

National Bank of Fujairah PSC
Condensed consolidated interim financial
information – (Un-audited)
For the nine month period ended
30 September 2012

Condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012

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Review report to the Shareholders and Directors of National Bank of Fujairah PSC

Introduction

We have reviewed the accompanying 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 2012 and the related consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

**PricewaterhouseCoopers
23 October 2012**

A handwritten signature in black ink that reads "Paul Suddaby".

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

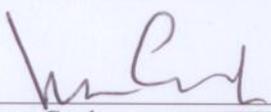
National Bank of Fujairah PSC

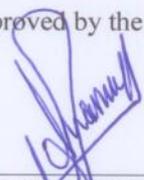
Consolidated interim statement of financial position – (Un-audited)

As at 30 September 2012

	Note	30 September 2012 AED'000	31 December 2011 AED'000 Audited
Assets			
Cash and balances with the UAE Central Bank	6	2,063,008	2,103,840
Due from banks and financial institutions	7	683,168	614,091
Loans and advances	8	11,581,291	10,505,260
Investments	10	671,007	583,898
Property and equipment		84,720	82,230
Intangible assets		-	3,861
Capital work-in-progress		15,637	4,820
Other assets		962,776	1,015,364
Total assets		16,061,607	14,913,364
Liabilities			
Due to banks	11	552,966	540,212
Customer deposits	12	11,220,763	10,338,580
Term borrowings	11	1,101,900	918,250
Other liabilities		1,006,590	1,055,135
Total liabilities		13,882,219	12,852,177
Shareholders' equity			
Share capital	13	1,100,000	1,100,000
Statutory reserve		283,539	283,539
Special reserve		178,539	178,539
Available-for-sale revaluation reserve		1,638	(8,441)
Proposed dividends		-	110,000
Retained earnings		615,672	397,550
Total shareholders' equity		2,179,388	2,061,187
Total liabilities and shareholders' equity		16,061,607	14,913,364

This condensed consolidated interim financial information was approved by the Board of Directors on 23 October 2012 and was signed on their behalf by:


 Vince Cook
 Chief Executive Officer


 Adnan Anwar
 Chief Financial Officer

The notes on pages 7 to 20 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 PSC

Consolidated interim statement of income – (Un-audited)

For the nine month period ended 30 September 2012

		Three month period ended 30 September 2012	Three month period ended 30 September 2011	Nine month period ended 30 September 2012	Nine month period ended 30 September 2011
	Note	AED'000	AED'000	AED'000	AED'000
Interest income		194,251	174,402	557,434	497,466
Interest expense		(66,947)	(55,739)	(194,980)	(179,929)
Net interest income		127,304	118,663	362,454	317,537
Net fees and commission income		41,886	39,990	129,807	117,240
Foreign exchange and derivatives income		14,844	13,801	41,491	35,453
Income from investments		874	774	1,860	4,343
Other operating income		3,589	1,569	7,628	4,956
Operating income		188,497	174,797	543,240	479,529
Net impairment losses	9	(39,754)	(28,545)	(123,308)	(91,003)
Net operating income		148,743	146,252	419,932	388,526
Operating expenses					
Employee benefits expense		(51,355)	(50,653)	(152,021)	(135,027)
Depreciation and amortization		(3,012)	(4,123)	(10,413)	(12,225)
Other operating expenses		(11,713)	(15,805)	(39,376)	(40,380)
Total operating expenses		(66,080)	(70,581)	(201,810)	(187,632)
Net profit for the period		82,663	75,671	218,122	200,894
Earnings per share (basic and diluted)	14	AED 0.08	AED 0.07	AED 0.20	AED 0.18

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

The notes on pages 7 to 20 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 PSC

Consolidated interim statement of comprehensive income – (Un-audited) For the nine month period ended 30 September 2012

	Three month period ended 30 September 2012 AED'000	Three month period ended 30 September 2011 AED'000	Nine month period ended 30 September 2012 AED'000	Nine month period ended 30 September 2011 AED'000
Net profit for the period	82,663	75,671	218,122	200,894
Other comprehensive income:				
<i>Changes in available-for-sale investments:</i>				
Net fair value gains on disposal of available-for-sale investments	(549)	(1,839)	(2,221)	(5,397)
Net changes in fair value of available-for-sale investments	2,012	(4,114)	8,626	2,083
Others	1,234	1,233	3,674	3,661
Net change in available-for-sale- investments	2,697	(4,720)	10,079	347
Total comprehensive income for the period	85,360	70,951	228,201	201,241

The notes on pages 7 to 20 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 PSC

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

For the nine month period ended 30 September 2012

	Note	Nine month period ended 30 September 2012 AED'000	Nine month period ended 30 September 2011 AED'000
Operating activities			
Net profit for the period		218,122	200,894
Adjustments for :			
Depreciation and amortization		10,413	12,225
Gain on disposal of property and equipment		-	(16)
Net impairment losses		123,308	91,003
Net fair value gains on disposal of investments		(2,186)	(5,406)
Net changes in fair value of investments at fair value through profit or loss		326	1,063
Operating profit before working capital changes		349,983	299,763
Change in statutory reserve with the UAE Central Bank		(58,136)	(47,280)
Change in due from banks		50,000	(50,000)
Change in loans and advances		(1,199,339)	(1,419,317)
Change in other assets		52,588	41,089
Change in due to banks		(32,460)	(50,354)
Change in customer deposits		882,183	620,496
Change in other liabilities		(48,545)	(94,068)
Net cash used in operating activities		(3,726)	(699,671)
Investing activities			
Purchase of property and equipment and capital work-in-progress		(19,859)	(7,096)
Proceeds from sale of property and equipment		-	16
Purchase of investments		(343,591)	(529,298)
Proceeds from sale of investments		268,421	580,258
Net cash (used in) / generated from investing activities		(95,029)	43,880
Financing activities			
Change in term borrowings		183,650	101,970
Cash dividends		(110,000)	(68,200)
Net cash generated from financing activities		73,650	33,770
Net change in cash and cash equivalents		(25,105)	(622,021)
Cash and cash equivalents at beginning of the period		1,764,742	1,687,748
Cash and cash equivalents at end of the period	17	1,739,637	1,065,727

The notes on pages 7 to 20 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 PSC

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

For the nine month period ended 30 September 2012

	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	Total AED'000
At 1 January 2011	1,100,000	255,447	150,447	282,809	(9,364)	68,200	1,847,539
Total comprehensive income for the period	-	-	-	200,894	347	-	201,241
2010 cash dividends paid	-	-	-	-	-	(68,200)	(68,200)
	-----	-----	-----	-----	-----	-----	-----
At 30 September 2011	<u>1,100,000</u>	<u>255,447</u>	<u>150,447</u>	<u>483,703</u>	<u>(9,017)</u>	<u>-</u>	<u>1,980,580</u>
At 1 January 2012	1,100,000	283,539	178,539	397,550	(8,441)	110,000	2,061,187
Total comprehensive income for the period	-	-	-	218,122	10,079	-	228,201
2011 cash dividends paid	-	-	-	-	-	(110,000)	(110,000)
	-----	-----	-----	-----	-----	-----	-----
At 30 September 2012	<u>1,100,000</u>	<u>283,539</u>	<u>178,539</u>	<u>615,672</u>	<u>1,638</u>	<u>-</u>	<u>2,179,388</u>

The notes on pages 7 to 20 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 PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012

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 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 fourteen branches in Fujairah, Abu Dhabi, Dubai, Sharjah, Dibba, Jebel Ali, Musaffah, Masafi, Qidfah, Deira, Ajman, Tawian, Al-Ain and Fujairah City Centre.

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 information for the nine month period ended 30 September 2012 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 rules of the UAE Central Bank and its Basel II Pillar 3 guidelines and the listing requirements of the Securities and Commodities Authority (SCA) and ADX.

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

a) Materiality thresholds

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

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

2. Disclosure policy (continued)

b) Frequency and medium of disclosure

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

- Sending quarterly reviewed and annual audited financial statements, along with Management Discussion Analysis or Directors' report and any other price sensitive information, to ADX and SCA;
- Hosting quarterly and annual 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.

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

3. Basis of preparation

Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: *Interim Financial Reporting* as issued by International Accounting Standard Board (IASB). These financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2011.

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 2011.

Standards that are effective for the Group's accounting period beginning on 1 January 2012

There are no new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Group.

The following relevant new standards and amendments to published standards have been issued but are not effective for the Group's accounting period beginning 1 January 2012 and have not been early adopted by the Group:

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

4. Significant accounting policies (continued)

- IFRS - 9, 'Financial instruments' (effective 1 January 2015), addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of International Accounting Standard (IAS) 39 – 'Financial Instruments: Recognition and Measurement' that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.
- Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income (effective 1 July 2012). These amendments require entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IFRS - 10 'Consolidated financial statements' (effective 1 January 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS - 13, 'Fair value measurement' (effective 1 January 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS - 27 (revised 2011) 'Separate financial statements' (effective 1 January 2013). This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

The Group has assessed the impact of the above standards and amendments to published standards and has concluded that they will not have a significant impact on the Group's financial statements except IFRS 9 where the Group will continue to evaluate the impact of this Standard as further updates are released by the IASB.

Key accounting estimates and judgments

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2011.

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (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 2011.

6.	Cash and balances with the UAE Central Bank	30 September 2012 AED'000	31 December 2011 AED'000 Audited
	Cash on hand	79,362	72,074
	Certificates of deposit with the UAE Central Bank	1,525,000	1,525,000
	Other balances with the UAE Central Bank (note 6.1)	458,646	506,766
		<u>2,063,008</u>	<u>2,103,840</u>
6.1	Other balances with the UAE Central Bank include regulatory cash reserve deposits of AED 421.1 million (31 December 2011: AED 363.0 million).		
7.	Due from banks and financial institutions	30 September 2012 AED'000	31 December 2011 AED'000 Audited
	Placements	628,804	544,666
	Current accounts	54,364	69,425
		<u>683,168</u>	<u>614,091</u>
7.1	By geographical area		
	Within UAE	302,128	413,961
	GCC countries	162,196	77,833
	Others	218,844	122,297
		<u>683,168</u>	<u>614,091</u>
7.2	The currency wise analysis is set out below:		
	AED	174,828	334,399
	USD	310,886	178,514
	EURO	102,751	53,931
	GBP	23,107	20,424
	Others	71,596	26,823
		<u>683,168</u>	<u>614,091</u>

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

8. Loans and advances

	30 September 2012 AED'000	31 December 2011 AED'000 Audited
8.1 Loans and advances by type:		
Overdrafts	1,087,768	1,220,654
Term loans	7,745,381	6,961,523
Loans against trust receipts	1,830,439	1,578,965
Bills discounted	949,692	765,735
Bills drawn under letters of credit	713,983	630,601
	<u>12,327,263</u>	<u>11,157,478</u>
Allowance for impairment losses (note 9)	(745,972)	(652,218)
Net loans and advances	<u>11,581,291</u>	<u>10,505,260</u>

8.2 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 September 2012 AED'000	31 December 2011 AED'000 Audited
Contingent liabilities:		
- Letters of credit covering movement of goods	1,140,965	1,060,071
- Financial guarantees and other direct credit substitutes	479,984	391,897
- Bid bonds, performance bonds and other transaction related contingencies	3,675,581	3,558,013
	<u>5,296,530</u>	<u>5,009,981</u>
Commitments and others:		
- Undrawn commitments - credit related	10,458,740	8,301,885
- Others	16,121	22,955
	<u>10,474,861</u>	<u>8,324,840</u>
	<u>15,771,391</u>	<u>13,334,821</u>

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

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

9. Allowance for impairment losses on loans and advances

	30 September 2012 AED'000	31 December 2011 AED'000 Audited
Movement in allowances for impairment losses		
Balance at 1 January	652,218	658,065
Net allowance for impairment losses	123,308	113,329
Written-off during the period / year	(29,554)	(119,176)
	<u>745,972</u>	<u>652,218</u>

10. Investments

	30 September 2012 AED'000	31 December 2011 AED'000 Audited
Investments at fair value through profit or loss ("FVTPL") (note 10.1)	27,924	37,766
Available-for-sale ("AFS")		
Debt securities (note 10.2)	302,112	218,931
Other investments	620	524
	<u>302,732</u>	<u>219,455</u>
Held-to-maturity ("HTM")		
Debt securities (note 10.2)	340,351	326,677
	<u>671,007</u>	<u>583,898</u>

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

10.2 Debt securities aggregating **AED 642.5 million** (31 December 2011: AED 545.6 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. Debt securities portfolio includes floating rate securities amounting to **AED 517 million** (31 December 2011: AED 490 million).

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

10. Investments (continued)

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

	30 September 2012 AED'000	31 December 2011 AED'000 Audited
Government	104,089	88,317
Banks and financial institutions	485,557	387,531
Others	81,361	108,050
	<u>671,007</u>	<u>583,898</u>

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

Within UAE	493,839	449,877
GCC Countries	14,771	7,279
Others	162,397	126,742
	<u>671,007</u>	<u>583,898</u>

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

AED	451,962	445,627
USD	171,616	68,658
EURO	47,429	69,613
	<u>671,007</u>	<u>583,898</u>

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

11. Due to banks and term borrowings

	30 September 2012 AED'000	31 December 2011 AED'000 Audited
<i>By type:</i>		
Club term loan facility (note 11.1)	863,155	863,155
Bilateral borrowing (note 11.2)	238,745	55,095
	1,101,900	918,250
Short-term borrowings	552,966	540,212
	1,654,866	1,458,462
<i>By geographical area:</i>		
Within UAE	176,316	197,109
GCC Countries	183,733	7,349
Others	1,294,817	1,254,004
	1,654,866	1,458,462

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

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; to maintain a minimum tangible net worth of USD 425 million; and to maintain its ratio of impaired loans to total funded gross loans, which shall not be greater than ten (10%) percent at any time, subject to the exclusion of certain facilities as stipulated in the agreement. The respective conditions stipulated above have been complied with, as at the reporting date.

- 11.2 During 2012, the Group has arranged two term loan facilities through banks amounting to AED 183.65 million. The facilities carry floating rate which is the aggregate of margin and LIBOR. As per the terms of the agreements, one facility extends to 2 years and the other 3 years after the disbursement date.

During 2010, the Group arranged two term loan facilities through banks amounting to AED 146.9 million, of which AED 91.8 million facility was settled during 2011. The remaining facility carries floating rate which is the aggregate of margin and LIBOR. As per the terms of the agreement, the tenure of the facility extends to 2 years after the disbursement date.

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

12. Customer deposits

	30 September 2012 AED'000	31 December 2011 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	2,406,296	2,117,244
Saving deposits	42,700	33,309
Fixed term and notice deposits	7,729,163	7,145,423
Subordinated debt (note 12.1 & 12.2)	1,042,604	1,042,604
	<u>11,220,763</u>	<u>10,338,580</u>
<i>By geographical area:</i>		
Within UAE	10,590,688	9,804,409
Others	630,075	534,171
	<u>11,220,763</u>	<u>10,338,580</u>

- 12.1 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 subordinated debt 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 quarterly.
- 12.2 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 UAE Central Bank has approved the facility to be considered as Tier 2 capital for regulatory purposes.

13. Shareholders' equity

Share capital	30 September 2012 AED'000	31 December 2011 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
1,100,000,000 shares of AED 1 each (2011: 1,100,000,000 shares of AED 1 each)	<u>1,100,000</u>	<u>1,100,000</u>

14. Earnings per share

The calculation of earnings per share for the nine month period ended 30 September 2012 is based on earnings of **AED 218.12 million** (30 September 2011: AED 200.89 million) divided by the weighted average number of shares of **1,100 million** (30 September 2011: 1,100 million shares) outstanding during the period.

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

For the nine month period ended 30 September 2012 (continued)

14. Earnings per share (continued)

The calculation of earnings per share for the three month period ended 30 September 2012 is based on earnings of **AED 82.66 million** (30 September 2011: AED 75.67 million) divided by the weighted average number of shares of **1,100 million** (30 September 2011: 1,100 million shares) outstanding during the period.

15. 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 condensed consolidated interim financial information are as follows:

	30 September 2012 AED'000	Average balances during 2012 AED'000	31 December 2011 AED'000 Audited	Average balances during 2011 AED'000 Audited
Statement of financial position items				
Loans and advances	724,207	911,439	822,765	928,383
Customer deposits	3,154,764	3,080,227	2,696,594	2,539,592
Investments	40,212	40,205	40,463	40,277
Letters of credit	69,525	52,273	69,261	68,328
Financial guarantees and other direct credit substitutes	9,480	16,997	16,653	16,796
Transaction related contingencies	115,162	112,867	108,731	125,943
Acceptances	58,308	49,718	49,125	219,602
	30 September 2012 AED'000		30 September 2011 AED'000	
Statement of income items				
Interest income	29,558		35,174	
Interest expense	63,760		58,561	
Other income	5,239		6,494	
Key management compensation				
Salaries and other short-term benefits	10,184		10,780	
Employee terminal and other long-term benefits	307		231	

No provision for impairment has been recognized in respect of loans given to related parties (31 December 2011: Nil).

The loans given to related parties amounting to **AED 724.2 million** (31 December 2011: AED 822.8 million) have been secured against collateral amounting to **AED 149.7 million** (31 December 2011: AED 144.0 million).

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Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

16. Capital adequacy ratio

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

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

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

	30 September 2012 AED'000	31 December 2011 AED'000 Audited
Tier 1 Capital		
Share capital	1,100,000	1,100,000
Statutory reserve	283,539	255,447
Special reserve	178,539	150,447
Retained earnings	397,550	282,809
Total Tier 1	1,959,628	1,788,703
Tier 2 Capital		
Available-for-sale revaluation reserve	1,638	(8,441)
Subordinated facilities (note 12.1 & 12.2)	914,083	894,352
Collective impairment provision	163,582	156,079
Total Tier 2	1,079,303	1,041,990
Deductions from Tier 1 and Tier 2 Capital		
Investments in unconsolidated subsidiaries	-	-
Total capital base (a)	<u>3,038,931</u>	<u>2,830,693</u>

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

<i>Risk weighted assets</i>	Risk weighted equivalent 30 September 2012 AED'000	Risk weighted equivalent 31 December 2011 AED'000
Credit risk	14,671,780	13,359,472
Market risk	3,512	5,029
Operational risk	728,918	573,503
Total risk weighted assets (b)	15,404,210	13,938,004
Capital adequacy ratio (a) / (b) - %	19.73	20.31

17. 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 2012 AED'000	30 September 2011 AED'000
Cash on hand	79,362	74,298
Balances with the UAE Central Bank (note 17.1)	1,562,533	1,563,515
Due from banks with less than three months maturity	683,168	290,147
	<u>2,325,063</u>	<u>1,927,960</u>
Due to banks with less than three months maturity	585,426	862,233
	<u>1,739,637</u>	<u>1,065,727</u>

17.1 Balances with the UAE Central Bank include certificates of deposit which are negotiable with the UAE Central Bank.

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

For the nine month period ended 30 September 2012 (continued)

18. 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.

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 subsidiary is recognised under this segment.

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

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Notes to the condensed consolidated interim financial information – (Un-audited)
For the nine month period ended 30 September 2012 (continued)

18. Segmental reporting (continued)

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

Nine month period ended 30 September 2012	Wholesale banking	Retail banking	Treasury, ALM & others	Consolidated
	----- AED'000 -----			
Segment revenue	463,427	38,266	41,547	543,240
Segment operating cost	(125,803)	(66,875)	(9,132)	(201,810)
Net impairment losses	(113,085)	(10,223)	-	(123,308)
Net profit / (loss)	224,539	(38,832)	32,415	218,122
30 September 2012				
Segment assets	11,787,228	738,020	3,536,359	16,061,607
Segment liabilities	10,713,253	807,947	2,361,019	13,882,219
Capital expenditure	-	-	9,042	9,042
Nine month period ended 30 September 2011				
	----- AED'000 -----			
Segment revenue	402,682	35,353	41,494	479,529
Segment operating cost	(115,483)	(62,329)	(9,820)	(187,632)
Net impairment losses	(86,094)	(4,909)	-	(91,003)
Net profit / (loss)	201,105	(31,885)	31,674	200,894
31 December 2011				
Segment assets	10,957,666	536,068	3,419,630	14,913,364
Segment liabilities	9,773,531	630,778	2,447,868	12,852,177
Capital expenditure	-	-	7,380	7,380