

National Bank of Fujairah PJSC
Condensed consolidated interim financial
information
For the six month period ended
30 June 2016

Condensed consolidated interim financial information
For the six month period ended 30 June 2016

Contents	Page
Independent auditor's review report to the shareholders and directors	1
Consolidated interim statement of financial position	2
Consolidated interim statement of income (Unaudited)	3
Consolidated interim statement of comprehensive income (Unaudited)	4
Consolidated interim statement of cash flows (Unaudited)	5
Consolidated interim statement of changes in equity (Unaudited)	6
Notes to the condensed consolidated interim financial information	7 – 26



Review report on condensed consolidated interim financial information to the Shareholders and Directors of National Bank of Fujairah PJSC

Introduction

We have reviewed the accompanying condensed 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 2016 and the related condensed consolidated statements of income, comprehensive income, cash flows and changes in equity for the three-month and six-month periods then ended and other explanatory information. 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 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
20 July 2016

A handwritten signature in blue ink, appearing to read 'Paul Suddaby', written over a light blue horizontal line.

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

*PricewaterhouseCoopers (Dubai Branch), License no. 102451
Emaar Square, Building 4, Level 8, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me*

Douglas Patrick O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno 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 June 2016

	Note	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
Assets			
Cash and balances with the UAE Central Bank	6	5,816,131	4,505,567
Due from banks and financial institutions	7	1,758,337	2,921,797
Investments and Islamic instruments	8	1,703,515	1,407,168
Loans and advances and Islamic financing receivables	9	21,121,982	19,688,336
Property and equipment and capital work-in-progress		149,160	142,467
Other assets		1,783,276	1,367,821
Total Assets		32,332,401	30,033,156
Liabilities			
Due to banks	11	1,299,671	873,252
Customer deposits and Islamic customer deposits	12	22,624,379	21,612,534
Term borrowings	11	1,941,321	1,755,730
Other liabilities		2,025,483	1,512,023
Total liabilities		27,890,854	25,753,539
Shareholders' equity			
Share capital	13	1,271,188	1,182,500
Statutory reserve		457,320	457,320
Special reserve		352,320	352,320
Available-for-sale revaluation reserve		2,920	(7,783)
Proposed cash dividends		-	88,688
Proposed bonus issue		-	88,688
Retained earnings		1,357,799	1,117,884
Tier 1 capital notes	14	1,000,000	1,000,000
Total shareholders' equity		4,441,547	4,279,617
Total liabilities and shareholders' equity		32,332,401	30,033,156

This condensed consolidated interim financial information was approved by the Board of Directors on 20 July 2016 and was signed on its behalf by:


Vince Cook
 Chief Executive Officer


Adnan Anwar
 Chief Financial Officer

The notes on pages 7 to 26 form an integral part of the condensed consolidated interim financial information. The review report of the independent auditor 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 2016

	Note	Three month period ended 30 June 2016 AED'000	Three month period ended 30 June 2015 AED'000	Six month period ended 30 June 2016 AED'000	Six month period ended 30 June 2015 AED'000
Interest income and income from Islamic financing and investment activities		309,412	268,046	608,791	519,654
Interest expense and distribution to Islamic depositors		(103,971)	(67,799)	(195,467)	(129,078)
Net interest income and net income from Islamic financing and investment activities		205,441	200,247	413,324	390,576
Net fees and commission income		80,563	83,225	172,828	162,052
Foreign exchange and derivatives income		30,507	21,442	52,757	41,626
Income from investments		2,562	776	5,147	1,453
Other operating income		3,595	6,536	14,891	11,452
Operating income		322,668	312,226	658,947	607,159
Operating expenses					
Employee benefits expense		(79,240)	(79,267)	(159,924)	(155,845)
Depreciation and amortization		(5,590)	(5,040)	(10,984)	(9,951)
Other operating expenses		(31,113)	(25,703)	(58,251)	(50,870)
Total operating expenses		(115,943)	(110,010)	(229,159)	(216,666)
Operating profit		206,725	202,216	429,788	390,493
Net impairment losses	9	(82,130)	(48,117)	(154,685)	(86,937)
Net profit for the period		124,595	154,099	275,103	303,556
Earnings per share (basic and diluted)	15	AED 0.10	AED 0.12	AED 0.19	AED 0.22

Appropriations have been reflected in the consolidated interim statement of changes in equity.
 The notes on pages 7 to 26 form an integral part of the condensed consolidated interim financial information.
 The review report of the independent auditor 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 2016

	Three month period ended 30 June 2016 AED'000	Three month period ended 30 June 2015 AED'000	Six month period ended 30 June 2016 AED'000	Six month period ended 30 June 2015 AED'000
Net profit for the period	<u>124,595</u>	<u>154,099</u>	<u>275,103</u>	<u>303,556</u>
Other comprehensive income:				
Items that are or may be re-classified subsequently to the statement of income				
<i>Changes in available-for-sale investments:</i>				
Net fair value gains on disposal of available-for-sale investments	(2,518)	(923)	(5,320)	(1,843)
Net changes in fair value of available-for-sale investments	<u>10,636</u>	<u>(1,591)</u>	<u>16,023</u>	<u>1,190</u>
Net change in available-for-sale-investments	<u>8,118</u>	<u>(2,514)</u>	<u>10,703</u>	<u>(653)</u>
Total comprehensive income for the period	<u><u>132,713</u></u>	<u><u>151,585</u></u>	<u><u>285,806</u></u>	<u><u>302,903</u></u>

The notes on pages 7 to 26 form an integral part of the condensed consolidated interim financial information. The review report of the independent auditor 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 2016

	Note	Six month period ended 30 June 2016 AED'000	Six month period ended 30 June 2015 AED'000
Operating activities			
Net profit for the period		275,103	303,556
Adjustments for :			
Depreciation and amortization		10,984	9,951
Provision for employee end of service and other long term benefits		6,640	7,660
Net impairment losses		154,685	86,937
Net fair value gains on disposal of investments		(5,320)	(1,843)
Net changes in fair value of investments at fair value through profit or loss		173	390
		<hr/>	<hr/>
Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long term benefits		442,265	406,651
Payment of employee end of service and other long term benefits		(4,609)	(3,637)
Change in statutory reserve with the UAE Central Bank		(52,679)	(86,147)
Change in due from banks and financial institutions		(58,246)	(663,798)
Change in loans and advances and Islamic financing receivables		(1,588,331)	(2,185,079)
Change in other assets		(415,455)	(119,004)
Change in due to banks		226,551	300,407
Change in customer deposits and Islamic customer deposits		1,011,845	1,530,286
Change in other liabilities		511,429	86,939
		<hr/>	<hr/>
Net cash generated from / (used in) operating activities		72,770	(733,382)
Investing activities			
Purchase of property and equipment, intangible assets and capital work-in-progress		(17,677)	(19,016)
Purchase of investments and Islamic instruments		(788,961)	(651,884)
Proceeds from sale of investments and Islamic instruments		508,464	328,678
		<hr/>	<hr/>
Net cash used in investing activities		(298,174)	(342,222)
Financing activities			
Proceed from term borrowings		845,838	550,057
Repayment of term borrowings		(660,247)	(112,020)
Cash dividends		(88,688)	(82,500)
Proceeds from issue of Tier 1 capital notes		-	500,000
Tier 1 capital notes coupon paid		(35,188)	(17,063)
Tier 1 capital notes issuance cost		-	(1,538)
		<hr/>	<hr/>
Net cash generated from financing activities		61,715	836,936
		<hr/>	<hr/>
Net change in cash and cash equivalents		(163,689)	(238,668)
Cash and cash equivalents at beginning of the period		4,441,854	3,749,601
Cash and cash equivalents at end of the period	18	<u>4,278,165</u>	<u>3,510,933</u>

The notes on pages 7 to 26 form an integral part of the condensed consolidated interim financial information.
The review report of the independent auditor is set out on page 1.

National Bank of Fujairah PJSC

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

For the six month period ended 30 June 2016

	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 2015	1,100,000	403,126	298,126	898,864	(689)	165,000	500,000	3,364,427
Total omprehensive income for the period	-	-	-	303,556	(653)	-	-	302,903
Issue of Tier 1 capital notes (note 14)	-	-	-	-	-	-	500,000	500,000
Tier 1 capital notes issuance cost (note 14)	-	-	-	(1,538)	-	-	-	(1,538)
Tier 1 capital notes coupon paid (note 14)	-	-	-	(17,063)	-	-	-	(17,063)
2014 cash dividends paid	-	-	-	-	-	(82,500)	-	(82,500)
2014 bonus shares issued	82,500	-	-	-	-	(82,500)	-	-
At 30 June 2015	1,182,500	403,126	298,126	1,183,819	(1,342)	-	1,000,000	4,066,229
At 1 January 2016	1,182,500	457,320	352,320	1,117,884	(7,783)	177,376	1,000,000	4,279,617
Total comprehensive income for the period	-	-	-	275,103	10,703	-	-	285,806
Tier 1 capital notes coupon paid (note 14)	-	-	-	(35,188)	-	-	-	(35,188)
2015 cash dividends paid	-	-	-	-	-	(88,688)	-	(88,688)
2015 bonus shares issued	88,688	-	-	-	-	(88,688)	-	-
At 30 June 2016	1,271,188	457,320	352,320	1,357,799	2,920	-	1,000,000	4,441,547

The notes on pages 7 to 26 form an integral part of the condensed consolidated interim financial information. The review report of the independent auditor is set out on page 1.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016

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.

UAE Federal Law No. 2 of 2015 (Companies Law) which is applicable to the Group has come into effect from 1 July 2015. The Group has assessed and evaluated the relevant provisions of the Companies Law. It has two years from the effective date of the Companies Law to fully comply with the transitional provisions set out therein.

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 2016 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 condensed consolidated interim financial information:

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

2. Disclosure policy (continued)

a) 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;
- Publication of the annual report; and
- Investor relations presentations.

In addition, the Group's Corporate Communication Department discloses and disseminates information through press releases, media coverage and the 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). This condensed consolidated interim financial information does 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 2015.

4. Significant accounting policies

(a) Standards, amendments and interpretations

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 2015.

Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2016

New standards and significant amendments to standards applicable to the Group	Effective date
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation. This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances.	1 January 2016

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

4. Significant accounting policies (continued)

(a) Standards, amendments and interpretations (continued)

Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2016 (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
<p>IAS 1 Amendments to IAS 1, 'Presentation of financial statements' Disclosure initiative</p> <p>The amendments clarify that it may be necessary to disaggregate some of the line items specified in IAS 1 paragraphs 54 (statement of financial position) and 82 (profit or loss). That disaggregation is required where it is relevant to an understanding of the entity's financial position or performance.</p>	1 January 2016
<p>Annual improvements 2014</p> <p>These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to:</p> <ul style="list-style-type: none">■ IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets.■ IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise.■ IAS 34, 'Interim financial reporting', regarding information disclosed elsewhere in the interim financial report. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.	1 January 2016

There is no material impact of the above amendments on the condensed consolidated interim financial information of the Group.

There are no other IFRSs or International Financial Reporting Interpretations Committee (IFRIC) interpretations that were effective for the first time for the financial year beginning on 01 January 2016 that have had a material impact on the Group's condensed consolidated interim financial information.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

4. Significant accounting policies (continued)

(a) Standards, amendments and interpretations (continued)

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2016 and not early adopted

<p>IFRS 15, 'Revenue from contracts with customers'</p> <p>This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p> <p>Amendment to IFRS 15, 'Revenue from contracts with customers'</p> <p>These amendments comprise clarifications on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.</p>	<p>1 January 2018</p>
<p>IFRS 9, 'Financial instruments'</p> <p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. 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. 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 tests. 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.</p>	<p>1 January 2018 Earlier application is permitted. If an entity elects to early apply, it must apply all of the requirements at the same time.</p>
<p>Amendments to IAS 7, 'Statement of cash flows on disclosure initiative'</p> <p>These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities including those from cash flows and other non-cash changes. The new requirement typically entails a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.</p>	<p>1 January 2017</p>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

4. Significant accounting policies (continued)

(a) Standards, amendments and interpretations (continued)

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2016 and not early adopted (continued)

<p>IFRS 16, 'Leases'</p> <p>This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.</p> <p>For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.</p>	<p>1 January 2019</p>
<p>Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' regarding the sale or contribution of assets between an investor and its associate or joint venture</p> <p>These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.</p>	<p>Date to be determined</p>

The Group has taken measures to adhere to the above new standards and amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2016.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2016 that would be expected to have a material impact on the condensed consolidated interim financial information of the Group.

(b) Key accounting estimates and judgments

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2015.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

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 2015.

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 the consolidated interim 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.

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 six month period ended 30 June 2016 (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 2016 (Unaudited)	Notional AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments and Islamic instruments				
Debt securities / Islamic sukuk	-	945,933	-	-
Other investments	-	93,614	7,713	-
Customer deposits and Islamic customer deposits				
Customer deposits and Islamic customer deposits	-	-	1,010	-
Forward foreign exchange contracts	13,161,237	-	6,235	-
Currency options	4,518,372	-	-	-
Interest rate derivatives	4,086,190	-	2,086	-
Commodity derivatives	1,125,714	-	1,448	-
31 December 2015 (Audited)	Notional AED'000	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments and Islamic instruments				
Debt securities / Islamic sukuk	-	970,284	-	-
Other investments	-	1,005	8,553	-
Customer deposits and Islamic customer deposits				
Customer deposits and Islamic customer deposits	-	-	1,010	-
Forward foreign exchange contracts	8,017,346	-	458	-
Currency options	893,043	-	-	-
Interest rate derivatives	2,647,601	-	2,695	-
Commodity derivatives	955,134	-	19,634	-

The positive / negative fair values of derivative financial instruments, entered into by the Group, at the reporting date are depicted below:

	30 June 2016 (Unaudited)			31 December 2015 (Audited)		
	Positive fair value AED'000	Negative fair value AED'000	Net AED'000	Positive fair value AED'000	Negative fair value AED'000	Net AED'000
Forward foreign exchange contracts	70,807	64,572	6,235	19,937	19,479	458
Currency options	9,731	9,731	-	4,593	4,593	-
Interest rate derivatives	37,109	35,023	2,086	23,565	20,870	2,695
Commodity derivatives	34,208	32,760	1,448	72,110	52,476	19,634
	151,855	142,086	9,769	120,205	97,418	22,787

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 six month period ended 30 June 2016 (continued)

6. Cash and balances with the UAE Central Bank	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
Cash on hand	275,241	319,647
Certificates of deposit (CDs) with the UAE Central Bank	3,767,775	2,375,000
Other balances with the UAE Central Bank (note 6.1)	1,773,115	1,810,920
	<u>5,816,131</u>	<u>4,505,567</u>
6.1 Other balances with the UAE Central Bank include regulatory cash reserve deposits of AED 1,065.9 million (31 December 2015: AED 1,013.2 million).		
7. Due from banks and financial institutions	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
7.1 By type		
Placements	424,485	1,422,752
Current accounts / term deposits	274,657	468,723
Bills discounted	985,818	957,312
Certificates of deposit	73,377	73,010
	<u>1,758,337</u>	<u>2,921,797</u>
As at 30 June 2016, current accounts / term deposits include cash collateral of AED 35.74 million (31 December 2015: AED 12.67 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	861,599	1,162,278
GCC countries	197,902	505,467
Others	698,836	1,254,052
	<u>1,758,337</u>	<u>2,921,797</u>
7.3 The currency wise analysis is set out below:		
AED	510,594	909,134
USD	1,082,566	1,687,853
EUR	103,876	196,727
GBP	-	39,649
Others	61,301	88,434
	<u>1,758,337</u>	<u>2,921,797</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

8. Investments and Islamic instruments

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
Investments at fair value through profit or loss (FVTPL) (note 8.1)	7,713	8,553
Available-for-sale (AFS)		
Debt securities / Islamic sukuks (note 8.2)	945,933	970,284
Other investments	93,614	1,005
	<u>1,039,547</u>	<u>971,289</u>
Held-to-maturity (HTM)		
Debt securities / Islamic sukuks (note 8.2)	656,255	427,326
	<u>1,703,515</u>	<u>1,407,168</u>

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

8.2 Debt securities aggregating **AED 1,602.2 million** (31 December 2015: AED 1,397.6 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 712.3 million** (31 December 2015: AED 650.7 million).

Debt securities include Islamic sukuks amounting to **AED 502.25 million** (31 December 2015: AED 270.27 million).

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

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
Government	227,375	168,379
Banks and financial institutions	1,121,303	1,081,440
Others	354,837	157,349
	<u>1,703,515</u>	<u>1,407,168</u>

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

Within UAE	332,308	258,887
Others	1,371,207	1,148,281
	<u>1,703,515</u>	<u>1,407,168</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information
For the six month period ended 30 June 2016 (continued)

8. Investments and Islamic instruments (continued)

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

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
USD	1,506,421	1,214,960
EUR	172,377	165,037
GBP	24,717	27,171
	<u>1,703,515</u>	<u>1,407,168</u>

9. Loans and advances and Islamic financing receivables

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
--	---	---

9.1 Loans and advances and Islamic financing receivables by type:

Overdrafts	1,650,137	1,591,468
Term loans	14,639,880	13,250,914
Loans against trust receipts	3,672,857	3,777,454
Bills discounted	1,868,514	1,696,328
Bills drawn under letters of credit	447,036	426,395
	<u>22,278,424</u>	<u>20,742,559</u>
Allowance for impairment losses (note 9.3)	<u>(1,156,442)</u>	<u>(1,054,223)</u>
Net loans and advances and Islamic financing receivables	<u>21,121,982</u>	<u>19,688,336</u>

9.2. Loans and advances and Islamic financing receivables include Murabaha Tawarruq and Ijara financing activities amounting to **AED 1,034.60 million** (31 December 2015: AED 587.58 million) provided through a Shariah-compliant Islamic window, NBF Islamic.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

9. Loans and advances and Islamic financing receivables (continued)

9.3 Allowance for impairment losses on loans and advances and Islamic financing receivables

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	1,054,223	924,865
Net allowance for impairment losses	154,685	208,092
Written-off during the period	(52,466)	(78,734)
	<u>1,156,442</u>	<u>1,054,223</u>

10. 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 interim statement of financial position. All credit related commitments are unconditionally cancellable / revocable at the discretion of the Group except for the amounts mentioned in the table below.

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
Contingent liabilities:		
- Letters of credit covering movement of goods	1,390,159	1,326,259
- Financial guarantees and other direct credit substitutes	767,183	763,588
- Bid bonds, performance bonds and other transaction related contingencies	4,476,190	4,554,986
	<u>6,633,532</u>	<u>6,644,833</u>
Commitments:		
- Undrawn irrevocable commitments – credit related	339,428	467,333
- Others	59,008	54,969
	<u>398,436</u>	<u>522,302</u>
	<u>7,031,968</u>	<u>7,167,135</u>

The total undrawn credit limits which are revocable at the discretion of the Bank amount to **AED 15,010 million** (31 December 2015: AED 19,105 million). 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.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information
For the six month period ended 30 June 2016 (continued)

11. Due to banks and term borrowings

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
<i>By type:</i>		
Bilateral borrowings (note 11.1)	1,541,321	1,355,730
Sub-ordinated debt (note 11.2)	400,000	400,000
	<u>1,941,321</u>	<u>1,755,730</u>
Due to banks (note 11.3)	1,299,671	873,252
	<u>3,240,992</u>	<u>2,628,982</u>
<i>By geographical area:</i>		
Within UAE	110,190	275,475
GCC Countries	514,220	488,812
Others	2,616,582	1,864,695
	<u>3,240,992</u>	<u>2,628,982</u>

As at 30 June 2016, due to banks include cash collateral of **AED 7.38 million** (31 December 2015: AED 6.76 million), in respect of positive fair value of derivatives, in accordance with the Credit Support Annex (CSA) agreements with the interbank counterparties.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

11. Due to banks and term borrowings (continued)

11.1 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 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
1	2016	February 2018	Libor + Margin	110,190	-
2	2016	March 2018	Libor + Margin	110,190	-
3	2016	May 2018	Libor + Margin	183,650	-
4	2016	February 2017	Libor + Margin	36,730	-
5	2016	March 2017	Libor + Margin	238,744	-
6	2016	March 2017	Libor + Margin	61,460	-
7	2016	March 2017	Libor + Margin	31,414	-
8	2016	March 2017	Libor + Margin	36,730	-
9	2016	June 2017	Libor + Margin	36,730	-
10	2015	November 2018	Libor + Margin	110,190	110,190
11	2015	March 2017	Libor + Margin	183,650	183,650
12	2015	March 2017	Libor + Margin	91,825	91,825
13	2015	May 2017	Libor + Margin	73,460	73,460
14	2015	October 2016	Libor + Margin	77,133	77,133
15	2015	October 2016	Libor + Margin	30,670	30,670
16	2015	November 2016	Libor + Margin	128,555	128,555
17	2015	February 2016	Libor + Margin	-	91,825
18	2015	March 2016	Libor + Margin	-	110,190
19	2015	March 2016	Libor + Margin	-	90,932
20	2014	March 2016	Libor + Margin	-	183,650
21	2014	March 2016	Libor + Margin	-	91,825
22	2014	May 2016	Libor + Margin	-	91,825
				1,541,321	1,355,730

11.2 On 27 November 2013, the Group arranged a term subordinated loan facility, amounting to AED 400 million, with a finance company. The facility carries an 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.

11.3 Due to banks include gold related borrowings amounting to **AED 982.5 million** (31 December 2015: AED 547.3 million) utilised to finance gold loans extended to customers on a matched basis.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information
For the six month period ended 30 June 2016 (continued)

12. Customer deposits and Islamic customer deposits

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	6,521,197	6,154,248
Saving deposits	342,981	297,657
Fixed term and notice deposits	15,760,201	15,160,629
	<u>22,624,379</u>	<u>21,612,534</u>
<i>By geographical area:</i>		
Within UAE	21,036,826	20,230,091
Others	1,587,553	1,382,443
	<u>22,624,379</u>	<u>21,612,534</u>

12.1 Customer deposits and Islamic customer deposits include Qard Islamic current accounts, Murabaha and Wakala deposits amounting to **AED 1,385.09 million** (31 December 2015: AED 1,116.85 million) undertaken through a Shariah-compliant Islamic window, NBF Islamic.

13. Shareholders' equity

Share capital

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
1,271,187,500 shares of AED 1 each (2015: 1,182,500,000 shares of AED 1 each)	<u>1,271,187</u>	<u>1,182,500</u>

The Board of Directors proposed bonus shares of 7.5% of share capital for the year ended 31 December 2015. This was approved by the shareholders at the Annual General Assembly Meeting held in March 2016 and accordingly, 88.7 million bonus shares were issued.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (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.

In March 2015, 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 during the initial period of five years, and will be reset every five years based on the then prevailing 5-year AED mid swap rate plus margin. 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 has also defined conditions for non-viability loss absorption and write-down in line with Basel III guidelines. The Bank may, at its sole discretion, elect not to make an interest / coupon payment. Issuance costs of AED 1.538 million were incurred.

15. Earnings per share

The calculation of earnings per share for the six month period ended 30 June 2016 is based on net profit of **AED 239.9 million** (30 June 2015: AED 285.0 million), after deduction of **AED 35.2 million** (30 June 2015: AED 18.6 million) of issuance cost and coupon payment on Tier 1 capital notes, divided by the weighted average number of shares of **1,271.2 million** (30 June 2015: 1,271.2 million shares after adjusting for bonus shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 June 2016 is based on net profit of **AED 124.6 million** (30 June 2015: AED 154.1 million), divided by the weighted average number of shares of **1,271.2 million** (30 June 2015: 1,271.2 million shares after adjusting for bonus 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 International Accounting Standard No. 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 and balances included in the condensed consolidated interim financial information, which predominantly relate to directors and shareholders of the Group, are as follows:

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (continued)

16. Related parties (continued)

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
Statement of financial position items		
Loans and advances and Islamic financing receivables	1,815,179	2,151,779
Customer deposits and Islamic customer deposits	4,105,672	4,620,544
Investments and Islamic instruments	161,570	159,537
Acceptances	14,195	33,228
Tier 1 capital notes	690,000	690,000
Statement of changes in equity items		
Tier 1 capital notes coupon paid	23,951	41,201
Contingent liabilities		
Letters of credit	89,156	121,357
Financial guarantees and other direct credit substitutes	35,802	91,695
Transaction related contingencies	122,877	110,452
	30 June 2016 AED'000	30 June 2015 AED'000
Statement of income items		
Interest income and income from Islamic financing and investment activities	30,645	20,048
Interest expense and distribution to Islamic depositors	47,616	42,627
Other income	3,699	2,011
Key management compensation		
Salaries and other short-term benefits	10,630	10,318
Employee end of service benefits	362	340

No provisions for impairment have been recognized in respect of loans and advances and Islamic financing receivables given to related parties (31 December 2015: Nil).

The loans and advances and Islamic financing receivables given to related parties amounting to **AED 1,815.2 million** (31 December 2015: AED 2,151.8 million) have been secured against collateral amounting to **AED 1,202.3 million** (31 December 2015: AED 1,446.1 million).

In accordance with the requirements of notice no. 226 / 2015 dated 26 August 2015 and issued by the UAE Central Bank, the Group has complied with article (91) of Union Law No. (10) of 1980.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2016 (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, statutory reserve, special reserve, retained earnings and Tier 1 capital notes. In preparation of Basel III compliance, the Group also monitors the common equity ratio separately within Tier 1 capital which excludes Tier 1 capital notes; 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 sub-ordinated facilities. The following limits have been applied for Tier 2 capital:
 - Total Tier 2 capital shall not exceed 67% of Tier 1 capital;
 - Sub-ordinated liabilities shall not exceed 50% of total Tier 1 capital; and
 - Collective impairment provision shall not exceed 1.25% of total credit risk weighted assets.

	30 June 2016 AED'000 Unaudited	31 December 2015 AED'000 Audited
Tier 1 Capital		
Share capital	1,271,188	1,182,500
Statutory reserve	457,320	457,320
Special reserve	352,320	352,320
Retained earnings	1,357,799	1,206,572
Tier 1 capital notes	1,000,000	1,000,000
Total Tier 1	4,438,627	4,198,712
Tier 2 Capital		
Available-for-sale revaluation reserve	2,920	(7,783)
Sub-ordinated facilities (notes 11.2)	400,000	400,000
Collective impairment provision	336,204	312,377
Total Tier 2	739,124	704,594
Deductions from Tier 1 and Tier 2 Capital		
Investments in unconsolidated subsidiaries	-	-
Total capital base (a)	5,177,751	4,903,306

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information
For the six month period ended 30 June 2016 (continued)

17. Capital adequacy ratio (continued)

	Risk weighted equivalent 30 June 2016 AED'000 Unaudited	Risk weighted equivalent 31 December 2015 AED'000 Audited
<i>Risk weighted assets</i>		
Credit risk	26,896,308	24,990,154
Market risk	18,136	35,928
Operational risk	1,975,039	1,677,033
Total risk weighted assets (b)	28,889,483	26,703,115
Capital adequacy ratio (a) / (b) - %	17.92	18.36
Tier 1 ratio- %	15.36	15.72
Common equity ratio - %	11.90	11.98

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 2016 AED'000 Unaudited	30 June 2015 AED'000 Unaudited
Cash on hand	275,241	199,670
Balances with the UAE Central Bank (note 18.1)	4,474,998	2,806,178
Due from banks with less than three months maturity	388,964	1,345,841
	<u>5,139,203</u>	<u>4,351,689</u>
Due to banks with less than three months maturity	(861,038)	(840,756)
	<u>4,278,165</u>	<u>3,510,933</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

For the six month period ended 30 June 2016 (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
For the six month period ended 30 June 2016 (continued)

19. Segmental reporting (continued)

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

Six month period ended 30 June 2016 - AED'000 Unaudited	Corporate and Institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	351,516	126,041	45,941	135,449	658,947
Segment operating cost	(115,208)	(65,387)	(32,509)	(16,055)	(229,159)
Segment operating profit	236,308	60,654	13,432	119,394	429,788
Net impairment losses	(80,997)	(53,909)	(19,779)	-	(154,685)
Net profit / (loss)	155,311	6,745	(6,347)	119,394	275,103
30 June 2016 (Unaudited)					
Segment assets	19,090,411	2,868,801	1,782,290	8,590,899	32,332,401
Segment liabilities	20,917,313	2,625,376	1,943,761	2,404,404	27,890,854
Capital expenditure	-	-	-	17,677	17,677
Six month period ended 30 June 2015 - AED'000 Unaudited	Corporate and Institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	332,239	127,972	47,005	99,943	607,159
Segment operating cost	(106,257)	(59,451)	(38,348)	(12,610)	(216,666)
Segment operating profit	225,982	68,521	8,657	87,333	390,493
Net impairment losses	(52,495)	(21,683)	(12,759)	-	(86,937)
Net profit / (loss)	173,487	46,838	(4,102)	87,333	303,556
31 December 2015 (Audited)					
Segment assets	17,173,275	2,939,673	1,780,941	8,139,267	30,033,156
Segment liabilities	19,226,048	2,669,154	1,803,881	2,054,456	25,753,539
Capital expenditure	-	-	-	38,096	38,096

20. Comparative figures

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