

National Bank of Fujairah PJSC
Condensed consolidated interim financial
information
For the nine month period ended
30 September 2015

**Condensed consolidated interim financial information
For the nine month period ended 30 September 2015**

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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 September 2015 and the related condensed consolidated interim statements of income, comprehensive income for the three-month and nine-month periods then ended, and condensed 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 interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

**PricewaterhouseCoopers
21 October 2015**

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

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

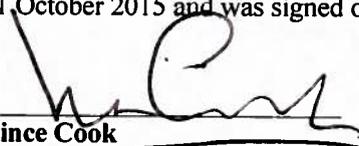
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Douglas Patrick O'Mahony, Paul Suddaby and Jacques Fakhoury are registered as practising auditors with the UAE Ministry of Economy

National Bank of Fujairah PJSC
Consolidated interim statement of financial position
As at 30 September 2015

	<i>Note</i>	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
Assets			
Cash and balances with the UAE Central Bank	6	3,790,506	4,296,469
Due from banks and financial institutions	7	2,797,479	1,912,892
Investments	8	1,145,750	598,136
Loans and advances	9	19,417,328	16,328,448
Property and equipment and capital work-in-progress		115,782	98,264
Intangible assets		23,678	26,667
Other assets		1,342,894	1,325,438
Total assets		28,633,417	24,586,314
Liabilities			
Due to banks	11	1,025,742	680,835
Customer deposits	12	20,233,556	17,931,731
Term borrowings	11	1,703,022	1,173,160
Other liabilities		1,492,270	1,436,161
Total liabilities		24,454,590	21,221,887
Shareholders' equity			
Share capital	13	1,182,500	1,100,000
Statutory reserve		403,126	403,126
Special reserve		298,126	298,126
Available-for-sale revaluation reserve		(3,657)	(689)
Proposed cash dividends		-	82,500
Proposed bonus issue		-	82,500
Retained earnings		1,298,732	898,864
Tier 1 capital notes	14	1,000,000	500,000
Total shareholders' equity		4,178,827	3,364,427
Total liabilities and shareholders' equity		28,633,417	24,586,314

This condensed consolidated interim financial information was approved by the Board of Directors on 21 October 2015 and was signed on its 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 – (Un-audited)
For the nine month period ended 30 September 2015

	Note	Three month period ended 30 September 2015 AED'000	Three month period ended 30 September 2014 AED'000	Nine month period ended 30 September 2015 AED'000	Nine month period ended 30 September 2014 AED'000
Interest income		282,377	233,552	802,031	681,513
Interest expense		(71,822)	(60,673)	(200,900)	(188,346)
Net interest income		210,555	172,879	601,131	493,167
Net fees and commission income		66,440	62,301	228,492	178,685
Foreign exchange and derivatives income		25,802	17,989	67,428	51,008
Income from investments		968	1,431	2,421	3,967
Other operating income		3,082	3,700	14,534	13,418
Operating income		306,847	258,300	914,006	740,245
Operating expenses					
Employee benefits expense		(80,280)	(73,757)	(236,125)	(208,266)
Depreciation and amortization		(5,455)	(4,956)	(15,406)	(13,796)
Other operating expenses		(25,509)	(18,845)	(76,379)	(52,805)
Total operating expenses		(111,244)	(97,558)	(327,910)	(274,867)
Operating profit		195,603	160,742	586,096	465,378
Net impairment losses	9	(45,315)	(30,992)	(132,252)	(96,130)
Net profit for the period		150,288	129,750	453,844	369,248
Earnings per share (basic and diluted)	15	AED 0.10	AED 0.10	AED 0.34	AED 0.28

Appropriations have been reflected in the 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 – (Un-audited)

For the nine month period ended 30 September 2015

	Three month period ended 30 September 2015 AED'000	Three month period ended 30 September 2014 AED'000	Nine month period ended 30 September 2015 AED'000	Nine month period ended 30 September 2014 AED'000
Net profit for the period	<u>150,288</u>	<u>129,750</u>	<u>453,844</u>	<u>369,248</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	(725)	(1,274)	(2,568)	(3,875)
Net changes in fair value of available-for-sale investments	<u>(1,590)</u>	<u>(187)</u>	<u>(400)</u>	<u>5,269</u>
Net change in available-for-sale-investments	<u>(2,315)</u>	<u>(1,461)</u>	<u>(2,968)</u>	<u>1,394</u>
Total comprehensive income for the period	<u><u>147,973</u></u>	<u><u>128,289</u></u>	<u><u>450,876</u></u>	<u><u>370,642</u></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
Consolidated interim statement of cash flows – (Un-audited)
For the nine month period ended 30 September 2015

	<i>Note</i>	Nine month period ended 30 September 2015 AED'000	Nine month period ended 30 September 2014 AED'000
Operating activities			
Net profit for the period		453,844	369,248
Adjustments for :			
Depreciation and amortization		15,406	13,796
Net impairment losses		132,252	96,130
Net fair value gains on disposal of investments		(2,568)	(3,875)
Net changes in fair value of investments at fair value through profit or loss		147	(92)
		-----	-----
Cash flow from operating activities before changes in operating assets and liabilities		599,081	475,207
Change in statutory reserve with the UAE Central Bank		(169,537)	(204,929)
Change in due from banks and financial institutions		(46,481)	(368,768)
Change in loans and advances		(3,221,132)	(2,180,892)
Change in other assets		(17,456)	(168,882)
Change in due to banks		185,858	(136,358)
Change in customer deposits		2,301,825	1,476,006
Change in other liabilities		56,109	175,724
		-----	-----
Net cash used in operating activities		(311,733)	(932,892)
Investing activities			
Purchase of property and equipment, intangible assets and capital work-in-progress		(29,935)	(22,886)
Purchase of investments		(1,009,557)	(656,522)
Proceeds from sale of investments		461,396	580,188
		-----	-----
Net cash used in investing activities		(578,096)	(99,220)
Financing activities			
Proceeds from term borrowings		641,882	479,320
Repayment of term borrowings		(112,020)	(954,980)
Cash dividends		(82,500)	(137,500)
Proceeds from issue of Tier 1 capital notes		500,000	-
Tier 1 capital notes coupon paid		(52,438)	(34,220)
Tier 1 capital notes issuance cost		(1,538)	-
		-----	-----
Net cash generated from / (used in) financing activities		893,386	(647,380)
		-----	-----
Net change in cash and cash equivalents		3,557	(1,679,492)
Cash and cash equivalents at beginning of the period		3,749,601	4,222,484
Cash and cash equivalents at end of the period	18	<u>3,753,158</u>	<u>2,542,992</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
Consolidated interim statement of changes in equity – (Un-audited)
For the nine month period ended 30 September 2015

	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 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	1,100,000	353,647	248,647	1,026,632	(470)	-	500,000	3,228,456
At 1 January 2015	1,100,000	403,126	298,126	898,864	(689)	165,000	500,000	3,364,427
Total comprehensive income for the period	-	-	-	453,844	(2,968)	-	-	450,876
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)	-	-	-	(52,438)	-	-	-	(52,438)
2014 cash dividends paid	-	-	-	-	-	(82,500)	-	(82,500)
2014 bonus shares issued	82,500	-	-	-	-	(82,500)	-	-
At 30 September 2015	1,182,500	403,126	298,126	1,298,732	(3,657)	-	1,000,000	4,178,827

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 2015

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 2015 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 nine month period ended 30 September 2015 (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 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 2014.

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 2014.

Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2015

New standards and significant amendments to standards applicable to the Group	Effective date
Annual improvements 2012 These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to: ■ IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.	1 July 2014

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (continued)

4. Significant accounting policies (continued)

Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2015 (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
<p>Annual improvements 2012 (continued)</p> <ul style="list-style-type: none"> ■ IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. ■ IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required. 	1 July 2014
<p>Annual improvements 2013</p> <ul style="list-style-type: none"> ■ IFRS 13 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13 - The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. 	1 July 2014
<p>IAS 19, Defined benefit plans: Employee contributions</p> <p>The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period.</p> <p>Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives. Management should consider how it will apply that model.</p>	1 July 2014

There is no impact of these provisions 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 2015 that have had a material impact on the Group's condensed consolidated interim financial information.

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2015 and not early adopted

<p>Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortisation.</p> <p>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.</p> <p>The presumption may only be rebutted in certain limited circumstances.</p>	1 January 2016
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National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (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 2015 and not early adopted (continued)

<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>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>	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
<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>	1 January 2018

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (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 2015 and not early adopted (continued)

IFRS 9, 'Financial instruments' 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.	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.
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The Group is assessing the impact of the above new standards and amendments to published standards and IFRIC interpretations issued but not yet effective for the Group's financial year beginning on 1 January 2015.

There are no other applicable new standards and amendments to published standards and IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2015 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 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 2014.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (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 2014.

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.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (continued)

5. Financial risk management (continued)

Fair value hierarchy (continued)

- 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.

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 2015 (Unaudited)	Notional AED'000	----- On balance sheet -----		
		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments				
Debt securities	-	815,890	-	-
Other investments	-	1,118	8,649	-
Customer deposits	-	-	1,010	-
Forward foreign exchange contracts	8,687,268	-	281	-
Currency options	3,795,223	-	7	-
Interest rate derivatives	2,739,807	-	3,077	-
Commodity derivatives	882,488	-	5,298	-
31 December 2014 (Audited)	Notional AED'000	----- On balance sheet -----		
		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Investments				
Debt securities	-	473,805	-	-
Other investments	-	1,157	9,576	-
Customer deposits	-	-	1,010	-
Forward foreign exchange contracts	5,745,853	-	6,753	-
Currency options	3,900,084	-	-	-
Interest rate derivatives	2,481,930	-	4,443	-
Commodity derivatives	528,690	-	(2,094)	-

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 2015 (continued)

6.	Cash and balances with the UAE Central Bank	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
	Cash on hand	217,269	247,308
	Certificates of deposit (CDs) with the UAE Central Bank	2,440,000	2,760,000
	Other balances with the UAE Central Bank (note 6.1)	1,133,237	1,289,161
		<u>3,790,506</u>	<u>4,296,469</u>
6.1	Other balances with the UAE Central Bank include regulatory cash reserve deposits of AED 867.1 million (31 December 2014: AED 697.6 million).		
7.	Due from banks and financial institutions	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
7.1	<i>By type</i>		
	Placements	1,456,593	808,328
	Balance in current accounts / term deposits	275,074	176,116
	Bills discounted	1,065,812	928,448
		<u>2,797,479</u>	<u>1,912,892</u>
	As at 30 September 2015, placements include cash collateral of AED 12.60 million (31 December 2014: AED 26.92 million), in respect of negative fair value of derivatives, in accordance with the Credit Support Annex (CSA) agreements with the interbank counterparties.		
7.2	<i>By geographical area</i>		
	Within UAE	1,383,518	1,301,214
	GCC countries	634,774	81,849
	Others	779,187	529,829
		<u>2,797,479</u>	<u>1,912,892</u>
7.3	<i>The currency wise analysis is set out below:</i>		
	AED	615,271	716,627
	USD	2,112,813	865,632
	EUR	28,072	137,073
	GBP	5,130	40,220
	Others	36,193	153,340
		<u>2,797,479</u>	<u>1,912,892</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (continued)

8. Investments

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
Investments at fair value through profit or loss (FVTPL) (note 8.1)	8,649	9,576
Available-for-sale (AFS)		
Debt securities (note 8.2)	815,890	473,805
Other investments	1,118	1,157
	<u>817,008</u>	<u>474,962</u>
Held-to-maturity (HTM)		
Debt securities (note 8.2)	320,093	113,598
	<u>1,145,750</u>	<u>598,136</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 1,136.0 million** (31 December 2014: AED 587.4 million) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and for which 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 615.4 million** (31 December 2014: AED 219.2 million).

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

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
Government	132,067	73,061
Banks and financial institutions	902,155	459,996
Others	111,528	65,079
	<u>1,145,750</u>	<u>598,136</u>

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

Within UAE	257,400	77,694
Others	888,350	520,442
	<u>1,145,750</u>	<u>598,136</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (continued)

8. Investments (continued)

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

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
AED	-	10,009
USD	948,093	494,737
EUR	169,792	64,759
GBP	27,865	28,631
	<u>1,145,750</u>	<u>598,136</u>

9. Loans and advances

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
9.1 Loans and advances by type:		
Overdrafts	1,596,010	1,571,268
Term loans	12,499,841	10,396,022
Loans against trust receipts	4,027,889	3,397,047
Bills discounted	1,752,681	1,383,944
Bills drawn under letters of credit	581,616	505,032
	<u>20,458,037</u>	<u>17,253,313</u>
Allowance for impairment losses (note 9.3)	<u>(1,040,709)</u>	<u>(924,865)</u>
Net loans and advances	<u>19,417,328</u>	<u>16,328,448</u>

9.2. Loans and advances include Murabaha Tawarruq and Ijara financing activities provided through a *Sharia*' compliant Islamic window, "NBF Islamic." The Islamic operations were formally launched in October 2014.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information
For the nine month period ended 30 September 2015 (continued)

9. Loans and advances *(continued)*

9.3 Allowance for impairment losses on loans and advances

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	924,865	815,049
Net allowance for impairment losses	132,252	132,354
Written-off during the period / year	(16,408)	(36,435)
Restructuring impact	-	13,897
	<u>1,040,709</u>	<u>924,865</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 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
Contingent liabilities:		
- Letters of credit covering movement of goods	1,244,416	1,341,292
- Financial guarantees and other direct credit substitutes	728,497	643,322
- Bid bonds, performance bonds and other transaction related contingencies	4,492,130	4,391,720
	<u>6,465,043</u>	<u>6,376,334</u>
Commitments:		
- Undrawn irrevocable commitments – credit related	40,963	958,909
- Others	81,436	58,027
	<u>122,399</u>	<u>1,016,936</u>
	<u>6,587,442</u>	<u>7,393,270</u>

The total undrawn credit limits which are revocable at the discretion of the Bank amounted to **AED 18,869 million** (31 December 2014: AED 14,249 million). Many of the contingent liabilities and commitments will expire without being funded in whole or in part. Therefore, the amounts do not necessarily represent expected future cash flows.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (continued)

11. Due to banks and term borrowings

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
<i>By type:</i>		
Bilateral borrowings (note 11.1)	1,303,022	773,160
Sub-ordinated debt (note 11.2)	400,000	400,000
	<u>1,703,022</u>	<u>1,173,160</u>
Due to banks (note 11.3)	1,025,742	680,835
	<u>2,728,764</u>	<u>1,853,995</u>
<i>By geographical area:</i>		
Within UAE	348,935	275,475
GCC Countries	564,047	183,650
Others	1,815,782	1,394,870
	<u>2,728,764</u>	<u>1,853,995</u>

As at 30 September 2015, due to banks include cash collateral of **AED 3.1 million** (31 December 2014: nil), in respect of positive fair value of derivatives, in accordance with the Credit Support Annex (CSA) agreements with the interbank counterparties.

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 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
1	2015	May 2017	Libor + Margin	73,460	-
2	2015	March 2017	Libor + Margin	183,650	-
3	2015	March 2017	Libor + Margin	91,825	-
4	2015	February 2016	Libor + Margin	91,825	-
5	2015	March 2016	Libor + Margin	110,190	-
6	2015	March 2016	Libor + Margin	90,932	-
7	2014	March 2016	Libor + Margin	183,650	183,650
8	2014	March 2016	Libor + Margin	91,825	91,825
9	2014	May 2016	Libor + Margin	91,825	91,825
10	2014	March 2015	Libor + Margin	-	112,020
11	2014	October 2015	Libor + Margin	110,190	110,190
12	2013	December 2015	Libor + Margin	183,650	183,650
				<u>1,303,022</u>	<u>773,160</u>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (continued)

11. Due to banks and term borrowings (continued)

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 560.0 million** (31 December 2014: AED 575.4 million) utilized to finance gold loans extended to customers on a matched basis.

12. Customer deposits

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	5,701,145	4,252,576
Saving deposits	243,147	224,780
Fixed term and notice deposits	14,289,264	13,454,375
	<u>20,233,556</u>	<u>17,931,731</u>
<i>By geographical area:</i>		
Within UAE	18,906,141	17,318,518
Others	1,327,415	613,213
	<u>20,233,556</u>	<u>17,931,731</u>

12.1 Customer deposits include Qard Hasan Islamic current accounts and Murabaha deposits undertaken through a *Sharia*' compliant Islamic window, "NBF Islamic." The Islamic operations were formally launched in October 2014.

13. Shareholders' equity

Share capital	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
1,182,500,000 shares of AED 1 each (2014: 1,100,000,000 shares of AED 1 each)	<u>1,182,500</u>	<u>1,100,000</u>

The Board of Directors proposed the issue of bonus shares of 7.5% of the share capital for the year ended 31 December 2014. This was approved by the shareholders at the Annual General Meeting held in March 2015 and accordingly the bonus shares of 82.5 million were issued on 29 March 2015.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (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 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 nine month period ended 30 September 2015 is based on net profit of **AED 453.8 million** (30 September 2014: AED 369.2 million), after deduction of **AED 54.0 million** (30 September 2014: AED 34.2 million) of issuance cost and coupon payment on Tier 1 capital notes, divided by the weighted average number of shares of **1,182.5 million** (30 September 2014: 1,182.5 million shares after adjusting for bonus shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 September 2015 is based on net profit of **AED 150.3 million** (30 September 2014: AED 129.8 million), after deduction of **AED 35.4 million** (30 September 2014: AED 17.3 million) of coupon payment on Tier 1 capital notes, divided by the weighted average number of shares of **1,182.5 million** (30 September 2014: 1,182.5 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 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 2015 (continued)

16. Related parties (continued)

	30 September 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
Statement of financial position items		
Loans and advances	1,624,971	1,182,407
Customer deposits	4,106,687	4,638,926
Investments	160,237	73,417
Acceptances	61,998	58,463
Tier 1 capital notes	690,000	500,000
Tier 1 capital notes coupon paid	41,201	34,220
Contingent liabilities		
Letters of credit	203,202	72,229
Financial guarantees and other direct credit substitutes	40,752	41,160
Transaction related contingencies	96,318	94,362
	30 September 2015 AED'000	30 September 2014 AED'000
Statement of income items		
Interest income	31,397	27,646
Interest expense	64,153	68,446
Other income	3,943	11,996
Key management compensation		
Salaries and other short-term benefits	15,676	14,699
Employee end of service benefits	483	406

No specific provisions for impairment have been recognized in respect of loans given to related parties (31 December 2014: Nil).

The loans given to related parties amounting to **AED 1,625.0 million** (31 December 2014: AED 1,182.4 million) have been secured against collateral amounting to **AED 843.8 million** (31 December 2014: AED 1,074.0 million).

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (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; 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 2015 AED'000 Unaudited	31 December 2014 AED'000 Audited
Tier 1 Capital		
Share capital	1,182,500	1,100,000
Statutory reserve	403,126	403,126
Special reserve	298,126	298,126
Retained earnings	1,298,732	981,364
Tier 1 capital notes	1,000,000	500,000
	<hr/>	<hr/>
Total Tier 1	4,182,484	3,282,616
Tier 2 Capital		
Available-for-sale revaluation reserve	(3,657)	(689)
Subordinated facilities (notes 11.2)	400,000	400,000
Collective impairment provision	305,708	262,253
	<hr/>	<hr/>
Total Tier 2	702,051	661,564
Deductions from Tier 1 and Tier 2 Capital		
Investments in unconsolidated subsidiaries	-	-
	<hr/>	<hr/>
Total capital base (a)	4,884,535	3,944,180
	<hr/> <hr/>	<hr/> <hr/>

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2015 (continued)

17. Capital adequacy ratio (continued)

	Risk weighted equivalent 30 September 2015 AED'000 Unaudited	Risk weighted equivalent 31 December 2014 AED'000 Audited
<i>Risk weighted assets</i>		
Credit risk	24,456,656	20,980,215
Market risk	15,586	8,688
Operational risk	1,677,033	1,424,312
Total risk weighted assets (b)	26,149,275	22,413,215
Capital adequacy ratio (a) / (b) - %	18.68	17.60

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 2015 AED'000 Unaudited	30 September 2014 AED'000 Unaudited
Cash on hand	217,269	154,714
Balances with the UAE Central Bank (note 18.1)	2,706,097	2,645,001
Due from banks with less than three months maturity	1,640,479	907,672
	-----	-----
	4,563,845	3,707,387
Due to banks with less than three months maturity	(810,687)	(1,164,395)
	-----	-----
	<u>3,753,158</u>	<u>2,542,992</u>

18.1 Balances with the UAE Central Bank include certificates of deposit. In accordance with UAE Central Bank regulations on issuance of 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 nine month period ended 30 September 2015 (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 nine month period ended 30 September 2015 (continued)

19. Segmental reporting (continued)

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

Nine month period ended 30 September 2015 - AED'000 Unaudited	Corporate and Institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	493,244	199,144	66,561	155,057	914,006
Segment operating cost	(159,558)	(88,478)	(60,000)	(19,874)	(327,910)
Segment operating profit	333,686	110,666	6,561	135,183	586,096
Net impairment losses	(72,805)	(37,494)	(21,953)	-	(132,252)
Net profit / (loss)	260,881	73,172	(15,392)	135,183	453,844
30 September 2015					
Segment assets	16,946,288	3,054,850	1,739,297	6,892,982	28,633,417
Segment liabilities	18,138,525	2,507,287	1,664,885	2,143,893	24,454,590
Capital expenditure	-	-	-	29,935	29,935
30 September 2014 - AED'000 Unaudited					
Segment revenue	385,344	183,337	53,819	117,745	740,245
Segment operating cost	(127,152)	(74,386)	(56,071)	(17,258)	(274,867)
Segment operating profit / (loss)	258,192	108,951	(2,252)	100,487	465,378
Net impairment losses	(64,099)	(22,342)	(9,689)	-	(96,130)
Net profit / (loss)	194,093	86,609	(11,941)	100,487	369,248
31 December 2014 (Audited)					
Segment assets	14,093,716	2,799,608	1,608,424	6,084,566	24,586,314
Segment liabilities	16,675,400	2,062,939	1,208,596	1,274,952	21,221,887
Capital expenditure	-	-	-	35,263	35,263

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.