

**National Bank of Fujairah PJSC**  
**Condensed consolidated interim financial**  
**information – (Un-audited)**  
**For the six month period ended**  
**30 June 2014**

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**Condensed consolidated interim financial information – (Un-audited)**  
**For the six month period ended 30 June 2014**

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## **Review report to the Shareholders and Directors of National Bank of Fujairah PJSC**

### ***Introduction***

We have reviewed the accompanying consolidated interim statement of financial position of National Bank of Fujairah (“the Bank”) and its subsidiaries (together referred to as “the Group”) as at 30 June 2014 and the related consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### ***Scope of review***

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

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

**PricewaterhouseCoopers**  
**21 July 2014**

A handwritten signature in blue ink that reads 'Paul Suddaby'.

**Paul Suddaby**  
**Registered Auditor Number 309**  
**Dubai, United Arab Emirates**

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*PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates*  
*T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east*

W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

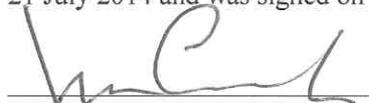
# National Bank of Fujairah PJSC

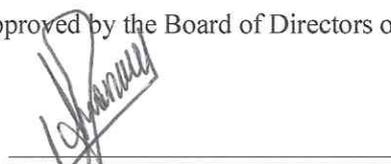
## Consolidated interim statement of financial position – (Un-audited)

As at 30 June 2014

	Note	30 June 2014 AED'000	31 December 2013 AED'000 Audited
<b>Assets</b>			
Cash and balances with the UAE Central Bank	6	4,282,407	4,007,712
Due from banks and financial institutions	7	1,697,051	1,298,943
Loans and advances	8	15,328,342	14,324,406
Investments	10	628,421	568,514
Property and equipment and capital work-in-progress		92,776	85,765
Intangible assets		22,905	22,551
Other assets		1,412,572	1,147,508
<b>Total assets</b>		<b>23,464,474</b>	<b>21,455,399</b>
<b>Liabilities</b>			
Due to banks	11	951,779	599,168
Customer deposits	12	16,635,308	14,997,123
Term borrowings	11	1,246,620	1,630,455
Other liabilities		1,513,349	1,199,119
<b>Total liabilities</b>		<b>20,347,056</b>	<b>18,425,865</b>
<b>Shareholders' equity</b>			
Share capital	13	1,100,000	1,100,000
Statutory reserve		353,647	353,647
Special reserve		248,647	248,647
Available-for-sale revaluation reserve		991	(1,864)
Proposed dividends		-	137,500
Retained earnings		914,133	691,604
Tier 1 capital notes	14	500,000	500,000
<b>Total shareholders' equity</b>		<b>3,117,418</b>	<b>3,029,534</b>
<b>Total liabilities and shareholders' equity</b>		<b>23,464,474</b>	<b>21,455,399</b>

This condensed consolidated interim financial information was approved by the Board of Directors on 21 July 2014 and was signed on their behalf by:

  
**Vince Cook**  
**Chief Executive Officer**

  
**Adnan Anwar**  
**Chief Financial Officer**

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial information. The review report of the independent auditors is set out on page 1.

# National Bank of Fujairah PJSC

## Consolidated interim statement of income – (Un-audited)

For the six month period ended 30 June 2014

		<b>Three month period ended 30 June 2014</b>	<b>Three month period ended 30 June 2013</b>	<b>Six month period ended 30 June 2014</b>	<b>Six month period ended 30 June 2013</b>
	<i>Note</i>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Interest income		225,556	202,477	447,961	402,727
Interest expense		(65,055)	(64,867)	(127,673)	(136,235)
<b>Net interest income</b>		<b>160,501</b>	<b>137,610</b>	<b>320,288</b>	<b>266,492</b>
Net fees and commission income		58,008	50,943	116,384	100,525
Foreign exchange and derivatives income		18,808	15,151	33,019	33,918
Income from investments		2,261	3,420	2,536	4,617
Other operating income		2,395	2,388	9,718	3,650
<b>Operating income</b>		<b>241,973</b>	<b>209,512</b>	<b>481,945</b>	<b>409,202</b>
<b>Operating expenses</b>					
Employee benefits expense		(68,297)	(58,231)	(134,509)	(113,222)
Depreciation and amortization		(4,786)	(3,195)	(8,840)	(6,259)
Other operating expenses		(15,743)	(15,306)	(33,960)	(29,437)
<b>Total operating expenses</b>		<b>(88,826)</b>	<b>(76,732)</b>	<b>(177,309)</b>	<b>(148,918)</b>
<b>Operating profit</b>		<b>153,147</b>	<b>132,780</b>	<b>304,636</b>	<b>260,284</b>
Net impairment losses	8	(28,944)	(39,979)	(65,138)	(76,791)
<b>Net profit for the period</b>		<b>124,203</b>	<b>92,801</b>	<b>239,498</b>	<b>183,493</b>
<b>Earnings per share (basic and diluted)</b>	15	<b>AED 0.11</b>	<b>AED 0.08</b>	<b>AED 0.20</b>	<b>AED 0.17</b>

Appropriations have been reflected in consolidated interim statement of changes in equity.

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial information.

The review report of the independent auditors is set out on page 1.

# National Bank of Fujairah PJSC

## Consolidated interim statement of comprehensive income – (Un-audited)

For the six month period ended 30 June 2014

	Three month period ended 30 June 2014 AED'000	Three month period ended 30 June 2013 AED'000	Six month period ended 30 June 2014 AED'000	Six month period ended 30 June 2013 AED'000
<b>Net profit for the period</b>	<b>124,203</b>	<b>92,801</b>	<b>239,498</b>	<b>183,493</b>
<b>Other comprehensive income:</b>				
<b>Items that may be re-classified subsequently to the statement of income</b>				
<i>Changes in available-for-sale investments:</i>				
Recycling to income statement of net fair value gains on disposal of available-for-sale investments	(2,206)	(3,817)	(2,601)	(4,261)
Net changes in fair value of available-for-sale investments	3,130	(7,994)	5,456	(6,781)
Others	-	211	-	1,228
<b>Net change in available-for-sale- investments</b>	<b>924</b>	<b>(11,600)</b>	<b>2,855</b>	<b>(9,814)</b>
<b>Total comprehensive income for the period</b>	<b>125,127</b>	<b>81,201</b>	<b>242,353</b>	<b>173,679</b>

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial information. The review report of the independent auditors is set out on page 1.

# National Bank of Fujairah PJSC

## Consolidated interim statement of cash flows – (Un-audited)

For the six month period ended 30 June 2014

Operating activities	Note	Six month period ended 30 June 2014 AED'000	Six month period ended 30 June 2013 AED'000
<b>Net profit for the period</b>		<b>239,498</b>	<b>183,493</b>
Adjustments for :			
Depreciation and amortization		8,840	6,259
Net impairment losses		65,138	76,791
Net fair value gains on disposal of investments		(2,601)	(4,418)
Net changes in fair value of investments at fair value through profit or loss		65	(199)
<b>Operating profit before working capital changes</b>		<b>310,940</b>	<b>261,926</b>
Change in statutory reserve with the UAE Central Bank		(161,656)	(153,308)
Change in due from banks		(197,584)	(50,000)
Change in loans and advances		(1,069,074)	(1,196,014)
Change in other assets		(265,064)	(130,715)
Change in due to banks		(107,091)	(31,908)
Change in customer deposits		1,638,185	(2,637)
Change in other liabilities		314,230	236,541
<b>Net cash generated from / (used in) operating activities</b>		<b>462,886</b>	<b>(1,066,115)</b>
<b>Investing activities</b>			
Purchase of property and equipment, intangible assets and capital work-in-progress		(16,205)	(8,468)
Purchase of investments		(411,652)	(387,133)
Proceeds from sale of investments		357,136	616,080
<b>Net cash (used in) / generated from investing activities</b>		<b>(70,721)</b>	<b>220,479</b>
<b>Financing activities</b>			
Change in term borrowings		(383,835)	(91,825)
Cash dividends		(137,500)	(110,000)
Proceeds from issue of Tier 1 capital notes		-	500,000
Tier 1 capital notes coupon paid		(16,969)	-
<b>Net cash (used in) / generated from financing activities</b>		<b>(538,304)</b>	<b>298,175</b>
<b>Net change in cash and cash equivalents</b>		<b>(146,139)</b>	<b>(547,461)</b>
Cash and cash equivalents at beginning of the period		4,246,735	2,479,073
<b>Cash and cash equivalents at end of the period</b>	18	<b>4,100,596</b>	<b>1,931,612</b>

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# National Bank of Fujairah PJSC

## Consolidated interim statement of changes in equity – (Un-audited)

For the six month period ended 30 June 2014

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Retained earnings AED'000	Available-for-sale revaluation reserve AED'000	Proposed dividends AED'000	Tier 1 capital notes AED'000	Total AED'000
At 1 January 2013	1,100,000	314,119	209,119	532,197	3,396	110,000	-	2,268,831
Total comprehensive income for the period	-	-	-	183,493	(9,814)	-	-	173,679
Issue of Tier 1 capital notes (note 14)	-	-	-	-	-	-	500,000	500,000
2012 cash dividends paid	-	-	-	-	-	(110,000)	-	(110,000)
<b>At 30 June 2013</b>	<b>1,100,000</b>	<b>314,119</b>	<b>209,119</b>	<b>715,690</b>	<b>(6,418)</b>	<b>-</b>	<b>500,000</b>	<b>2,832,510</b>
At 1 January 2014	1,100,000	353,647	248,647	691,604	(1,864)	137,500	500,000	3,029,534
Total comprehensive income for the period	-	-	-	239,498	2,855	-	-	242,353
Tier 1 capital notes coupon paid (note 14)	-	-	-	(16,969)	-	-	-	(16,969)
2013 cash dividends paid	-	-	-	-	-	(137,500)	-	(137,500)
<b>At 30 June 2014</b>	<b>1,100,000</b>	<b>353,647</b>	<b>248,647</b>	<b>914,133</b>	<b>991</b>	<b>-</b>	<b>500,000</b>	<b>3,117,418</b>

The notes on pages 7 to 24 form an integral part of the condensed consolidated interim financial information. The review report of the independent auditors is set out on page 1.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information – (Un-audited)

For the six month period ended 30 June 2014

### 1. Legal status and activities

National Bank of Fujairah ("the Bank") is a Public Joint Stock Company registered under the laws of the United Arab Emirates. The Bank operates under a banking license issued on 29 August 1984 by the Central Bank of the United Arab Emirates ('the UAE Central Bank') and commenced operations on 20 September 1984. The shares of the Bank were listed on Abu Dhabi Securities Exchange (ADX) on 23 October 2005.

The principal activity of the Bank is commercial banking which is carried out from its fifteen branches in Fujairah, Abu Dhabi, Dubai, Sharjah, Dibba, Jebel Ali, Musaffah, Masafi, Qidfah, Deira, Ajman, Tawian, Al-Ain, Fujairah City Centre and Al Quoz.

The Bank has three fully owned subsidiary companies:

- NBF Financial Services FZC was established in December 2004 with limited liability status in the Fujairah Free Trade Zone to provide support services to the Bank.
- NBF Capital Limited is registered in the Dubai International Financial Centre (DIFC) as a company limited by shares under DIFC laws and regulations and regulated by the Dubai Financial Services Authority (DFSA). The Company was established on 3 April 2013 and commenced operations on 12 May 2013. The principal business activities of the company are arranging credit or deals in investments and advising on financial products or credit.
- NBF Trade Services (HKG) Limited is registered in Hong Kong as a company limited by shares governed and regulated under the Hong Kong Companies Ordinance. The Company was established on 10 May 2013. The principal business activity of the company is the provision of trade processing services.

The condensed consolidated interim financial information for the six month period ended 30 June 2014 comprises the Bank and its subsidiaries (together referred to as "the Group").

The registered address of the Group is Hamad Bin Abdullah Street, P. O. Box 887, Fujairah, United Arab Emirates.

### 2. Disclosure policy

The Group has established a disclosure policy to ensure compliance with all applicable laws and regulations concerning disclosure of material non-public information, including International Financial Reporting Standards (IFRS), the rules of the UAE Central Bank and its Basel II Pillar 3 guidelines and the listing requirements of the Securities and Commodities Authority (SCA) and ADX.

The following are the key features of the Group's disclosure policy concerning disclosure of financial information:

#### a) Materiality thresholds

Information is considered material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions and / or any material information that might affect the share price. The Group, in order to ensure adequate disclosure lays down a materiality threshold, so that no material information is omitted or misstated.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information – (Un-audited)

For the six month period ended 30 June 2014 (continued)

### 2. Disclosure policy (continued)

#### b) Frequency and medium of disclosure

The condensed consolidated interim financial information is prepared and presented on a quarterly basis while complete consolidated financial statements are prepared and presented on an annual basis in compliance with the requirements of IFRS, Basel II Pillar 3 and other guidelines from the UAE Central Bank. Disclosures of material non-public financial information are made by the Finance Department of the Group through the following mediums:

- Sending quarterly reviewed and annual audited financial statements, along with Management Discussion Analysis or Directors' report and any other price sensitive information, to ADX and SCA;
- Hosting quarterly and annual consolidated financial statements on the Group's website; and
- Publication of annual report.

In addition, the Group's Corporate Communication Department discloses and disseminates information through press releases, media coverage and Group's website.

### 3. Basis of preparation

#### Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with IFRS, International Accounting Standard (IAS) 34: *Interim Financial Reporting* as issued by International Accounting Standard Board (IASB). These financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2013.

### 4. Significant accounting policies

The accounting policies and methods of computation applied by the Group in the condensed consolidated interim financial information are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2013.

#### Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2014

The following applicable amendments to existing standards have been published and are effective for the Group's accounting period beginning on 1 January 2014.

- Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities (effective 1 January 2014).
- Amendment to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets (effective 1 January 2014).
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting (effective 1 January 2014).
- Amendment to IAS 19, 'Employee benefits', regarding defined benefit plans (effective 1 July 2014).

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information – (Un-audited)

For the six month period ended 30 June 2014 (continued)

### 4. Significant accounting policies (continued)

#### **Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2014 (continued)**

Management has assessed the impact of the above amendments to existing standards and has concluded that there is no significant impact on the Group's consolidated financial statements.

#### **Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2014 and not early adopted**

The following applicable new standard and amendments to existing standards have been issued but are not effective for the Group's accounting period beginning on 1 January 2014 and have not been early adopted by the Group:

IFRS – 15, 'Revenue from contracts with customers' (effective 1 January 2017). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to annual reporting periods beginning on or after 1 January 2017.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortization (effective 1 January 2016). The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. In this amendment, the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The Group has considered the impact of the above new standard and amendments to existing standards and has concluded that they will not have a significant impact on the Group's consolidated financial statements.

IFRS - 9, 'Financial instruments' (effective 1 January 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of International Accounting Standard (IAS) 39 – 'Financial Instruments: Recognition and Measurement' that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group will consider the impact of the amendments / changes to IFRS 9 and intends to adopt IFRS 9 no later than the accounting period beginning on the effective date.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information – (Un-audited)

For the six month period ended 30 June 2014 (continued)

### 4. Significant accounting policies (continued)

#### **Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2014 and not early adopted (continued)**

There are no other applicable new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2014 that would be expected to have a material impact on the consolidated financial statements of the Group.

#### **Key accounting estimates and judgments**

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2013.

### 5. Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2013.

#### **Fair value measurement principles**

Fair value is the amount for which an asset could be exchanged, or liabilities settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the fair value of a financial instrument is based on quoted market prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or if a market for a financial instrument is not active, the fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow methods, comparison to similar instruments for which market observable prices exist. For investments under management with external fund managers, fair value is provided by the external fund managers, and is determined based on the market value of underlying investments of each fund. In all other cases, the instruments are measured at acquisition cost, including transaction cost, less impairment losses, if any.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the date of consolidated statement of financial position for an instrument with similar terms and conditions.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 5. Financial risk management *(continued)*

### **Fair value measurement principles** *(continued)*

The fair value of derivatives that are not exchange traded is estimated at the amount that the Group would receive or pay to terminate the contract at the date of consolidated statement of financial position, taking into account current market conditions and the current creditworthiness of the counterparty.

### **Fair value hierarchy**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information – (Un-audited)

For the six month period ended 30 June 2014 (continued)

### 5. Financial risk management (continued)

#### Fair value hierarchy (continued)

Pursuant to disclosure requirements of IFRS 7 Financial Instruments: Disclosures, the Group has disclosed the respective information under the table below:

#### Fair value measurement – fair value hierarchy:

30 June 2014	Notional AED'000	----- On balance sheet -----		
		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments				
Debt securities	-	502,223	-	-
Other investments	-	1,055	11,279	-
Customer deposits	-	-	1,010	-
Forward foreign exchange contracts	4,240,680	-	1,030	-
Currency options	5,010,375	-	-	-
Interest rate derivatives	1,743,916	-	1,769	-
Commodity derivatives	112,266	-	106	-
31 December 2013	Notional AED'000	----- On balance sheet -----		
		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments				
Debt securities	-	460,305	-	-
Other investments	-	937	11,455	-
Customer deposits	-	-	1,010	-
Forward foreign exchange contracts	3,549,133	-	958	-
Currency options	2,533,294	-	-	-
Interest rate derivatives	1,479,278	-	377	-
Commodity derivatives	83,085	-	198	-

During the period, there were no transfers between Level 1 and Level 2 of the fair value hierarchy above. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments during the period.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information – (Un-audited)

For the six month period ended 30 June 2014 (continued)

<b>6. Cash and balances with the UAE Central Bank</b>	<b>30 June 2014 AED'000</b>	<b>31 December 2013 AED'000 Audited</b>
Cash on hand	153,961	141,543
Certificates of deposit (CDs) with the UAE Central Bank	2,800,000	2,100,000
Other balances with the UAE Central Bank (note 6.1)	1,328,446	1,766,169
	<u>4,282,407</u>	<u>4,007,712</u>
<b>6.1</b> Other balances with the UAE Central Bank include regulatory cash reserve deposits of <b>AED 708.8 million</b> (31 December 2013: AED 547.1 million).		
<b>7. Due from banks and financial institutions</b>	<b>30 June 2014 AED'000</b>	<b>31 December 2013 AED'000 Audited</b>
<b>7.1</b> <i>By type</i>		
Placements	1,446,521	1,165,820
Balance in current accounts / term deposits	250,530	133,123
	<u>1,697,051</u>	<u>1,298,943</u>
<b>7.2</b> <i>By geographical area</i>		
Within UAE	895,501	912,487
GCC countries	101,962	52,084
Others	699,588	334,372
	<u>1,697,051</u>	<u>1,298,943</u>
<b>7.3</b> <i>The currency wise analysis is set out below:</i>		
AED	894,282	647,536
USD	372,852	452,114
EUR	127,538	67,333
GBP	57,036	3,517
XAU	102,966	51,325
Others	142,377	77,118
	<u>1,697,051</u>	<u>1,298,943</u>

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 8. Loans and advances

	30 June 2014 AED'000	31 December 2013 AED'000 Audited
<b>8.1 Loans and advances by type:</b>		
Overdrafts	1,332,925	1,229,256
Term loans	9,666,931	9,373,600
Loans against trust receipts	2,716,762	2,386,904
Bills discounted	1,995,069	1,573,126
Bills drawn under letters of credit	509,991	576,569
	<u>16,221,678</u>	<u>15,139,455</u>
Allowance for impairment losses (note 8.2)	(893,336)	(815,049)
Net loans and advances	<u>15,328,342</u>	<u>14,324,406</u>

## 8.2 Allowance for impairment losses on loans and advances

	30 June 2014 AED'000	31 December 2013 AED'000 Audited
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	815,049	790,684
Net allowance for impairment losses	65,138	167,571
Written-off during the period / year	(748)	(144,496)
Restructuring impact	13,897	-
Written-back during the period / year	-	1,290
	<u>893,336</u>	<u>815,049</u>

## 9. Contingent liabilities and commitments

Contingent liabilities represent credit related commitments under letters of credit and guarantees which are designed to meet the requirements of the Group's customers towards third parties. Commitments represent credit facilities and other capital expenditure commitments of the Group which are undrawn at the date of consolidated statement of financial position. Credit related commitments are unconditionally cancellable / revocable at the discretion of the Group.

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 9. Contingent liabilities and commitments (continued)

	30 June 2014 AED'000	31 December 2013 AED'000 Audited
<b>Contingent liabilities:</b>		
- Letters of credit covering movement of goods	1,291,330	1,319,080
- Financial guarantees and other direct credit substitutes	598,585	640,937
- Bid bonds, performance bonds and other transaction related contingencies	4,170,860	3,972,769
	<u>6,060,775</u>	<u>5,932,786</u>
<b>Commitments:</b>		
- Undrawn commitments – credit related	13,428,759	11,791,758
- Others	31,691	25,820
	<u>13,460,450</u>	<u>11,817,578</u>
	<u>19,521,225</u>	<u>17,750,364</u>

These contingent liabilities and commitments represent unfunded credit risk and related fees and accruals for probable losses are recognized in the consolidated statement of financial position until the commitments and contingent liabilities are either fulfilled or expired. Many of the contingent liabilities and commitments will expire without being funded in whole or in part. Therefore, the amounts do not represent expected future cash flows.

## 10. Investments

	30 June 2014 AED'000	31 December 2013 AED'000 Audited
<b>Investments at fair value through profit or loss (FVPL) (note 10.1)</b>	<b>11,279</b>	<b>11,455</b>
<b>Available-for-sale (AFS)</b>		
Debt securities (note 10.2)	502,223	460,305
Other investments	1,055	937
	<u>503,278</u>	<u>461,242</u>
<b>Held-to-maturity (HTM)</b>		
Debt securities (note 10.2)	113,864	95,817
	<u>628,421</u>	<u>568,514</u>

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 10. Investments (continued)

10.1 Investments at FVPL include various funds whose fair values are based on the net asset values provided by the fund managers.

10.2 Debt securities aggregating **AED 616.1 million** (31 December 2013: AED 556.1 million) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and prices are available on internationally recognized platforms of Reuters and Bloomberg and are liquid in normal market conditions. The debt securities portfolio includes floating rate securities amounting to **AED 215.7 million** (31 December 2013: AED 243.8 million).

10.3 The dispersion of the investment portfolio is set out below:

	<b>30 June 2014 AED'000</b>	<b>31 December 2013 AED'000 Audited</b>
Government	54,836	62,014
Banks and financial institutions	542,976	494,108
Others	30,609	12,392
	<u>628,421</u>	<u>568,514</u>

10.4 The geographic dispersion of the investment portfolio is as follows:

Within UAE	59,974	100,823
Others	568,447	467,691
	<u>628,421</u>	<u>568,514</u>

10.5 The currency wise analysis of the investment portfolio is set out below:

AED	10,007	10,009
USD	565,682	467,473
EUR	52,732	60,587
GBP	-	30,445
	<u>628,421</u>	<u>568,514</u>

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 11. Due to banks and term borrowings

	30 June 2014 AED'000	31 December 2013 AED'000 Audited
<i>By type:</i>		
Club term loan facility (note 11.1)	-	863,155
Bilateral borrowing (note 11.2)	846,620	367,300
Sub-ordinated debt (note 11.3)	400,000	400,000
	<u>1,246,620</u>	<u>1,630,455</u>
Short-term borrowings (note 11.4)	951,779	599,168
	<u>2,198,399</u>	<u>2,229,623</u>
<i>By geographical area:</i>		
Within UAE	415,781	120,412
GCC Countries	275,475	275,475
Others	1,507,143	1,833,736
	<u>2,198,399</u>	<u>2,229,623</u>

**11.1** On 24 June 2011, the Group arranged a club term loan facility of AED 863.2 million (USD 235 million) through a syndicate of banks. The facility carried a floating rate which is the aggregate of margin plus LIBOR and was originally repayable in full on 12 June 2014. In January 2014, the club term loan facility was prepaid in full.

**11.2** During 2014, the Group has arranged four term loan facilities through banks, amounting to **AED 479.3 million**. The facilities carry interest rate which is the aggregate of margin and LIBOR. As per the terms of the agreements, one facility extends to 6 months and the remaining facilities to 2 years after the disbursement date.

During 2013, the Group arranged two term loan facilities through banks, amounting to AED 275.48 million. The facilities carry interest rate which is the aggregate of margin and LIBOR. As per the terms of the agreements, one facility extends to 1 year and the other to 2 years after the disbursement date.

**11.3** On 27 November 2013, the Group arranged a term subordinated loan facility, amounting to AED 400 million, with a finance company. The facility carries interest rate which is the aggregate of margin and EIBOR, payable quarterly. As per the terms of the facility, the full principal amount of the facility is to be repaid on 27 November 2023. The UAE Central Bank has approved the facility to be considered as Tier 2 capital for regulatory purposes.

**11.4** Short-term borrowings include gold related borrowing amounting to **AED 614.4 million** (31 December 2013: AED 393.2 million) which is used to finance gold loans extended to customers on a matched basis.

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 12. Customer deposits

	<b>30 June 2014 AED'000</b>	<b>31 December 2013 AED'000 Audited</b>
<i>By type:</i>		
Demand and margin deposits	3,886,285	3,274,281
Saving deposits	197,485	103,287
Fixed term and notice deposits	12,551,538	11,619,555
	<u>16,635,308</u>	<u>14,997,123</u>
<i>By geographical area:</i>		
Within UAE	16,410,791	14,739,883
Others	224,517	257,240
	<u>16,635,308</u>	<u>14,997,123</u>

## 13. Shareholders' equity

	<b>30 June 2014 AED'000</b>	<b>31 December 2013 AED'000 Audited</b>
<b>Share capital</b>		
<i>Authorised, issued and fully paid:</i>		
1,100,000,000 shares of AED 1 each (2013: 1,100,000,000 shares of AED 1 each)	1,100,000	1,100,000
	<u>1,100,000</u>	<u>1,100,000</u>

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 14. Tier 1 capital notes

In March 2013, the Bank issued Tier 1 capital notes with a principal amount of AED 500 million (the “Capital Notes”). Issuance of these Capital Notes was approved by the Bank’s Extra Ordinary General Meeting (EGM) in March 2013. The UAE Central Bank has also approved the facility to be considered as Tier 1 capital for regulatory purposes. These Capital Notes bear interest at a fixed rate payable semi-annually in arrears. The Capital Notes are non-cumulative perpetual securities for which there is no fixed redemption date, and are callable by the Bank subject to certain conditions. The Bank may, at its sole discretion, elect not to make an interest / coupon payment.

## 15. Earnings per share

The calculation of earnings per share for the six month period ended 30 June 2014 is based on earnings of **AED 239.5 million** (30 June 2013: AED 183.5 million), after deduction of **AED 17.0 million** (30 June 2013: nil) of coupon payment on Tier 1 capital notes, divided by the weighted average number of shares of **1,100 million** (30 June 2013: 1,100 million shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 June 2014 is based on earnings of **AED 124.2 million** (30 June 2013: AED 92.8 million) divided by the weighted average number of shares of **1,100 million** (30 June 2013: 1,100 million shares) outstanding during the period.

## 16. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Group, related parties, as defined in the IAS 24, include major shareholders of the Group, directors and officers of the Group and companies of which they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions approved by the Board of Directors. The significant transactions included in the condensed consolidated interim financial information are as follows:

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 16. Related parties (continued)

	30 June 2014 AED'000	Average balances during 2014 AED'000	31 December 2013 AED'000 Audited	Average balances during 2013 AED'000 Audited
<b>Statement of financial position items</b>				
Loans and advances	1,018,202	1,011,419	1,037,800	889,732
Customer deposits	4,503,695	4,311,789	4,063,048	3,445,079
Investments	37,400	23,342	19,221	32,388
Letters of credit	94,742	95,012	84,194	87,007
Financial guarantees and other direct credit substitutes	40,294	38,731	36,459	23,962
Transaction related contingencies	136,391	132,169	129,841	129,115
Acceptances	45,243	47,366	58,086	59,078
Tier 1 capital notes	500,000	500,000	500,000	386,301
	30 June 2014 AED'000		30 June 2013 AED'000	
<b>Statement of income items</b>				
Interest income	18,394		17,696	
Interest expense	45,224		44,828	
Other income	6,047		6,174	
<b>Key management compensation</b>				
Salaries and other short-term benefits	9,494		8,626	
Employee terminal benefits	283		206	

No provisions for impairment have been recognized in respect of loans given to related parties (31 December 2013: Nil).

The loans given to related parties amounting to **AED 1,018.2 million** (31 December 2013: AED 1,037.8 million) have been secured against collateral amounting to **AED 1,075.3 million** (31 December 2013: AED 775.7 million).

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 17. Capital adequacy ratio

The Group's regulatory capital adequacy ratio is set by the UAE Central Bank which is 12% analysed in two tiers, of which Tier 1 capital adequacy ratio must not be less than 8%. The Group has complied with its capital adequacy calculation in accordance with Basel II Standardized Approach for credit, market and operational risks.

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital and retained earnings (excluding current year profit); and
- Tier 2 capital, which includes fair value reserves relating to unrealized gains / losses on investments classified as available-for-sale, collective impairment provision and subordinated facilities. The following limits have been applied for tier 2 capital:
  - Total tier 2 capital shall not exceed 67% of tier 1 capital;
  - Subordinated liabilities shall not exceed 50% of total tier 1 capital; and
  - Collective impairment provision shall not exceed 1.25% of credit risk weighted assets.

	<b>30 June 2014 AED'000</b>	<b>31 December 2013 AED'000 Audited</b>
<b>Tier 1 Capital</b>		
Share capital	1,100,000	1,100,000
Statutory reserve	353,647	314,119
Special reserve	248,647	209,119
Retained earnings	674,635	515,040
Tier 1 capital notes	500,000	500,000
<b>Total Tier 1</b>	<b>2,876,929</b>	<b>2,638,278</b>
<b>Tier 2 Capital</b>		
Available-for-sale revaluation reserve	991	(1,864)
Subordinated facilities (notes 11.3)	400,000	400,000
Collective impairment provision	242,449	229,756
<b>Total Tier 2</b>	<b>643,440</b>	<b>627,892</b>
<b>Deductions from Tier 1 and Tier 2 Capital</b>		
Investments in unconsolidated subsidiaries	-	-
<b>Total capital base (a)</b>	<b>3,520,369</b>	<b>3,266,170</b>

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 17. Capital adequacy ratio (continued)

	Risk weighted equivalent 30 June 2014 AED'000	Risk weighted Equivalent 31 December 2013 AED'000 Audited
<i>Risk weighted assets</i>		
Credit risk	19,395,880	17,553,189
Market risk	6,937	5,592
Operational risk	1,424,312	821,706
<b>Total risk weighted assets (b)</b>	<b>20,827,129</b>	<b>18,380,487</b>
<b>Capital adequacy ratio (a) / (b) - %</b>	<b>16.90</b>	<b>17.77</b>

## 18. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances from the date of acquisition:

	30 June 2014 AED'000	30 June 2013 AED'000
Cash on hand	153,961	114,279
Balances with the UAE Central Bank (note 18.1)	3,419,680	1,940,830
Due from banks with less than three months maturity	1,449,467	564,565
	<u>5,023,108</u>	<u>2,619,674</u>
Due to banks with less than three months maturity	(922,512)	(688,062)
	<u><u>4,100,596</u></u>	<u><u>1,931,612</u></u>

**18.1** Balances with the UAE Central Bank include certificates of deposit. In accordance with UAE Central Bank regulations on issuance of Central Bank certificates of deposit, the Bank can enter into repurchase agreements in order to obtain short term liquidity.

# National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the six month period ended 30 June 2014 (continued)

## 19. Segmental reporting

The Group uses business segments for presenting its segment information in line with the Group's management and internal reporting structure. The Group's operations are confined mainly in the UAE.

Business segments pay and receive interest, to and from Treasury on an arm's length basis to reflect allocation of capital and funding costs.

### *Business segments*

The Group conducts its activity through the following clearly defined business segments:

#### **Corporate and Institutional banking**

##### *Corporate and Institutional segments*

The segment offers a range of products and services including credit and trade finance products, and services to large and medium sized corporate customers through separate units and to financial institutions, and accepts deposits.

##### *Business banking segment*

The segment offers a range of products and services including credit and trade finance products, and services to small and medium sized customers through separate units, and accepts deposits. The segment also offers transactional services to small and medium sized businesses.

#### **Retail banking**

The segment offers a range of products and services to individuals and high net worth individuals including personal and mortgage loans, credit cards, other transactions and balances, and accepts their deposits.

#### **Treasury, Asset and Liability Management (ALM) and others**

The segment undertakes the Group's asset and liability management centrally and is responsible for optimum utilization of resources in productive assets and management of exchange and interest positions within the limits and guidelines set by management and approved by the Board.

Treasury also offers various foreign exchange and derivative products to customers and is entrusted with the responsibility of managing the Group's investment portfolio together with Asset and Liability Committee. The Group's capital and investment in subsidiaries is recognised under this segment.

The Group has central shared services which include Operations, Risk Management, Human Resources, Finance, Information Technology, Product Development, Legal, Credit and Internal Audit. The shared services cost is allocated to business segments based on transaction and relevant drivers.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information – (Un-audited)

For the six month period ended 30 June 2014 (continued)

### 19. Segmental reporting (continued)

The segment analysis based on business segments is set out below:

<b>Six month period ended 30 June 2014 – AED'000</b>	<b>Corporate and Institutional segments</b>	<b>Business banking segment</b>	<b>Retail banking</b>	<b>Treasury, ALM and others</b>	<b>Consolidated</b>
Segment revenue	276,390	125,422	35,899	44,234	481,945
Segment operating cost	(80,827)	(48,767)	(35,992)	(11,723)	(177,309)
<b>Segment operating profit / (loss)</b>	<b>195,563</b>	<b>76,655</b>	<b>(93)</b>	<b>32,511</b>	<b>304,636</b>
Net impairment losses	(44,041)	(16,458)	(4,639)	-	(65,138)
<b>Net profit / (loss)</b>	<b>151,522</b>	<b>60,197</b>	<b>(4,732)</b>	<b>32,511</b>	<b>239,498</b>
<b>30 June 2014</b>					
Segment assets	12,597,674	2,693,929	1,430,146	6,742,725	23,464,474
Segment liabilities	15,288,043	1,934,136	1,472,418	1,652,459	20,347,056
Capital expenditure	-	-	-	16,205	16,205
<b>Six month period ended 30 June 2013 – AED'000</b>					
Segment revenue	254,154	102,158	36,558	16,332	409,202
Segment operating cost	(71,670)	(42,906)	(28,484)	(5,858)	(148,918)
<b>Segment operating profit / (loss)</b>	<b>182,484</b>	<b>59,252</b>	<b>8,074</b>	<b>10,474</b>	<b>260,284</b>
Net impairment losses	(66,616)	(10,949)	774	-	(76,791)
<b>Net profit / (loss)</b>	<b>115,868</b>	<b>48,303</b>	<b>8,848</b>	<b>10,474</b>	<b>183,493</b>
<b>31 December 2013</b>					
Segment assets	11,954,424	2,217,669	1,245,076	6,038,230	21,455,399
Segment liabilities	13,747,369	1,858,687	975,828	1,843,981	18,425,865
Capital expenditure	-	-	-	19,385	19,385