

National Bank of Fujairah PSC
Condensed consolidated interim financial statements – (Un-audited)
For the nine month period ended 30 September 2010

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For the nine month period ended 30 September 2010

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Independent auditors' report on review of condensed consolidated interim financial information

**To the Shareholders
National Bank of Fujairah PSC**

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Bank of Fujairah ("the Bank") and its subsidiary (together referred to as "the Group") as at 30 September 2010 and the condensed consolidated interim statement of comprehensive income (comprising a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim income statement), condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the nine month period then ended (the condensed consolidated interim financial information). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at and for the period ended 30 September 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG
Vijendranath Malhotra
Registration No. 48B

24 OCT 2010

National Bank of Fujairah PSC

Condensed consolidated interim statement of financial position – (Un-audited)

As at 30 September 2010

	Note	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Assets			
Cash and balances with UAE Central Bank		2,374,940	2,345,424
Due from banks	6	272,922	275,964
Loans and advances	7&8	8,277,174	7,816,835
Investments	9	649,361	716,221
Property and equipment		85,764	90,436
Intangible assets		10,299	14,159
Capital work-in-progress		2,069	1,081
Other assets		855,151	630,761
Total assets		12,527,680	11,890,881
Liabilities			
Due to banks	10	522,639	405,364
Term borrowings	10	763,086	766,681
Customer deposits	11	8,559,573	8,394,487
Other liabilities		873,917	655,825
Total liabilities		10,719,215	10,222,357
Shareholders' equity			
Share capital	12	1,100,000	1,100,000
Statutory reserve		238,360	238,360
Special reserve		133,360	133,360
Available-for-sale revaluation reserve		(8,342)	(17,508)
Retained earnings		345,087	214,312
Total shareholders' equity		1,808,465	1,668,524
Total liabilities and shareholders' equity		12,527,680	11,890,881

These condensed consolidated interim financial statements were approved by the Board of Directors on 24 October 2010 and are signed on their behalf by:


 Vince Cook
 Chief Executive Officer


 Adnan Anwar
 Chief Financial Officer

The notes on pages 7 to 18 form an integral part of these condensed consolidated interim financial statements.

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

National Bank of Fujairah PSC

Condensed consolidated interim statement of income – (Un-audited)

For the nine month period ended 30 September 2010

	Note	Nine month period ended 30 Sep 2010 AED'000	Nine month period ended 30 Sep 2009 AED'000	Three month period ended 30 Sep 2010 AED'000	Three month period ended 30 Sep 2009 AED'000
Interest income		453,946	497,461	155,043	156,164
Interest expense		(187,907)	(263,296)	(64,061)	(76,254)
Net interest income		266,039	234,165	90,982	79,910
Net fees and commission income		117,897	100,822	39,804	37,297
Foreign exchange income		31,613	26,532	11,227	8,213
Net gain on revaluation of derivative financial instruments		709	-	27	-
Other operating income		5,479	5,660	1,166	1,877
Operating income		421,737	367,179	143,206	127,297
Impairment losses (net)	8	(148,490)	(159,710)	(51,317)	(70,446)
Income from investments		12,735	39,994	8,850	7,737
Net operating income		285,982	247,463	100,739	64,588
Operating expenses					
Employee benefits expense		(110,741)	(124,377)	(38,427)	(40,062)
Depreciation and amortised cost		(12,124)	(11,847)	(4,004)	(3,990)
Other operating expenses		(32,342)	(41,030)	(10,498)	(11,001)
Total operating expenses		(155,207)	(177,254)	(52,929)	(55,053)
Profit for the period		130,775	70,209	47,810	9,535
Earnings per share (basic and diluted)	13	AED 0.12	AED 0.06	AED 0.04	AED 0.01

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

The notes on pages 7 to 18 form an integral part of these condensed consolidated interim financial statements.

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

National Bank of Fujairah PSC

Condensed consolidated interim statement of comprehensive income – (Un-audited) For the nine month period ended 30 September 2010

	Nine month period ended 30 Sep 2010 AED'000	Nine month period ended 30 Sep 2009 AED'000	Three month period ended 30 Sep 2010 AED'000	Three month period ended 30 Sep 2009 AED'000
Profit for the period	<u>130,775</u>	70,209	<u>47,810</u>	9,535
Other comprehensive income:				
<i>Changes in available-for-sale investments:</i>				
Adjustment on maturity of available-for-sale investment	-	500	-	-
Amortisation of reclassified investments	3,661	5,980	1,234	3,125
Realised gains on sale of available-for-sale investments	(5,787)	-	(5,052)	-
Revaluation of available-for-sale investments	<u>11,292</u>	1,226	<u>2,893</u>	2,326
Net change in available-for-sale-investments	<u>9,166</u>	7,706	<u>(925)</u>	5,451
Total comprehensive income for the period	<u><u>139,941</u></u>	<u><u>77,915</u></u>	<u><u>46,885</u></u>	<u><u>14,986</u></u>

The notes on pages 7 to 18 form an integral part of these condensed consolidated interim financial statements.

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National Bank of Fujairah PSC

Condensed consolidated interim statement of cash flows – (Un-audited)

For the nine month period ended 30 September 2010

Operating activities	<i>Note</i>	Nine month period ended 30 Sep 2010 AED'000	Nine month period ended 30 Sep 2009 AED'000
Profit for the period		130,775	70,209
Adjustments for :			
Depreciation and amortised cost		12,124	11,847
Gain on disposal of property and equipment		(12)	(86)
Impairment losses (net)		148,490	159,710
Realised gains on investments		(8,656)	(24,797)
Unrealised gains on investments		(4,079)	(15,197)
		-----	-----
Operating profit before working capital changes		278,642	201,686
Change in due from banks		-	10,252
Change in loans and advances		(608,829)	524,932
Change in other assets		(224,390)	(73,545)
Change in due to banks		(27,086)	22,827
Change in customer deposits		165,086	(411,061)
Change in other liabilities		220,292	73,143
		-----	-----
Net cash (used in) / generated from operating activities		(196,285)	348,234
Investing activities			
Purchase of property and equipment and capital work-in-progress		(4,580)	(8,409)
Proceeds from sale of property and equipment		12	87
Purchase of investments		(383,611)	(414,395)
Proceeds from sale of investments		472,372	650,158
		-----	-----
Net cash generated from investing activities		84,193	227,441
Financing activities			
Directors' attendance fees		(2,200)	(2,200)
Change in syndicated borrowing		(3,595)	3,051
		-----	-----
Net cash (used in) / generated from financing activities		(5,795)	851
		-----	-----
Net change in cash and cash equivalents		(117,887)	576,526
Cash and cash equivalents at beginning of the period		2,287,075	1,292,234
Cash and cash equivalents at end of the period	<i>16</i>	<u>2,169,188</u>	<u>1,868,760</u>

The notes on pages 7 to 18 form an integral part of these condensed consolidated interim financial statements.

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

National Bank of Fujairah PSC

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

For the nine month period ended 30 September 2010

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Retained earnings AED'000	Available- for-sale revaluation reserve AED'000	Total AED'000
At 1 January 2009	1,100,000	227,929	122,929	130,857	(23,162)	1,558,553
Total comprehensive income for the period	-	-	-	70,209	7,706	77,915
At 30 September 2009	<u>1,100,000</u>	<u>227,929</u>	<u>122,929</u>	<u>201,066</u>	<u>(15,456)</u>	<u>1,636,468</u>
At 1 January 2010	1,100,000	238,360	133,360	214,312	(17,508)	1,668,524
Total comprehensive income for the period	-	-	-	130,775	9,166	139,941
At 30 September 2010	<u>1,100,000</u>	<u>238,360</u>	<u>133,360</u>	<u>345,087</u>	<u>(8,342)</u>	<u>1,808,465</u>

The notes on pages 7 to 18 form an integral part of these condensed consolidated interim financial statements.

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

National Bank of Fujairah PSC

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

For the nine month period ended 30 September 2010

1. Legal status and activities

National Bank of Fujairah ("the Bank") is a Public Shareholding 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 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 twelve branches in Fujairah, Abu Dhabi, Dubai, Sharjah, Dibba, Jebel Ali, Musaffah, Masafi, Qidfah, Deira, Ajman and Tawian.

The Bank has a fully owned subsidiary company, NBF Financial Services FZC which was established in December 2004 with limited liability status in the Fujairah Free Trade Zone to provide support services to the Bank.

The condensed consolidated interim financial statements for the nine month period ended 30 September 2010 comprise the Bank and its subsidiary (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, the Central Bank of U.A.E (lead regulator) ("UAECB"), Basel II Pillar 3 guidelines laid down by UAECB, Securities and Commodities Authority (SCA) and ADX.

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

a) Materiality thresholds

Information is considered material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions and / or any material information that might affect the share price. The Group, in order to ensure adequate disclosure lays down a materiality threshold, so that no material information is omitted or misstated; at the same time it does not jeopardize its competitive position.

National Bank of Fujairah PSC

Notes (*continued*)

2. Disclosure policy (*continued*)

b) Frequency and medium of disclosure

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

- Sending reviewed quarterly 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 financial statements on the Group's website;
- Publication of annual audited financial statements in both Arabic and English newspapers after the approval in the Annual General Meeting (AGM);
- Management analysis in Arabic and English newspapers in a manner that ensures wide dissemination; and
- Publication of annual report.

3. Basis of preparation

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: *Interim Financial Reporting*. These financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2009.

4. Significant accounting policies

The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2009.

Key accounting estimates and judgments

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2009.

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Notes (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 2009.

6. Due from banks	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
By geographical area		
Within UAE	158,902	137,664
GCC countries	2,966	1,987
Others	111,054	136,313
	<u>272,922</u>	<u>275,964</u>

6.1 The currency wise analysis of due from banks is set out below:

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
AED	92,973	82,570
USD	105,485	133,644
EURO	5,609	23,368
GBP	16,497	19,951
Others	52,358	16,431
	<u>272,922</u>	<u>275,964</u>

7. Loans and advances

7.1 Loans and advances by type:

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Overdrafts	1,280,714	1,153,397
Term loans	5,224,649	5,222,982
Loans against trust receipts	1,153,551	926,769
Bills discounted	665,720	536,010
Bills drawn under letters of credit	571,340	456,899
	<u>8,895,974</u>	<u>8,296,057</u>
Allowance for impairment losses (note 8)	<u>(618,800)</u>	<u>(479,222)</u>
Net loans and advances	<u>8,277,174</u>	<u>7,816,835</u>

National Bank of Fujairah PSC

Notes (continued)

7. Loans and advances (continued)

7.2 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 contractually binding commitments to extend credit and other capital expenditure commitments of the Group which are undrawn at the date of statement of financial position.

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Contingent liabilities:		
- Letters of credit covering movement of goods	1,015,122	966,461
- Financial guarantees and other direct credit substitutes	399,166	372,182
- Bid bonds, performance bonds and other transaction related contingencies	3,368,556	3,195,693
	<u>4,782,844</u>	<u>4,534,336</u>
Commitments and others:		
- Undrawn commitments - credit related	10,792,862	6,815,277
- Others	7,615	8,803

These contingent liabilities and commitments have off balance sheet credit risk and related fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expired. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

8. Allowance for impairment losses on loans and advances

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Movement in allowances for impairment losses		
Balance at 1 January	479,222	298,630
Provided during the period / year	171,952	252,734
Released during the period / year	(23,462)	(38,449)
Net allowance for impairment losses	148,490	214,285
Written-off during the period / year	(8,912)	(33,693)
	<u>618,800</u>	<u>479,222</u>

National Bank of Fujairah PSC

Notes (continued)

9. Investments

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Investments at fair value through profit or loss (FVPL)		
Designated:		
Debt securities (note 9.1)	-	96,787
Externally managed portfolios (note 9.2)	22,493	33,730
Other investments (note 9.3)	20,267	22,872
	<u>42,760</u>	<u>153,389</u>
Available for sale (AFS)		
Debt securities (note 9.1)	316,863	264,583
Investments in listed equity	953	-
	<u>317,816</u>	<u>264,583</u>
Held to maturity (HTM)		
Debt securities (note 9.1)	288,785	298,249
	<u>649,361</u>	<u>716,221</u>

9.1 **Debt securities** represent the Group's investments in bonds and notes. These include floating rate securities amounting to **AED 581 million** (31 Dec 2009: AED 570 million). These securities are quoted on internationally recognised platforms of Reuter and Bloomberg and are liquid in normal market conditions.

9.2 **Externally managed portfolios** include international funds with no fixed maturities and coupon rates. The portfolio is segregated into liquid and growth portfolios with a view to enhancing returns on liquid funds and profitability respectively. The fair values of these investments are based on the net asset values provided by the fund managers. The Bank had decided to liquidate high risk fund investments in 2008 which reduced significantly since then and residual investments are in the process of redemption.

9.3 **Other investments** mainly comprise investments in private equity and funds invested in a bond previously maintained under a discretionary trust.

9.4 The counterparty dispersion of the investment portfolio is set out below:

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Government	88,519	99,966
Banks and financial institutions	451,291	489,906
Others	109,551	126,349
	<u>649,361</u>	<u>716,221</u>

National Bank of Fujairah PSC

Notes (continued)

9. Investments (continued)

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

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Within UAE	484,753	580,682
GCC Countries	34,629	46,405
Others	129,979	89,134
	<u>649,361</u>	<u>716,221</u>

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

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
AED	483,800	517,932
USD	78,343	162,111
EURO	64,218	29,679
GBP	23,000	6,499
	<u>649,361</u>	<u>716,221</u>

10. Due to banks and term borrowings

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
By type:		
Syndicated borrowings from banks (note 10.1)	763,086	766,681
Short-term borrowings	522,639	405,364
	<u>1,285,725</u>	<u>1,172,045</u>
By geographical area:		
Within UAE	146,931	91,836
GCC Countries	19,065	19,002
Others	1,119,729	1,061,207
	<u>1,285,725</u>	<u>1,172,045</u>

10.1 On 31 July 2008, the Group arranged a term loan facility of **AED 763 million** (comprising US\$ 190 million and Euro 13 million) through a syndicate of banks. The facility carries a floating rate which is the aggregate of margin and LIBOR and is repayable in full on 25 June 2011. Under the terms of the agreement, the Group is required to maintain a minimum capital adequacy ratio calculated on the basis of Basel II Accord as applicable in the UAE and to maintain a minimum tangible net worth of US\$ 350 million.

National Bank of Fujairah PSC

Notes (continued)

11. Customer deposits

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
<i>By type</i>		
Demand and margin deposits	1,695,754	1,649,337
Saving deposits	35,027	34,915
Fixed term and notice deposits (note 11.1, 11.2 & 11.3)	6,828,792	6,710,235
	<u>8,559,573</u>	<u>8,394,487</u>
<i>By geographical area</i>		
Within UAE	8,080,197	7,954,899
Others	479,376	439,588
	<u>8,559,573</u>	<u>8,394,487</u>

11.1 Fixed term and notice deposits include structured deposit notes which are fair valued through statement of income amounting to **AED 75 million** (31 December 2009: AED 153 million), being the fair value as at 30 September 2010.

11.2 The Group received deposits aggregating to AED 643 million in October and November 2008 from the Ministry of Finance of the UAE. On 31 December 2009, the Group entered into an agreement with UAE Ministry of Finance, through which these deposits are now subordinate to equity subject to certain conditions as set out in the agreement and included in Tier 2 capital. As per the terms of the conversion and subordination agreement and subject to certain conditions to be adhered to, the tenure of the loan extends to 7 years from the date of conversion and is payable in full on maturity with an early repayment option. The loan carries stepped up pricing over the tenure, with interest payable on quarterly basis.

11.3 On 19 August 2008, the Group arranged a subordinated term loan facility with a finance company amounting to AED 400 million. The facility carries interest rate which is the aggregate of margin and EIBOR, payable quarterly commencing from 19 November 2008. As per the terms of the facility, the full principal amount of the facility is to be repaid on 19 August 2018. The Central Bank has approved the facility to be considered as Tier 2 capital for regulatory purposes.

12. Shareholders' equity

12.1 Share capital

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
1,100,000,000 shares of AED 1 each (2009: 1,100,000,000 shares of AED 1 each)	<u>1,100,000</u>	<u>1,100,000</u>

13. Earnings per share

The calculation of earnings per share for the nine month period ended 30 September 2010 is based on earnings of **AED 130,775 thousand** (30 September 2009: AED 70,209 thousand) divided by the weighted average number of shares of **1,100,000 thousand** (30 September 2009: 1,100,000 thousand shares) outstanding during the period.

National Bank of Fujairah PSC

Notes (continued)

13. Earnings per share (continued)

The calculation of earnings per share for the three month period ended 30 September 2010 is based on earnings of **AED 47,810 thousand** (30 September 2009: AED 9,535 thousand) divided by the weighted average number of shares of **1,100,000 thousand** (30 September 2009: 1,100,000 thousand shares) outstanding during the period.

14. 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 included in the financial statements are as follows:

	30 September 2010 AED'000	Average balances during 2010 AED'000	31 December 2009 AED'000 Audited	Average balances during 2009 AED'000 Audited
Balance sheet items				
Loans and advances	358,541	352,809	314,218	290,793
Customer deposits	1,880,379	1,889,469	1,834,474	1,867,843
Letters of credit	112,292	154,761	113,562	108,188
Financial guarantees and other direct credit substitutes	18,002	19,826	23,443	20,768
Transaction related contingencies	121,173	118,040	112,719	131,180
	30 September 2010 AED'000		30 September 2009 AED'000	
Income statement items				
Interest income	18,047		12,239	
Interest expense	49,574		60,786	
Other income	3,691		4,673	
Key management personnel				
Salaries and other short-term benefits	9,242		9,443	
Employee terminal and other long-term benefits	219		384	

National Bank of Fujairah PSC

Notes (continued)

15. Capital adequacy ratio

The Group's regulatory capital adequacy ratio is set by the Central Bank. The Central Bank has increased the capital adequacy ratio required to be maintained by Banks to 11% analysed into two Tiers, of which Tier 1 capital adequacy must not be less than 7% by 30 September 2009 and 12 % analysed in two Tiers, of which Tier 1 capital adequacy must not be less than 8% by 30 June 2010. Accordingly, the Bank has complied with its capital adequacy calculation in accordance with Basel II Standardized Approach for credit and market risks and for the operational risk charge on Basic Indicator Approach.

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

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

	30 Sep 2010 AED'000	31 Dec 2009 AED'000 Audited
Tier 1 Capital		
Share capital	1,100,000	1,100,000
Statutory reserve	238,360	227,929
Special reserve	133,360	122,929
Retained earnings	214,312	141,264
Total Tier 1	1,686,032	1,592,122
Tier 2 Capital		
Available-for-sale revaluation reserve	(8,342)	(17,508)
Subordinated facilities (note 11.2 & 11.3)	843,016	796,061
Collective impairment provision	150,307	135,596
Total Tier 2	984,981	914,149
Total capital base (a)	<u>2,671,013</u>	<u>2,506,271</u>

National Bank of Fujairah PSC

Notes (continued)

15. Capital adequacy ratio (continued)

Risk weighted assets

	30 Sep 2010 Risk weighted equivalent AED'000	31 Dec 2009 Risk weighted equivalent AED' 000 Audited
Credit risk	11,242,592	10,430,736
Market risk	4,285	47,121
Operational risk	777,770	733,235
Total risk weighted assets (b)	12,024,647	11,211,092
Capital adequacy ratio (a) / (b) - %	22.21	22.36

16. 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 Sep 2010 AED'000	30 Sep 2009 AED'000
Cash on hand	57,325	60,871
Balances with Central Bank of UAE	2,317,615	2,171,989
Due from banks with less than three months maturity	272,922	173,110
	<u>2,647,862</u>	<u>2,405,970</u>
Due to banks with less than three months maturity	(478,674)	(537,210)
	<u><u>2,169,188</u></u>	<u><u>1,868,760</u></u>

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Notes (continued)

17. 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:

Wholesale banking

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

Consumer 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 and investments

The segment undertakes the Group's liquidity 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.

Head Office and others

The Group's capital and investment in subsidiary is recognised under Head Office. The Head Office lends capital to treasury on an arms length basis for the purposes of segment performance. The Group has central shared services which include Operations, Risk Management, Human Resources, Finance, Information Technology and Internal Audit which are recognised centrally under Head Office. The Group allocates the shared services cost to business segments based on transaction and relevant drivers.

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Notes (continued)

17. Segmental reporting (continued)

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

Nine month period ended 30 September 2010	Wholesale banking	Consumer banking	Treasury & investments	Head office & others	Consolidated
.....AED "000".....					
Segment revenue	369,477	43,307	16,728	4,960	434,472
Segment operating cost	(126,300)	(21,166)	(7,741)	-	(155,207)
Impairment losses	(130,346)	(18,144)	-	-	(148,490)
Profit	112,831	3,997	8,987	4,960	130,775
30 September 2010					
Segment assets	8,469,823	629,503	3,330,222	98,132	12,527,680
Segment liabilities	8,116,317	445,858	2,125,719	31,321	10,719,215
Capital expenditure	-	-	-	4,580	4,580
Nine month period ended 30 September 2009	Wholesale banking	Consumer banking	Treasury & investments	Head office & others	Consolidated
.....AED "000".....					
Segment revenue	316,802	60,814	9,500	20,057	407,173
Segment operating cost	(139,834)	(29,560)	(7,860)	-	(177,254)
Impairment losses	(147,314)	(12,396)	-	-	(159,710)
Profit	29,654	18,858	1,640	20,057	70,209
31 December 2009					
Segment assets	7,795,323	636,274	3,353,608	105,676	11,890,881
Segment liabilities	7,633,594	499,729	2,079,857	9,177	10,222,357
Capital expenditure	-	-	-	10,202	10,202

18. Comparative figures

Certain comparative figures have been re-classified where necessary to conform to the current period's presentation.