

National Bank of Fujairah PJSC
Condensed consolidated interim financial
information
For the nine month period ended
30 September 2014

Condensed consolidated interim financial information
For the nine month period ended 30 September 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 September 2014 and the related consolidated interim statements of income and comprehensive income for the three-month and nine-month periods then ended, and consolidated interim statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes. 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
22 October 2014

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

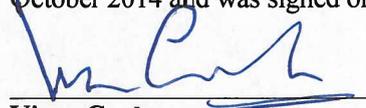
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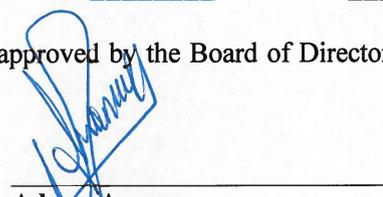
W Hunt, AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy

National Bank of Fujairah PJSC
Consolidated interim statement of financial position
As at 30 September 2014

	<i>Note</i>	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Assets			
Cash and balances with the UAE Central Bank	6	3,537,713	4,007,712
Due from banks and financial institutions	7	1,929,918	1,807,863
Loans and advances	8	15,865,680	13,815,486
Investments	10	650,209	568,514
Property and equipment and capital work-in-progress		95,216	85,765
Intangible assets		22,190	22,551
Other assets		1,291,855	1,147,508
Total assets		23,392,781	21,455,399
Liabilities			
Due to banks	11	1,161,558	599,168
Customer deposits	12	16,473,129	14,997,123
Term borrowings	11	1,154,795	1,630,455
Other liabilities		1,374,843	1,199,119
Total liabilities		20,164,325	18,425,865
Shareholders' equity			
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		(470)	(1,864)
Proposed dividends		-	137,500
Retained earnings		1,026,632	691,604
Tier 1 capital notes	14	500,000	500,000
Total shareholders' equity		3,228,456	3,029,534
Total liabilities and shareholders' equity		23,392,781	21,455,399

This condensed consolidated interim financial information was approved by the Board of Directors on 22 October 2014 and was signed on their behalf by:


Vince Cook
Chief Executive Officer


Adnan Anwar
Chief Financial Officer

The notes on pages 7 to 25 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 – (Unaudited)
For the nine month period ended 30 September 2014

	<i>Note</i>	Three month period ended 30 September 2014 AED'000	Three month period ended 30 September 2013 AED'000	Nine month period ended 30 September 2014 AED'000	Nine month period ended 30 September 2013 AED'000
Interest income		233,552	214,699	681,513	617,426
Interest expense		(60,673)	(58,477)	(188,346)	(194,712)
Net interest income		172,879	156,222	493,167	422,714
Net fees and commission income		62,301	47,889	178,685	148,414
Foreign exchange and derivatives income		17,989	14,079	51,008	47,997
Income from investments		1,431	1,603	3,967	6,220
Other operating income		3,700	2,072	13,418	5,722
Operating income		258,300	221,865	740,245	631,067
Operating expenses					
Employee benefits expense		(73,757)	(59,772)	(208,266)	(172,994)
Depreciation and amortization		(4,956)	(4,003)	(13,796)	(10,262)
Other operating expenses		(18,845)	(15,768)	(52,805)	(45,205)
Total operating expenses		(97,558)	(79,543)	(274,867)	(228,461)
Operating profit		160,742	142,322	465,378	402,606
Net impairment losses	8	(30,992)	(39,423)	(96,130)	(116,214)
Net profit for the period		129,750	102,899	369,248	286,392
Earnings per share (basic and diluted)	15	AED 0.10	AED 0.08	AED 0.30	AED 0.24

Appropriations have been reflected in consolidated interim statement of changes in equity.
The notes on pages 7 to 25 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 – (Unaudited)

For the nine month period ended 30 September 2014

	Three month period ended 30 September 2014 AED'000	Three month period ended 30 September 2013 AED'000	Nine month period ended 30 September 2014 AED'000	Nine month period ended 30 September 2013 AED'000
Net profit for the period	129,750	102,899	369,248	286,392
Other comprehensive income:				
Items that may be re-classified subsequently to the statement of income				
<i>Changes in available-for-sale investments:</i>				
Recycling to income statement of net fair value gains on disposal of available-for-sale investments	(1,274)	(1,191)	(3,875)	(5,452)
Net changes in fair value of available-for-sale investments	(187)	5,854	5,269	(927)
Others	-	(1,319)	-	(91)
Net change in available-for-sale- investments	(1,461)	3,344	1,394	(6,470)
Total comprehensive income for the period	128,289	106,243	370,642	279,922

The notes on pages 7 to 25 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 – (Unaudited)
For the nine month period ended 30 September 2014

	<i>Note</i>	Nine month period ended 30 September 2014 AED'000	Nine month period ended 30 September 2013 AED'000
Operating activities			
Net profit for the period		369,248	286,392
Adjustments for :			
Depreciation and amortization		13,796	10,262
Gain on disposal of property and equipment		-	(64)
Net impairment losses		96,130	116,214
Net fair value gains on disposal of investments		(3,875)	(6,034)
Net changes in fair value of investments at fair value through profit or loss		(92)	(186)
		-----	-----
Cash flow from operating activities before changes in operating assets and liabilities		475,207	406,584
Change in statutory reserve with the UAE Central Bank		(204,929)	(126,196)
Change in due from banks and financial institutions		(368,768)	(100,000)
Change in loans and advances		(2,146,324)	(1,826,897)
Change in other assets		(144,347)	(205,135)
Change in due to banks		(136,358)	(42,714)
Change in customer deposits		1,476,006	824,640
Change in other liabilities		175,724	237,266
		-----	-----
Net cash used in operating activities		(873,789)	(832,452)
Investing activities			
Purchase of property and equipment, intangible assets and capital work-in-progress		(22,886)	(12,724)
Proceeds from sale of property and equipment		-	64
Purchase of investments		(656,522)	(561,510)
Proceeds from sale of investments		580,188	751,647
		-----	-----
Net cash (used in) / generated from investing activities		(99,220)	177,477
Financing activities			
Change in term borrowings		(475,660)	(91,825)
Cash dividends		(137,500)	(110,000)
Proceeds from issue of Tier 1 capital notes		-	500,000
Tier 1 capital notes coupon paid		(34,220)	(17,157)
		-----	-----
Net cash (used in) / generated from financing activities		(647,380)	281,018
		-----	-----
Net change in cash and cash equivalents		(1,620,389)	(373,957)
Cash and cash equivalents at beginning of the period		4,246,735	2,479,073
Cash and cash equivalents at end of the period	18	2,626,346	2,105,116

The notes on pages 7 to 25 form an integral part of the condensed consolidated interim financial information.
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National Bank of Fujairah PJSC
Consolidated interim statement of changes in equity – (Unaudited)
For the nine month period ended 30 September 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	-	-	-	286,392	(6,470)	-	-	279,922
Issue of Tier 1 capital notes (note 14)	-	-	-	-	-	-	500,000	500,000
Tier 1 capital notes coupon paid (note 14)	-	-	-	(17,157)	-	-	-	(17,157)
2012 cash dividends paid	-	-	-	-	-	(110,000)	-	(110,000)
At 30 September 2013	<u>1,100,000</u>	<u>314,119</u>	<u>209,119</u>	<u>801,432</u>	<u>(3,074)</u>	<u>-</u>	<u>500,000</u>	<u>2,921,596</u>
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	-	-	-	369,248	1,394	-	-	370,642
Tier 1 capital notes coupon paid (note 14)	-	-	-	(34,220)	-	-	-	(34,220)
2013 cash dividends paid	-	-	-	-	-	(137,500)	-	(137,500)
At 30 September 2014	<u>1,100,000</u>	<u>353,647</u>	<u>248,647</u>	<u>1,026,632</u>	<u>(470)</u>	<u>-</u>	<u>500,000</u>	<u>3,228,456</u>

The notes on pages 7 to 25 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

For the nine month period ended 30 September 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 nine month period ended 30 September 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

For the nine month period ended 30 September 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.

- Amendments to IAS 32 – 'Financial Instruments: Presentation' (effective 1 January 2014) require presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:
 - the meaning of 'currently has a legally enforceable right of set-off'
 - the application of simultaneous realisation and settlement
 - the offsetting of collateral amounts
 - the unit of account for applying the offsetting requirements

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 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)

- Amendments to IFRS 10 – ‘Consolidated Financial Statements’, IFRS 12 – ‘Disclosure of Interests in Other Entities’ and IAS 27 – ‘Separate Financial Statements’ (effective 1 January 2014) relate only to investment entities, therefore will not apply to the Group.
- Amendment to IAS 36 – ‘Impairment of Assets’ (effective 1 January 2014) to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.
- Amendment to IAS 39 – ‘Financial Instruments: Recognition and measurement’ (effective 1 January 2014) makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.
- Amendment to IAS 19 - ‘Employee Benefits’ (effective 1 July 2014) clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.
- Amendment to IFRS 8 - ‘Operating Segments’ (effective 1 July 2014) requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets and only required if segment assets are reported regularly.
- Amendment to IFRS 13 - ‘Fair Value Measurement’ (effective 1 July 2014) (a) clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only) (b) clarify the scope of the portfolio exception in paragraph 52.
- Amendment to IAS 16 - ‘Property, Plant and Equipment’ and IAS 38 - ‘Intangible Assets’ (effective 1 July 2014) clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 - ‘Related Party Disclosures’ (effective 1 July 2014) clarify how payments to entities providing management services are to be disclosed.

There is no impact of these provisions on the condensed consolidated interim financial information of the Group.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2014 that have had a material impact on Group's condensed consolidated interim financial information.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 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

The following applicable new standards 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' deals with revenue recognition and establishes principle for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.
- 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 is assessing the impact of this amendment.
- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 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 condensed consolidated interim financial information 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

For the nine month period ended 30 September 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
For the nine month period ended 30 September 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 September 2014 (Unaudited)	Notional AED'000	----- On balance sheet -----		
		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments				
Debt securities	-	525,651	-	-
Other investments	-	1,146	9,890	-
Customer deposits	-	-	1,010	-
Forward foreign exchange contracts	6,045,116	-	6,307	-
Currency options	4,094,163	-	-	-
Interest rate derivatives	1,943,467	-	2,971	-
Commodity derivatives	203,179	-	118	-

31 December 2013 (Audited)	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
For the nine month period ended 30 September 2014 (continued)

6. Cash and balances with the UAE Central Bank	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Cash on hand	140,674	141,543
Certificates of deposit (CDs) with the UAE Central Bank	2,645,000	2,100,000
Other balances with the UAE Central Bank (note 6.1)	752,039	1,766,169
	<u>3,537,713</u>	<u>4,007,712</u>

6.1 Other balances with the UAE Central Bank include regulatory cash reserve deposits of **AED 752 million** (31 December 2013: AED 547.1 million).

7. Due from banks and financial institutions	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
7.1 <i>By type</i>		
Placements	856,510	1,165,820
Balance in current accounts / term deposits	293,541	133,123
Bills discounted	779,867	508,920
	<u>1,929,918</u>	<u>1,807,863</u>

As at 30 September 2014, placements include cash collateral of **AED 3.5 million**, in respect of negative fair value of derivatives, in accordance with the Credit Support Annex (CSA) agreements with the interbank counterparties.

7.2 *By geographical area*

Within UAE	1,148,686	1,329,963
GCC countries	103,538	60,340
Others	677,694	417,560
	<u>1,929,918</u>	<u>1,807,863</u>

7.3 *The currency wise analysis is set out below:*

AED	789,272	889,760
USD	707,175	715,923
EUR	103,795	67,333
GBP	59,482	3,517
XAU	94,557	51,325
Others	175,637	80,005
	<u>1,929,918</u>	<u>1,807,863</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2014 (continued)

8. Loans and advances

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
8.1 Loans and advances by type:		
Overdrafts	1,429,937	1,229,256
Term loans	9,944,166	9,373,600
Loans against trust receipts	3,428,556	2,386,904
Bills discounted	1,403,437	1,064,206
Bills drawn under letters of credit	583,821	576,569
	<u>16,789,917</u>	<u>14,630,535</u>
Allowance for impairment losses (note 8.2)	(924,237)	(815,049)
Net loans and advances	<u>15,865,680</u>	<u>13,815,486</u>

8.2 Allowance for impairment losses on loans and advances

	30 September 2014 AED'000 Unaudited	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	96,130	167,571
Written-off during the period / year	(839)	(144,496)
Restructuring impact	13,897	-
Written-back during the period / year	-	1,290
	<u>924,237</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

For the nine month period ended 30 September 2014 (continued)

9. Contingent liabilities and commitments (continued)

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Contingent liabilities:		
- Letters of credit covering movement of goods	1,242,743	1,319,080
- Financial guarantees and other direct credit substitutes	669,367	640,937
- Bid bonds, performance bonds and other transaction related contingencies	4,270,607	3,972,769
	<u>6,182,717</u>	<u>5,932,786</u>
Commitments:		
- Undrawn commitments – credit related	13,774,463	11,791,758
- Others	45,435	25,820
	<u>13,819,898</u>	<u>11,817,578</u>
	<u>20,002,615</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 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Investments at fair value through profit or loss (FVPL) (note 10.1)	9,890	11,455
Available-for-sale (AFS)		
Debt securities (note 10.2)	525,651	460,305
Other investments	1,146	937
	<u>526,797</u>	<u>461,242</u>
Held-to-maturity (HTM)		
Debt securities (note 10.2)	113,522	95,817
	<u>650,209</u>	<u>568,514</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 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 639.2 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 174.8 million** (31 December 2013: AED 243.8 million).

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

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Government	72,993	62,014
Banks and financial institutions	529,439	494,108
Others	47,777	12,392
	<u>650,209</u>	<u>568,514</u>

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

Within UAE	41,109	100,823
Others	609,100	467,691
	<u>650,209</u>	<u>568,514</u>

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

AED	10,167	10,009
USD	591,276	467,473
EUR	48,766	60,587
GBP	-	30,445
	<u>650,209</u>	<u>568,514</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information
For the nine month period ended 30 September 2014 (continued)

11. Due to banks and term borrowings

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
<i>By type:</i>		
Club term loan facility (note 11.1)	-	863,155
Bilateral borrowings (note 11.2)	754,795	367,300
Sub-ordinated debt (note 11.3)	400,000	400,000
	<u>1,154,795</u>	<u>1,630,455</u>
Short-term borrowings and balance due to the UAE Central Bank (note 11.4)	1,161,558	599,168
	<u>2,316,353</u>	<u>2,229,623</u>
<i>By geographical area:</i>		
Within UAE	798,167	120,412
GCC Countries	183,650	275,475
Others	1,334,536	1,833,736
	<u>2,316,353</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 Bilateral borrowings comprise of several borrowings obtained from other banks and financial institutions as follows:

<i>Loan no.</i>	<i>Year obtained</i>	<i>Maturity</i>	<i>Interest rate</i>	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
1	2014	March 2016	Libor + Margin	183,650	-
2	2014	March 2016	Libor + Margin	91,825	-
3	2014	May 2016	Libor + Margin	91,825	-
4	2014	March 2015	Libor + Margin	112,020	-
5	2013	December 2015	Libor + Margin	183,650	183,650
6	2013	November 2014	Libor + Margin	91,825	91,825
7	2012	July 2014	Libor + Margin	-	91,825
				<u>754,795</u>	<u>367,300</u>

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.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2014 (continued)

11. Due to banks and term borrowings *(continued)*

- 11.4 Short-term borrowings include gold related borrowings amounting to **AED 521.1 million** (31 December 2013: AED 393.2 million) which is used to finance gold loans extended to customers on a matched basis.

12. Customer deposits

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	3,844,964	3,274,281
Saving deposits	228,498	103,287
Fixed term and notice deposits	12,399,667	11,619,555
	<u>16,473,129</u>	<u>14,997,123</u>
<i>By geographical area:</i>		
Within UAE	16,076,458	14,739,883
Others	396,671	257,240
	<u>16,473,129</u>	<u>14,997,123</u>

13. Shareholders' equity

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Share capital		
<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

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 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 nine month period ended 30 September 2014 is based on net profit of **AED 369.2 million** (30 September 2013: AED 286.4 million), after deduction of **AED 34.2 million** (30 September 2013: AED 17.2 million) of coupon payment on Tier 1 capital notes, divided by the weighted average number of shares of **1,100 million** (30 September 2013: 1,100 million shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 September 2014 is based on net profit of **AED 129.8 million** (30 September 2013: AED 103.0 million), after deduction of **AED 17.3 million** (30 September 2013: AED 17.2 million) of coupon payment on Tier 1 capital notes, divided by the weighted average number of shares of **1,100 million** (30 September 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
For the nine month period ended 30 September 2014 (continued)

16. Related parties (continued)

	30 September 2014 AED'000 Unaudited	Average balances during 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited	Average balances during 2013 AED'000 Audited
Statement of financial position items				
Loans and advances	1,052,313	1,021,551	1,037,800	889,732
Customer deposits	4,546,667	4,354,382	4,057,653	3,439,791
Investments	55,594	30,920	19,221	32,388
Letters of credit	95,342	96,403	84,194	87,007
Financial guarantees and other direct credit substitutes	40,171	38,878	35,759	23,262
Transaction related contingencies	121,051	128,581	126,795	125,633
Acceptances	44,162	80,502	58,086	59,078
Tier 1 capital notes	500,000	500,000	500,000	386,301
Tier 1 capital notes coupon paid	34,220	-	17,157	-
	30 September 2014 Unaudited AED'000		30 September 2013 AED'000	
Statement of income items				
Interest income	27,649		26,696	
Interest expense	68,446		64,254	
Other income	12,273		5,190	
Key management compensation				
Salaries and other short-term benefits	14,699		14,171	
Employee terminal benefits	406		298	

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 1,052.3 million** (31 December 2013: AED 1,037.8 million) have been secured against collateral amounting to **AED 1,074.1 million** (31 December 2013: AED 774.7 million).

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 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.

	30 September 2014 AED'000 Unaudited	31 December 2013 AED'000 Audited
Tier 1 Capital		
Share capital	1,100,000	1,100,000
Statutory reserve	353,647	314,119
Special reserve	248,647	209,119
Retained earnings	657,384	515,040
Tier 1 capital notes	500,000	500,000
Total Tier 1	2,859,678	2,638,278
Tier 2 Capital		
Available-for-sale revaluation reserve	(470)	(1,864)
Subordinated facilities (notes 11.3)	400,000	400,000
Collective impairment provision	256,656	229,756
Total Tier 2	656,186	627,892
Deductions from Tier 1 and Tier 2 Capital		
Investments in unconsolidated subsidiaries	-	-
Total capital base (a)	3,515,864	3,266,170

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Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2014 (continued)

17. Capital adequacy ratio (continued)

	Risk weighted equivalent 30 September 2014 AED'000 Unaudited	Risk weighted equivalent 31 December 2013 AED'000 Audited
<i>Risk weighted assets</i>		
Credit risk	20,532,446	17,553,189
Market risk	5,732	5,592
Operational risk	1,424,312	821,706
Total risk weighted assets (b)	21,962,490	18,380,487
Capital adequacy ratio (a) / (b) - %	16.01	17.77

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 September 2014 AED'000 Unaudited	30 September 2013 AED'000 Unaudited
Cash on hand	140,674	124,131
Balances with the UAE Central Bank (note 18.1)	2,645,000	2,627,322
Due from banks with less than three months maturity	1,002,230	382,953
	<u>3,787,904</u>	<u>3,134,406</u>
Due to banks with less than three months maturity	(1,161,558)	(1,029,290)
	<u><u>2,626,346</u></u>	<u><u>2,105,116</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.

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Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 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.

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Notes to the condensed consolidated interim financial information
For the nine month period ended 30 September 2014 (continued)

19. Segmental reporting (continued)

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

Nine month period ended 30 September 2014 - AED'000 Unaudited	Corporate and Institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	421,607	194,839	55,691	68,108	740,245
Segment operating cost	(127,152)	(74,386)	(56,071)	(17,258)	(274,867)
Segment operating profit / (loss)	294,455	120,453	(380)	50,850	465,378
Net impairment losses	(64,099)	(22,342)	(9,689)	-	(96,130)
Net profit / (loss)	230,356	98,111	(10,069)	50,850	369,248
30 September 2014					
Segment assets	13,492,647	2,642,082	1,740,653	5,517,399	23,392,781
Segment liabilities	15,102,425	1,866,075	1,422,541	1,773,284	20,164,325
Capital expenditure	-	-	-	22,886	22,886
Nine month period ended 30 September 2013 - AED'000 Unaudited					
Segment revenue	381,894	159,004	54,130	36,039	631,067
Segment operating cost	(107,690)	(64,329)	(46,852)	(9,590)	(228,461)
Segment operating profit / (loss)	274,204	94,675	7,278	26,449	402,606
Net impairment losses	(93,089)	(20,477)	(2,648)	-	(116,214)
Net profit / (loss)	181,115	74,198	4,630	26,449	286,392
31 December 2013 (Audited)					
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

20. Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these condensed consolidated interim financial statements.