

**National Bank of Fujairah PSC**  
**Condensed consolidated interim financial**  
**information – (Un-audited)**  
**For the nine month period ended**  
**30 September 2013**

**Condensed consolidated interim financial information – (Un-audited)**  
**For the nine month period ended 30 September 2013**

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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 subsidiaries (together referred to as “the Group”) as at 30 September 2013 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**  
**24 October 2013**

A handwritten signature in blue ink, appearing to read "Amin H Nasser", is written over a faint, larger version of the same signature.

**Amin H Nasser**  
**Registered Auditor Number 307**  
**Dubai, United Arab Emirates**

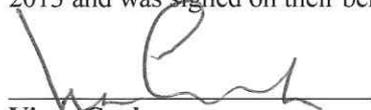
# National Bank of Fujairah PSC

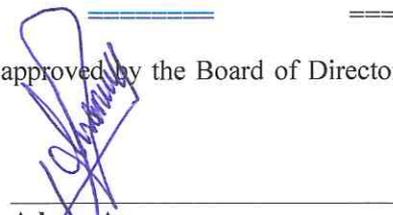
## Consolidated interim statement of financial position – (Un-audited)

As at 30 September 2013

	Note	30 September 2013 AED'000	31 December 2012 AED'000 Audited
<b>Assets</b>			
Cash and balances with the UAE Central Bank	6	3,275,761	2,406,987
Due from banks and financial institutions	7	482,953	1,022,441
Loans and advances	8	13,906,691	12,196,008
Investments	10	588,445	778,832
Property and equipment and capital work-in-progress		85,109	90,514
Intangible assets		20,860	12,993
Other assets		1,241,976	1,036,841
<b>Total assets</b>		<b>19,601,795</b>	<b>17,544,616</b>
<b>Liabilities</b>			
Due to banks	11	1,051,412	617,079
Customer deposits	12	13,264,742	12,440,102
Term borrowings	11	1,061,726	1,153,551
Other liabilities		1,302,319	1,065,053
<b>Total liabilities</b>		<b>16,680,199</b>	<b>15,275,785</b>
<b>Shareholders' equity</b>			
Share capital	13	1,100,000	1,100,000
Statutory reserve		314,119	314,119
Special reserve		209,119	209,119
Available-for-sale revaluation reserve		(3,074)	3,396
Proposed dividends		-	110,000
Retained earnings		801,432	532,197
Tier 1 capital notes	14	500,000	-
<b>Total shareholders' equity</b>		<b>2,921,596</b>	<b>2,268,831</b>
<b>Total liabilities and shareholders' equity</b>		<b>19,601,795</b>	<b>17,544,616</b>

This condensed consolidated interim financial information was approved by the Board of Directors on 24 October 2013 and was signed on their behalf by:

  
**Vince Cook**  
 Chief Executive Officer

  
**Adnan Anwar**  
 Chief Financial Officer

The notes on pages 7 to 23 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 2013

		Three month period ended 30 September 2013	Three month period ended 30 September 2012	Nine month period ended 30 September 2013	Nine month period ended 30 September 2012
	<i>Note</i>	AED'000	AED'000	AED'000	AED'000
Interest income		214,699	194,251	617,426	557,434
Interest expense		(58,477)	(66,947)	(194,712)	(194,980)
<b>Net interest income</b>		<b>156,222</b>	<b>127,304</b>	<b>422,714</b>	<b>362,454</b>
Net fees and commission income		47,889	41,886	148,414	129,807
Foreign exchange and derivatives income		14,079	14,844	47,997	41,491
Income from investments		1,603	874	6,220	1,860
Other operating income		2,072	3,589	5,722	7,628
<b>Operating income</b>		<b>221,865</b>	<b>188,497</b>	<b>631,067</b>	<b>543,240</b>
<b>Operating expenses</b>					
Employee benefits expense		(59,772)	(51,355)	(172,994)	(152,021)
Depreciation and amortization		(4,003)	(3,012)	(10,262)	(10,413)
Other operating expenses		(15,768)	(11,713)	(45,205)	(39,376)
<b>Total operating expenses</b>		<b>(79,543)</b>	<b>(66,080)</b>	<b>(228,461)</b>	<b>(201,810)</b>
<b>Operating profit</b>		<b>142,322</b>	<b>122,417</b>	<b>402,606</b>	<b>341,430</b>
Net impairment losses	8	(39,423)	(39,754)	(116,214)	(123,308)
<b>Net profit for the period</b>		<b>102,899</b>	<b>82,663</b>	<b>286,392</b>	<b>218,122</b>
<b>Earnings per share (basic and diluted)</b>	15	<b>AED 0.09</b>	<b>AED 0.08</b>	<b>AED 0.26</b>	<b>AED 0.20</b>

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

The notes on pages 7 to 23 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 2013

	Three month period ended 30 September 2013 AED'000	Three month period ended 30 September 2012 AED'000	Nine month period ended 30 September 2013 AED'000	Nine month period ended 30 September 2012 AED'000
<b>Net profit for the period</b>	<b>102,899</b>	<b>82,663</b>	<b>286,392</b>	<b>218,122</b>
<b>Other comprehensive income:</b>				
<i>Changes in available-for-sale investments:</i>				
Net fair value gains on disposal of available-for-sale investments	(1,191)	(549)	(5,452)	(2,221)
Net changes in fair value of available-for-sale investments	5,854	2,012	(927)	8,626
Others	(1,319)	1,234	(91)	3,674
<b>Net change in available-for-sale- investments</b>	<b>3,344</b>	<b>2,697</b>	<b>(6,470)</b>	<b>10,079</b>
<b>Total comprehensive income for the period</b>	<b>106,243</b>	<b>85,360</b>	<b>279,922</b>	<b>228,201</b>

The notes on pages 7 to 23 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 2013

		Nine month period ended 30 September 2013 AED'000	Nine month period ended 30 September 2012 AED'000
<b>Operating activities</b>			
	<i>Note</i>		
<b>Net profit for the period</b>		286,392	218,122
Adjustments for :			
Depreciation and amortization		10,261	10,413
Gain on disposal of property and equipment		(64)	-
Net impairment losses		116,214	123,308
Net fair value gains on disposal of investments		(6,034)	(2,186)
Net changes in fair value of investments at fair value through profit or loss		(186)	326
		<u>406,583</u>	<u>349,983</u>
<b>Operating profit before working capital changes</b>		406,583	349,983
Change in statutory reserve with the UAE Central Bank		(126,196)	(58,136)
Change in due from banks		(100,000)	50,000
Change in loans and advances		(1,826,897)	(1,199,339)
Change in other assets		(205,135)	52,588
Change in due to banks		(42,714)	(32,460)
Change in customer deposits		824,640	882,183
Change in other liabilities		237,266	(48,545)
		<u>(832,453)</u>	<u>(3,726)</u>
<b>Net cash used in operating activities</b>		(832,453)	(3,726)
<b>Investing activities</b>			
Purchase of property and equipment, intangible assets and capital work-in-progress		(12,723)	(19,859)
Proceeds from sale of property and equipment		64	-
Purchase of investments		(561,510)	(343,591)
Proceeds from sale of investments		751,647	268,421
		<u>177,478</u>	<u>(95,029)</u>
<b>Net cash generated from / (used in) investing activities</b>		177,478	(95,029)
<b>Financing activities</b>			
Change in term borrowings		(91,825)	183,650
Cash dividends		(110,000)	(110,000)
Proceeds from issue of Tier 1 capital notes		500,000	-
Tier 1 capital notes coupon paid		(17,157)	-
		<u>281,018</u>	<u>73,650</u>
<b>Net cash generated from financing activities</b>		281,018	73,650
<b>Net change in cash and cash equivalents</b>		(373,957)	(25,105)
Cash and cash equivalents at beginning of the period		2,479,073	1,764,742
<b>Cash and cash equivalents at end of the period</b>	18	<u>2,105,116</u>	<u>1,739,637</u>

The notes on pages 7 to 23 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 2013

	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 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)
<b>At 30 September 2012</b>	<b>1,100,000</b>	<b>283,539</b>	<b>178,539</b>	<b>615,672</b>	<b>1,638</b>	<b>-</b>	<b>-</b>	<b>2,179,388</b>
At 1 January 2013	1,100,000	314,119	209,119	532,197	3,396	110,000	-	2,268,831
Total comprehensive income for the period	-	-	-	286,392	(6,470)	-	-	279,922
Issue of Tier 1 capital notes (note 14)	-	-	-	-	-	-	500,000	500,000
Tier 1 capital notes coupon paid (note 14)	-	-	-	(17,157)	-	-	-	(17,157)
2012 cash dividends paid	-	-	-	-	-	(110,000)	-	(110,000)
<b>At 30 September 2013</b>	<b>1,100,000</b>	<b>314,119</b>	<b>209,119</b>	<b>801,432</b>	<b>(3,074)</b>	<b>-</b>	<b>500,000</b>	<b>2,921,596</b>

The notes on pages 7 to 23 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 2013

## 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 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 Financial Services Centre (DIFC) as a company limited by shares under DIFC laws and regulations. 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; and
- NBF Trade Services (HKG) Limited is registered in Hong Kong as a company limited by shares under Hong Kong laws and regulations. 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 2013 comprises the Bank and its subsidiaries (together referred to as "the Group").

The registered address of the Group is Hamad Bin Abdullah Street, P. O. Box 887, Fujairah, United Arab Emirates.

## 2. Disclosure policy

The Group has established a disclosure policy to ensure compliance with all applicable laws and regulations concerning disclosure of material non public information, including International Financial Reporting Standards (IFRS), the rules of the UAE Central Bank and its Basel II Pillar 3 guidelines and the listing requirements of the Securities and Commodities Authority (SCA) and ADX.

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

### a) Materiality thresholds

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

# National Bank of Fujairah PSC

## Notes to the condensed consolidated interim financial information – (Un-audited) For the nine month period ended 30 September 2013 (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; 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 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 2012.

### 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 2012.

#### Standards that are effective for the Group's accounting period beginning on 1 January 2013

The following applicable new standards and amendment to an existing standard have been published and are effective for the Group's accounting periods beginning on 1 January 2013.

- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income (effective 1 July 2012).
- IFRS 10 'Consolidated financial statements' (effective 1 January 2013).
- IAS 27, (revised 2011) 'Separate financial statements' (effective 1 January 2013).

Management has assessed the impact of the above new standards and amendment to an existing standard and has concluded that there is no significant impact expected from the same on the Group's condensed consolidated interim financial statements, but is expected to result in additional disclosures in the consolidated financial statements for the year ended 31 December 2013

The following applicable new standard has been issued but is not effective for the Group's accounting period beginning on 1 January 2013 and has 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 2013 (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 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.

The Group will consider the impact of the remaining phases of IFRS 9 when completed by the IASB and intends to adopt IFRS 9 no later than the accounting period beginning on 1 January 2015.

There are no other new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2013 that would be expected to have a material impact on the financial statements of the Group.

### **Key accounting estimates and judgments**

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2012.

## 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 2012.

# National Bank of Fujairah PSC

## Notes to the condensed consolidated interim financial information – (Un-audited) For the nine month period ended 30 September 2013 (continued)

### **Fair value measurement principles**

Fair value is the amount for which an asset could be exchanged, or liabilities settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the fair value of a financial instrument is based on quoted market prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a quoted market price is not available or if a market for a financial instrument is not active, the fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, discounted cash flow methods, comparison to similar instruments for which market observable prices exist. For investments under management with external fund managers, fair value is provided by the external fund managers, and is determined based on the market value of underlying investments of each fund. In all other cases, the instruments are measured at acquisition cost, including transaction cost, less impairment losses, if any.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the date of consolidated statement of financial position for an instrument with similar terms and conditions.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Group would receive or pay to terminate the contract at the date of consolidated statement of financial position, taking into account current market conditions and the current creditworthiness of the counterparty.

### **Fair value hierarchy**

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.
- Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

# National Bank of Fujairah PSC

## Notes to the condensed consolidated interim financial information – (Un-audited) For the nine month period ended 30 September 2013 (continued)

Pursuant to disclosure requirements of IFRS 7 Financial Instruments: Disclosures, the Group has disclosed the respective information under the table below:

### Fair value measurement – fair value hierarchy:

<b>30 September 2013</b>	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>
<i>On balance sheet items</i>			
<i>Investments</i>			
Debt securities	429,223	-	-
Other investments	871	11,449	-
Customer deposits	-	1,010	-
<i>Off balance sheet items - derivatives</i>			
Forward foreign exchange contracts	-	2,939,102	-
Currency options	-	2,485,710	-
Interest rate swaps	-	756,512	-
Swaptions	-	183,650	-
Commodity swaps	-	23,143	-
<b>31 December 2012</b>	<b>Level 1 AED'000</b>	<b>Level 2 AED'000</b>	<b>Level 3 AED'000</b>
<i>On balance sheet items</i>			
<i>Investments</i>			
Debt securities	409,835	-	-
Other investments	629	27,682	-
Customer deposits	-	9,489	-
<i>Off balance sheet items – derivatives</i>			
Forward foreign exchange contracts	-	2,345,659	-
Currency options	-	1,485,346	-
Interest rate swaps	-	531,954	-
Swaptions	-	183,650	-

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 PSC

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

For the nine month period ended 30 September 2013 (continued)

<b>6. Cash and balances with the UAE Central Bank</b>	<b>30 September 2013 AED'000</b>	<b>31 December 2012 AED'000 Audited</b>
Cash on hand	124,131	100,480
Certificates of deposit (CDs) with the UAE Central Bank	1,500,000	1,525,000
Other balances with the UAE Central Bank (note 6.1)	1,651,630	781,507
	<u>3,275,761</u>	<u>2,406,987</u>
6.1 Other balances with the UAE Central Bank include regulatory cash reserve deposits of <b>AED 524.3 million</b> (31 December 2012: AED 398.1 million).		
<b>7. Due from banks and financial institutions</b>	<b>30 September 2013 AED'000</b>	<b>31 December 2012 AED'000 Audited</b>
7.1 <i>By type</i>		
Placements	364,668	921,067
Current accounts	118,285	101,374
	<u>482,953</u>	<u>1,022,441</u>
7.2 <i>By geographical area</i>		
Within UAE	252,600	662,246
GCC countries	129,599	79,187
Others	100,754	281,008
	<u>482,953</u>	<u>1,022,441</u>
7.3 <i>The currency wise analysis is set out below:</i>		
AED	224,617	558,185
USD	142,948	321,376
EUR	20,050	49,501
GBP	5,126	28,942
XAU	25,556	4,684
Others	64,656	59,753
	<u>482,953</u>	<u>1,022,441</u>

# National Bank of Fujairah PSC

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

For the nine month period ended 30 September 2013 (continued)

### 8. Loans and advances

	30 September 2013 AED'000	31 December 2012 AED'000 Audited
<b>8.1 Loans and advances by type:</b>		
Overdrafts	1,332,900	1,317,162
Term loans	9,107,503	8,110,586
Loans against trust receipts	2,316,896	1,852,710
Bills discounted	1,372,666	1,101,314
Bills drawn under letters of credit	623,760	604,920
	<u>14,753,725</u>	<u>12,986,692</u>
Allowance for impairment losses (note 8.2)	(847,034)	(790,684)
Net loans and advances	<u>13,906,691</u>	<u>12,196,008</u>

### 8.2 Allowance for impairment losses on loans and advances

	30 September 2013 AED'000	31 December 2012 AED'000 Audited
<i>Movement in allowances for impairment losses</i>		
Balance at 1 January	790,684	652,218
Net allowance for impairment losses	116,214	173,707
Written-off during the period / year	(59,864)	(35,241)
	<u>847,034</u>	<u>790,684</u>

### 9. Contingent liabilities and commitments

Contingent liabilities represent credit related commitments under letters of credit and guarantees which are designed to meet the requirements of the Group's customers towards third parties. Commitments represent contractually binding commitments to extend credit and other capital expenditure commitments of the Group which are undrawn at the date of consolidated interim statement of financial position.

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (continued)

## 9. Contingent liabilities and commitments (continued)

	30 September 2013 AED'000	31 December 2012 AED'000 Audited
<b>Contingent liabilities:</b>		
- Letters of credit covering movement of goods	1,099,238	1,175,298
- Financial guarantees and other direct credit substitutes	595,805	477,809
- Bid bonds, performance bonds and other transaction related contingencies	4,059,079	3,549,490
	<u>5,754,122</u>	<u>5,202,597</u>
<b>Commitments:</b>		
- Undrawn commitments – credit related	11,922,433	11,076,002
- Others	9,356	31,158
	<u>11,931,789</u>	<u>11,107,160</u>
	<u>17,685,911</u>	<u>16,309,757</u>

These contingent liabilities and commitments represent unfunded credit risk and related fees and accruals for probable losses are recognized in the consolidated interim 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.

## 10. Investments

	30 September 2013 AED'000	31 December 2012 AED'000 Audited
<b>Investments at fair value through profit or loss (FVPL) (note 10.1)</b>	<b>11,449</b>	<b>27,682</b>
<b>Available-for-sale (AFS)</b>		
Debt securities (note 10.2)	429,223	409,835
Other investments	871	629
	<u>430,094</u>	<u>410,464</u>
<b>Held-to-maturity (HTM)</b>		
Debt securities (note 10.2)	146,902	340,686
	<u>588,445</u>	<u>778,832</u>

# National Bank of Fujairah PSC

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

For the nine month period ended 30 September 2013 (continued)

### 10. Investments (continued)

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

10.2 Debt securities aggregating **AED 576.1 million** (31 December 2012: AED 750.5 million) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and prices are available on internationally recognized platforms of Reuters and Bloomberg and are liquid in normal market conditions. The debt securities portfolio includes floating rate securities amounting to **AED 197.9 million** (31 December 2012: AED 581.6 million).

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

	<b>30 September 2013 AED'000</b>	<b>31 December 2012 AED'000 Audited</b>
Government	54,767	104,565
Banks and financial institutions	521,358	593,013
Others	12,320	81,254
	<u>588,445</u>	<u>778,832</u>

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

Within UAE	151,670	493,756
GCC Countries	-	14,909
Others	436,775	270,167
	<u>588,445</u>	<u>778,832</u>

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

AED	61,387	451,556
USD	437,755	215,973
EUR	59,540	111,303
GBP	29,763	-
	<u>588,445</u>	<u>778,832</u>

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (continued)

## 11. Due to banks and term borrowings

	30 September 2013 AED'000	31 December 2012 AED'000 Audited
<i>By type:</i>		
Club term loan facility (note 11.1)	863,155	863,155
Bilateral borrowing (note 11.2)	198,571	290,396
	<u>1,061,726</u>	<u>1,153,551</u>
Short-term borrowings	1,051,412	617,079
	<u>2,113,138</u>	<u>1,770,630</u>
<i>By geographical area:</i>		
Within UAE	686,513	353,135
GCC Countries	91,825	183,650
Others	1,334,800	1,233,845
	<u>2,113,138</u>	<u>1,770,630</u>

- 11.1 On 24 June 2011, the Group arranged a club term loan facility of **AED 863.2 million** (USD 235 million) through a syndicate of banks. The facility 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 arranged three term loan facilities through banks, amounting to AED 290.4 million, of which, one facility amounting to AED 91.8 million has been repaid during 2013. The facilities carry interest rate which is the aggregate of margin and LIBOR. As per the terms of the agreements of existing facilities, one facility extends to 1 year and the other 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 2013 (continued)

## 12. Customer deposits

	<b>30 September 2013 AED'000</b>	<b>31 December 2012 AED'000 Audited</b>
<i>By type:</i>		
Demand and margin deposits	3,045,390	2,749,291
Saving deposits	95,332	52,289
Fixed term and notice deposits	10,124,020	8,595,918
Sub-ordinated debt (notes 12.1 & 12.2)	-	1,042,604
	<u>13,264,742</u>	<u>12,440,102</u>
<i>By geographical area:</i>		
Within UAE	13,006,956	11,833,520
Others	257,786	606,582
	<u>13,264,742</u>	<u>12,440,102</u>

- 12.1 In March 2013, the Group repaid its AED 643 million subordinated loan to the UAE Ministry of Finance in full and ahead of its original maturity date of 2016, having received all necessary approvals from the UAE Central Bank and the UAE Ministry of Finance.

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

- 12.2 In August 2013, the Group repaid its AED 400 million subordinated term loan facility arranged with a finance company on 19 August 2008, in full on the call date of 19 August 2013 and ahead of its original maturity date of 19 August 2018. The facility carried interest rate which is the aggregate of margin and EIBOR, payable quarterly commencing from 19 November 2008. The UAE Central Bank approved the facility to be considered as Tier 2 capital for regulatory purposes.

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (continued)

## 13. Shareholders' equity

Share capital	30 September 2013 AED'000	31 December 2012 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
1,100,000,000 shares of AED 1 each (2012: 1,100,000,000 shares of AED 1 each)	<u>1,100,000</u>	<u>1,100,000</u>

## 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 subject to certain conditions. The Bank may, at its sole discretion, elect not to make an interest / coupon payment.

## 15. Earnings per share

The calculation of earnings per share for the nine month period ended 30 September 2013 is based on earnings of **AED 286.4 million** (30 September 2012: AED 218.1 million) divided by the weighted average number of shares of **1,100 million** (30 September 2012: 1,100 million shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 September 2013 is based on earnings of **AED 103.0 million** (30 September 2012: AED 82.7 million) divided by the weighted average number of shares of **1,100 million** (30 September 2012: 1,100 million shares) outstanding during the period.

## 16. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Group, related parties, as defined in the 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:

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (continued)

## 16. Related parties (continued)

	30 September 2013 AED'000	Average balances during 2013 AED'000	31 December 2012 AED'000 Audited	Average balances during 2012 AED'000 Audited
<b>Statement of financial position items</b>				
Loans and advances	957,206	846,238	983,713	920,645
Customer deposits	3,629,178	3,325,176	3,320,570	3,126,045
Investments	19,053	27,705	40,446	40,236
Letters of credit	95,127	94,658	47,313	59,588
Financial guarantees and other direct credit substitutes	13,365	12,821	9,727	15,142
Transaction related contingencies	286,308	277,331	128,104	130,135
Acceptances	46,631	65,614	78,088	55,295
Tier 1 capital notes	500,000	347,985	-	-
	30 September 2013 AED'000		30 September 2012 AED'000	
<b>Statement of income items</b>				
Interest income	26,696		30,228	
Interest expense	64,297		63,762	
Other income	6,249		5,576	
<b>Key management compensation</b>				
Salaries and other short-term benefits	14,171		10,184	
Employee terminal benefits	298		307	

No provisions for impairment have been recognized in respect of loans given to related parties (31 December 2012: Nil).

The loans given to related parties amounting to **AED 957.2 million** (31 December 2012: AED 983.7 million) have been secured against collateral amounting to **AED 399.4 million** (31 December 2012: AED 165.7 million).

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (continued)

## 17. Capital adequacy ratio

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

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

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

	<b>30 September 2013 AED'000</b>	<b>31 December 2012 AED'000 Audited</b>
<b>Tier 1 Capital</b>		
Share capital	1,100,000	1,100,000
Statutory reserve	314,119	283,539
Special reserve	209,119	178,539
Retained earnings	515,040	397,550
Tier 1 capital notes	500,000	-
<b>Total Tier 1</b>	<b>2,638,278</b>	<b>1,959,628</b>
<b>Tier 2 Capital</b>		
Available-for-sale revaluation reserve	(3,074)	3,396
Subordinated facilities (notes 12.1 & 12.2)	-	914,083
Collective impairment provision	225,592	178,583
<b>Total Tier 2</b>	<b>222,518</b>	<b>1,096,062</b>
<b>Deductions from Tier 1 and Tier 2 Capital</b>		
Investments in unconsolidated subsidiaries	-	-
<b>Total capital base (a)</b>	<b>2,860,796</b>	<b>3,055,690</b>

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (continued)

## 17. Capital adequacy ratio (continued)

	Risk weighted equivalent 30 September 2013 AED'000	Risk weighted equivalent 31 December 2012 AED'000
<i>Risk weighted assets</i>		
Credit risk	17,221,668	15,169,519
Market risk	4,012	3,628
Operational risk	821,706	728,918
<b>Total risk weighted assets (b)</b>	<b>18,047,386</b>	<b>15,902,065</b>
<b>Capital adequacy ratio (a) / (b) - %</b>	<b>15.85</b>	<b>19.22</b>

## 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 2013 AED'000	30 September 2012 AED'000
Cash on hand	124,131	79,362
Balances with the UAE Central Bank (note 18.1)	2,627,322	1,562,533
Due from banks with less than three months maturity	382,953	683,168
	<u>3,134,406</u>	<u>2,325,063</u>
Due to banks with less than three months maturity	<u>(1,029,290)</u>	<u>(585,426)</u>
	<u><u>2,105,116</u></u>	<u><u>1,739,637</u></u>

- 18.1 Balances with the UAE Central Bank include certificates of deposit. In accordance with UAE Central Bank regulations on issuance of Central Bank certificates of deposit, the Bank can enter into repurchase agreements in order to obtain short term liquidity.

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (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*

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 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 transactions and relevant drivers.

# National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial information – (Un-audited)  
For the nine month period ended 30 September 2013 (continued)

## 19. Segmental reporting (continued)

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

Nine month period ended 30 September 2013	Corporate and Institutional banking	Retail banking	Treasury, ALM & others	Consolidated
	----- AED'000 -----			
Segment revenue	540,898	54,130	36,039	631,067
Segment operating cost	(172,019)	(46,852)	(9,590)	(228,461)
Net impairment losses	(113,566)	(2,648)	-	(116,214)
<b>Net profit</b>	<b>255,313</b>	<b>4,630</b>	<b>26,449</b>	<b>286,392</b>
<b>30 September 2013</b>				
Segment assets	13,914,209	1,174,853	4,512,733	19,601,795
Segment liabilities	13,857,509	1,080,761	1,741,929	16,680,199
Capital expenditure	-	-	12,723	12,723
Nine month period ended 30 September 2012	Corporate and Institutional banking	Retail banking	Treasury, ALM & others	Consolidated
	----- AED'000 -----			
Segment revenue	467,094	38,418	37,728	543,240
Segment operating cost	(154,027)	(42,208)	(5,575)	(201,810)
Net impairment losses	(113,085)	(10,223)	-	(123,308)
<b>Net profit / (loss)</b>	<b>199,982</b>	<b>(14,013)</b>	<b>32,153</b>	<b>218,122</b>
<b>31 December 2012</b>				
Segment assets	12,433,647	784,002	4,326,967	17,544,616
Segment liabilities	11,796,838	992,165	2,486,782	15,275,785
Capital expenditure	-	-	26,082	26,082