,801	3,531,764	-	3,531,764
Equity:						
FVOCI						
Local	-	467	467	-	467	467
Overseas	122	76	198	152	76	228
Total equities	122	543	665	152	543	695
Total investments	3,809,923	543	3,810,466	3,531,916	543	3,532,459
Expected credit loss			(2,242)			(2,242)
Net investments			3,808,224			3,530,217

The Bank holds a stage 1 ECL allowance on its investment securities classified under FVOCI amounting to AED 29,260 thousand as at 31 March 2022 (31 December 2021: AED 23,260 thousand).

Included in the above are investment securities amounting to AED 388,702 thousand (31 December 2021: AED 816,437 thousand) secured under repurchase agreement with the lenders. The Banks holds an ECL allowance of AED 1,676 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> <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	1,958,775	-	-	1,958,775
Standard	1,851,026	-	-	1,851,026
Total gross carrying amount	3,809,801	-	-	3,809,801
Expected credit loss	(31,502)	-	-	(31,502)
As at 31 March 2022 (unaudited)	3,778,299	-	-	3,778,299

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

8 INVESTMENTS AND ISLAMIC INSTRUMENTS (continued)

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

	<i>Stage 1</i> <i>AED'000</i>	<i>Stage 2</i> <i>AED'000</i>	<i>Stage 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
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)	<u>3,506,262</u>	<u>-</u>	<u>-</u>	<u>3,506,262</u>

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 31 March 2022 (unaudited)	<u>31,502</u>	<u>-</u>	<u>-</u>	<u>31,502</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>
Balance as at 31 December 2020	19,758	-	-	19,758
Net charge to income statement	5,744	-	-	5,744
As at 31 December 2021 (Audited)	<u>25,502</u>	<u>-</u>	<u>-</u>	<u>25,502</u>

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

9 DUE TO BANKS

	<i>Unaudited</i> 31 March 2022 <i>AED'000</i>	<i>Audited</i> 31 December 2021 <i>AED'000</i>
Demand deposits	6,631	5,525
Term deposits	1,575,564	2,405,463
	1,582,195	2,410,988

Term deposits include borrowings through repurchase agreements of AED 356,111 thousand (31 December 2021: AED 709,245 thousand).

10 CUSTOMER DEPOSITS AND ISLAMIC CUSTOMER DEPOSITS

	<i>Unaudited</i> 31 March 2022 <i>AED'000</i>	<i>Audited</i> 31 December 2021 <i>AED'000</i>
Term deposits	7,086,204	7,304,064
Current accounts	2,826,161	2,819,597
Call and savings accounts	207,853	282,764
	10,120,218	10,406,425

Customer' deposits include Islamic customer deposits amounting to AED 2,401,527 thousand (31 December 2021: AED 2,299,713 thousand) undertaken through the Bank's Shari'a - compliant Islamic window.

11 NET IMPAIRMENT LOSSES

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

	<i>Three months period ended</i> 31 March (Unaudited)	
	2022 <i>AED'000</i>	2021 <i>AED'000</i>
Net impairment of financial assets on:		
Loans and advances and Islamic financing receivables	43,722	85,120
Contingent liabilities	16	(23,438)
Due from other banks	(66)	(28)
Investments and Islamic instruments	6,000	4,923
Principal waivers on loans and advances and Islamic financing receivables	-	(2)
Recovery on bad debts written-off	(21,689)	(4,098)
Net impairment losses	27,983	62,477

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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</i> 31 March 2022 <i>AED'000</i>	<i>Audited</i> <i>31 December</i> 2021 <i>AED'000</i>
<i>Contingent liabilities</i>		
Letters of credit	293,742	278,000
Guarantees	2,460,373	2,386,034
	<u>2,754,115</u>	<u>2,664,034</u>
<i>Commitments</i>		
Undrawn loan commitments	2,404,869	2,286,975
	<u>2,404,869</u>	<u>2,286,975</u>

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

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	2,285,303	185,481	-	2,470,784
Watchlist	-	111,883	-	111,883
Default	-	-	167,141	167,141
	<u>2,289,610</u>	<u>297,364</u>	<u>167,141</u>	<u>2,754,115</u>
Total gross carrying amount	2,289,610	297,364	167,141	2,754,115
Expected credit loss	(10,291)	(44,023)	(46,235)	(100,549)
	<u>2,279,319</u>	<u>253,341</u>	<u>120,906</u>	<u>2,653,566</u>
As at 31 March 2022 (unaudited)	<u>2,279,319</u>	<u>253,341</u>	<u>120,906</u>	<u>2,653,566</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
	<u>2,091,644</u>	<u>364,179</u>	<u>208,211</u>	<u>2,664,034</u>
Total gross carrying amount	2,091,644	364,179	208,211	2,664,034
Expected credit loss	(9,059)	(31,855)	(47,033)	(87,947)
	<u>2,082,585</u>	<u>332,324</u>	<u>161,178</u>	<u>2,576,087</u>
As at 31 December 2021 (audited)	<u>2,082,585</u>	<u>332,324</u>	<u>161,178</u>	<u>2,576,087</u>

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

12 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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	(50,424)	50,424	-	-
Transferred from Stage 2	123,060	(123,060)	-	-
Transferred from Stage 3	-	1,768	(1,768)	-
Originated / (expired) during the year	125,330	4,054	(39,303)	90,081
As at 31 March 2022	2,289,610	297,364	167,141	2,754,115
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)	-	-
Transferred from Stage 3	-	(125,109)	125,109	-
Originated / (expired) during the year	129,785	(200,797)	(8,159)	(79,171)
As at 31 December 2021	2,091,644	364,178	208,212	2,664,034

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
Changes due to provisions recognized in the opening balance that have:				
Transferred from Stage 1	(9,879)	9,879	-	-
Transferred from Stage 2	3,430	(3,430)	-	-
Transferred from Stage 3	-	798	(798)	-
Charge to income statement	7,750	(7,734)	-	16
As at 31 March 2022 (unaudited)	10,291	44,023	46,234	100,549

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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 2020	18,255	56,710	37,397	112,362
Changes due to provisions recognized in the opening balance that have:				
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)	<u>8,990</u>	<u>44,510</u>	<u>47,032</u>	<u>100,532</u>

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).

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

14 SEGMENTAL INFORMATION

For the purposes of reporting to the chief operating decision makers, the Bank is organized 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.

Segmental information for the three months period ended 31 March 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	49,540	17,339	66,879
Other operating income	46,321	3,653	49,974
Operating expenses	(44,156)	(14,326)	(58,482)
Net impairment losses	(27,741)	(242)	(27,983)
Profit for the period	<u>23,964</u>	<u>6,424</u>	<u>30,388</u>
Capital expenditure - Property and equipment	<u>4,492</u>	<u>534</u>	<u>5,026</u>
At 31 March 2022			
Segment assets	<u>12,531,441</u>	<u>1,489,230</u>	<u>14,020,671</u>
Segment liabilities	<u>10,720,122</u>	<u>1,799,968</u>	<u>12,520,090</u>

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

14 SEGMENTAL INFORMATION (continued)

Segmental information for the three months period ended 31 March 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	44,580	19,554	64,134
Other operating income	61,752	6,433	68,185
Operating expenses	(44,302)	(15,340)	(59,642)
Net impairment losses	(42,497)	(19,980)	(62,477)
Profit for the period	<u>19,533</u>	<u>(9,333)</u>	<u>10,200</u>
Capital expenditure - Property and equipment	<u>2,783</u>	<u>460</u>	<u>3,243</u>
At 31 March 2021			
Segment assets	<u>12,375,240</u>	<u>2,043,745</u>	<u>14,418,985</u>
Segment liabilities	<u>10,690,927</u>	<u>2,293,061</u>	<u>12,983,988</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.

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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> <i>31 March</i> <i>2022</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2021</i> <i>AED'000</i>
<i><u>Shareholders:</u></i>		
Due from banks	<u>145</u>	<u>94</u>
Due to banks	<u>3,216</u>	<u>3,454</u>
Commitments and contingencies	<u>4,000</u>	<u>4,000</u>
<i><u>Directors:</u></i>		
Loans and advances	<u>21,653</u>	<u>11,045</u>
Customer deposits	<u>6,012</u>	<u>7,151</u>
Commitments and contingencies	<u>45</u>	<u>45</u>
<i><u>Other related entities of shareholders and directors:</u></i>		
Loans and advances	<u>190,615</u>	<u>171,989</u>
Due from banks	<u>26</u>	<u>13</u>
Due to other banks	<u>273</u>	<u>273</u>
Customer deposits	<u>223,243</u>	<u>235,035</u>
Commitments and contingencies	<u>77,186</u>	<u>76,020</u>

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

15 RELATED PARTY TRANSACTIONS (continued)

	<i>Unaudited</i> 31 March 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	3,509	2,132
Customers' deposits	4,513	4,312
<i>Shareholders, directors, their related entities and key management personnel:</i>		
Accrued interest income	252	221
Accrued interest expense	919	899

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 three months</i> period ended 31 March	
	2022 <i>AED'000</i>	2021 <i>AED'000</i>
<i>Shareholders, directors and their related entities</i>		
Interest income	2,292	3,304
Interest expense	336	362
Professional fees	792	-

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

15 RELATED PARTY TRANSACTIONS (continued)

Key management personnel

	<i>Unaudited three months period ended 31 March</i>	
	<i>2022</i>	<i>2021</i>
Number of key management personnel	15	14
	<i>AED'000</i>	<i>AED'000</i>
Salaries and other short term benefits	4,503	5,264
Employees' end of service benefits	556	591
Total compensation to key management personnel	5,059	5,855
Interest income	22	29
Interest expense	1	-

Unaudited three months period ended 31 March

	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>
Expected credit loss – charge to / (release) from income statement	667	(1,228)

Terms and conditions of transactions with related parties

The Bank has leased office space in various premises owned by a related party. The property leases and associated expenses for the three months period ended 31 March 2022 amounted to AED 471 thousand (31 March 2021: AED 481 thousand). The property rentals are negotiated each year at market rates.

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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	26,468	4,143	-	30,611
Transferred from Stage 1	(737)	737	-	-
Transferred from Stage 2	(973)	973	-	-
Transferred from Stage 3	-	-	-	-
As at 31 March 2022	148,569	67,208	-	215,777

	<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	(5,265)	(383)	-	(5,648)
Transferred from Stage 1	(40,505)	40,505	-	-
Transferred from Stage 2	1,838	(1,838)	-	-
Transferred from Stage 3	-	-	-	-
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	1,581	(914)	-	667
As at 31 March 2022	3,376	2,686	-	6,062

	<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

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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>
31 March 2022				
Investments	3,216,245	-	543	3,216,788
Derivative assets	-	20,384	-	20,384
	<u>3,216,245</u>	<u>20,384</u>	<u>543</u>	<u>3,237,172</u>
Derivative liabilities	-	20,463	-	20,463
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).

Financial instruments carried at amortised cost

The fair value of the quoted debt instruments at amortised cost as at 31 March 2022 amounted to AED 584,733 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.

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

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.

31 March 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	10,425	(627)	3,052,776	1,746,319	1,306,457	-	-
Interest rate swaps	4,105	(4,105)	913,976	-	-	913,976	-
	<u>14,530</u>	<u>(4,732)</u>	<u>3,966,752</u>	<u>1,746,319</u>	<u>1,306,457</u>	<u>913,976</u>	<u>-</u>

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
	<u>16,054</u>	<u>(7,165)</u>	<u>3,252,549</u>	<u>758,524</u>	<u>907,270</u>	<u>986,755</u>	<u>600,000</u>

As at 31 March 2022, the Bank held the following interest rate swaps as hedging instruments in fair value hedges of interest rate risk, along with amounts relating to hedged items:

	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
31 March 2022							
Hedge of investments	<u>5,854</u>	<u>(15,731)</u>	<u>1,928,062</u>	<u>-</u>	<u>91,813</u>	<u>1,304,896</u>	<u>531,353</u>
31 December 2021							
Hedge of investments	<u>-</u>	<u>(109,499)</u>	<u>1,989,166</u>	<u>-</u>	<u>146,900</u>	<u>1,180,635</u>	<u>661,631</u>

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 1,969,121 thousand (31 December 2021: AED 2,110,459 thousand). These hedged items comprise of debt instruments which are held as FVOCI.

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

	31 March 2022		31 March 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	99,601	13,486	69,425	5,124
On hedged items	(86,115)	-	(64,301)	-

United Arab Bank P.J.S.C.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

18 CAPITAL ADEQUACY RATIO

	<i>Unaudited</i> <i>31 March</i> <i>2022</i>	<i>Audited</i> <i>31 December</i> <i>2021</i>
Common equity tier 1 ratio	13.1%	12.6%
Tier 1 capital ratio	13.1%	12.6%
Total Capital adequacy ratio	14.3%	13.8%

As part of the capital stimulus package provided by the CBUAE under the TESS program, Banks are allowed to tap into the capital conservation buffer of 2.5% up to a maximum of 60% effective from 15 March 2021 until 30 June 2022. Upon full consumption of this capital relief, the minimum capital adequacy ratio requirement reduces to 11.5% (as opposed to 13.0% previously applicable) for reporting periods falling within the specified duration. The Bank continues to be in compliance with this revised minimum capital threshold requirement as per CBUAE guidelines for the quarter ended 31 March 2022.