

**National Bank of Fujairah PJSC**  
**Condensed consolidated interim financial information**  
**for the nine month period ended**  
**30 September 2022**

**Condensed consolidated interim financial information**  
**For the nine month period ended 30 September 2022**

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

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### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Bank of Fujairah PJSC ("the Bank") and its subsidiaries (together referred to as "the Group") as at 30 September 2022 and the related condensed consolidated interim statements of income and comprehensive income for the three month and nine month periods then ended and condensed consolidated interim statements of cash flows and changes in equity for the nine month period then ended and explanatory notes. The directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

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### 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 the 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.

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### 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  
26 October 2022

Rami Serhan  
Registered Auditor Number 1152  
Place: Dubai, United Arab Emirates

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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

# National Bank of Fujairah PJSC

## Consolidated interim statement of financial position

As at 30 September 2022

	Notes	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<b>Assets</b>			
Cash and balances with the Central Bank of the UAE	5	5,341,787	8,006,023
Due from banks and financial institutions	6	2,800,704	2,129,423
Investments and Islamic instruments	7	5,919,288	4,374,336
Loans and advances and Islamic financing receivables	8	27,592,099	25,614,900
Property, equipment and intangibles		431,332	393,073
Other assets		2,288,542	2,427,793
<b>Total assets</b>		<b>44,373,752</b>	<b>42,945,548</b>
<b>Liabilities</b>			
Due to banks	11	3,076,480	2,133,539
Customer deposits and Islamic customer deposits	12	32,698,528	32,198,745
Term borrowings	11	440,760	514,220
Other liabilities		2,379,999	2,423,381
<b>Total liabilities</b>		<b>38,595,767</b>	<b>37,269,885</b>
<b>Equity</b>			
Share capital	13.1	2,000,000	2,000,000
Statutory reserve		947,578	947,578
Special reserve		573,424	573,424
Fair value reserve		(52,733)	44,041
Impairment reserve	10.2	168,462	189,674
Retained earnings		855,704	635,396
Tier 1 capital securities	14	1,285,550	1,285,550
<b>Total equity attributable to equity and securities holders of the Group</b>		<b>5,777,985</b>	<b>5,675,663</b>
<b>Total liabilities and equity</b>		<b>44,373,752</b>	<b>42,945,548</b>

This condensed consolidated interim financial information was approved by the Board of Directors on 26 October 2022 and was signed on its behalf by:



Vinee Cook  
Chief Executive Officer



Adnan Anwar  
Deputy Chief Executive Officer



Brian Mulholland  
Chief Financial Officer

The notes on pages 7 to 43 form an integral part of the condensed consolidated interim financial information. The independent auditor's review report of the Group condensed consolidated interim financial information is set out on page 1.

# National Bank of Fujairah PJSC

## Consolidated interim statement of income – (Unaudited)

For the nine month period ended 30 September 2022

		Three month period ended 30 September 2022 AED'000	Three month period ended 30 September 2021 AED'000	Nine month period ended 30 September 2022 AED'000	Nine month period ended 30 September 2021 AED'000
	Notes				
Interest income and income from Islamic financing and investment activities		462,607	303,921	1,124,187	915,751
Interest expense and distribution to Islamic depositors		(127,291)	(63,725)	(268,741)	(206,464)
<b>Net interest income and net income from Islamic financing and investment activities</b>		<b>335,316</b>	<b>240,196</b>	<b>855,446</b>	<b>709,287</b>
Fees and commission income		91,313	89,902	300,313	261,324
Fees and commission expense		(11,231)	(11,086)	(34,931)	(32,288)
<b>Net fees and commission income</b>		<b>80,082</b>	<b>78,816</b>	<b>265,382</b>	<b>229,036</b>
Foreign exchange and derivatives income		39,988	27,402	142,533	81,974
Income / (loss) from investments and Islamic instruments		(2,076)	6,990	19,203	41,608
Other operating income		8,091	6,711	37,301	22,722
<b>Operating income</b>		<b>461,401</b>	<b>360,115</b>	<b>1,319,865</b>	<b>1,084,627</b>
<b>Operating expenses</b>					
Employee benefits expense		(83,905)	(68,774)	(235,073)	(204,474)
Depreciation and amortization		(9,002)	(7,414)	(25,355)	(20,642)
Other operating expenses		(45,057)	(40,520)	(126,931)	(114,150)
<b>Total operating expenses</b>		<b>(137,964)</b>	<b>(116,708)</b>	<b>(387,359)</b>	<b>(339,266)</b>
<b>Operating profit before impairment losses</b>		<b>323,437</b>	<b>243,407</b>	<b>932,506</b>	<b>745,361</b>
Net impairment losses	15	(243,275)	(229,180)	(701,826)	(654,921)
<b>Profit for the period</b>		<b>80,162</b>	<b>14,227</b>	<b>230,680</b>	<b>90,440</b>
<b>Earnings per share (basic and diluted)</b>	16	<b>AED 0.040</b>	<b>AED 0.007</b>	<b>AED 0.096</b>	<b>AED 0.026</b>

The notes on pages 7 to 43 form an integral part of the condensed consolidated interim financial information.  
The independent auditor's review report of the Group condensed consolidated interim financial information is set out on page 1.

# National Bank of Fujairah PJSC

## Consolidated interim statement of comprehensive income – (Unaudited)

For the nine month period ended 30 September 2022

	Three month period ended 30 September 2022 AED'000	Three month period ended 30 September 2021 AED'000	Nine month period ended 30 September 2022 AED'000	Nine month period ended 30 September 2021 AED'000
<b>Profit for the period</b>	<b>80,162</b>	<b>14,227</b>	<b>230,680</b>	<b>90,440</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified subsequently to the statement of income:</b>				
Movement in fair value reserve (equity instruments):				
-Net change in fair value	(590)	(8,240)	(11,931)	693
<b>Items that may be reclassified subsequently to the statement of income:</b>				
Movement in fair value reserve (debt instruments):				
-Net change in fair value	(18,273)	(19,942)	(64,205)	(17,935)
-Net change in allowances for impairment	(45)	(2,441)	(2,457)	(1,673)
-Net amount transferred to the statement of income	(10,853)	15,720	(18,181)	(19,692)
<b>Other comprehensive loss for the period</b>	<b>(29,761)</b>	<b>(14,903)</b>	<b>(96,774)</b>	<b>(38,607)</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>50,401</b>	<b>(676)</b>	<b>133,906</b>	<b>51,833</b>

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# National Bank of Fujairah PJSC

## Consolidated interim statement of cash flows – (Unaudited)

For the nine month period ended 30 September 2022

	Notes	Nine month period ended 30 September 2022 AED'000	Nine month period ended 30 September 2021 AED'000
<b>Operating activities</b>			
<b>Profit for the period</b>		<b>230,680</b>	<b>90,440</b>
Adjustments for :			
Depreciation and amortization		25,355	20,642
Provision for employee end of service and other long term benefits		18,236	11,705
Net impairment losses	15	701,826	654,921
Net fair value gain on disposal of investments and Islamic Instruments		(26,626)	(47,547)
Net changes in fair value of investments at fair value through profit or loss		7,423	5,939
<b>Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long term benefits</b>		<b>956,894</b>	<b>736,100</b>
Payment of employee end of service and other long term benefits		(9,720)	(9,609)
Change in due from the Central Bank of the UAE		(593,765)	(1,034,259)
Change in due from banks and financial institutions		(601,667)	(180,339)
Change in loans and advances and Islamic financing receivables		(2,677,472)	(1,230,452)
Change in other assets		139,251	(124,804)
Change in due to banks		643,457	279,742
Change in customer deposits and Islamic customer deposits		499,783	(216,525)
Change in other liabilities		(37,334)	159,798
<b>Net cash used in from operating activities</b>		<b>(1,680,573)</b>	<b>(1,620,348)</b>
<b>Investing activities</b>			
Purchase of property, equipment and intangibles		(61,966)	(38,256)
Purchase of investments and Islamic instruments		(4,986,175)	(2,011,042)
Proceeds from sale and maturity of investments and Islamic instruments		3,353,610	2,618,021
<b>Net cash (used in) / generated from investing activities</b>		<b>(1,694,531)</b>	<b>568,723</b>
<b>Financing activities</b>			
Proceeds from term borrowings		440,760	440,760
Repayment of term borrowings		(514,220)	(367,300)
Tier 1 capital securities coupon paid		(37,763)	(37,763)
<b>Net cash (used in) / generated from financing activities</b>		<b>(111,223)</b>	<b>35,697</b>
<b>Net change in cash and cash equivalents</b>		<b>(3,486,327)</b>	<b>(1,015,928)</b>
Cash and cash equivalents at beginning of the period		4,540,036	3,377,899
<b>Cash and cash equivalents at end of the period</b>	19	<b>1,053,709</b>	<b>2,361,971</b>

The notes on pages 7 to 43 form an integral part of the condensed consolidated interim financial information. The independent auditor's review report of the Group condensed consolidated interim financial information is set out on page 1.

# National Bank of Fujairah PJSC

## Consolidated interim statement of changes in equity – (Unaudited)

For the nine month period ended 30 September 2022

AED'000	Share capital	Statutory reserve	Special reserve	Fair value reserve	Impairment reserve	Retained earnings	Tier 1 capital securities	Total
<b>At 01 January 2021</b>	<b>1,914,762</b>	<b>936,053</b>	<b>561,899</b>	<b>92,583</b>	<b>283,469</b>	<b>597,943</b>	<b>1,285,550</b>	<b>5,672,259</b>
Profit for the period	-	-	-	-	-	90,440	-	<b>90,440</b>
Other comprehensive loss for the period	-	-	-	(38,607)	-	10,827	-	<b>(27,780)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(38,607)</b>	<b>-</b>	<b>101,267</b>	<b>-</b>	<b>62,660</b>
Excess provisions under the Central Bank of the UAE requirements over IFRS 9 (note 10.2)	-	-	-	-	(24,751)	24,751	-	-
Tier 1 capital securities coupon paid	-	-	-	-	-	(37,763)	-	<b>(37,763)</b>
2021 bonus shares issued (note 13.1)	85,238	-	-	-	-	(85,238)	-	-
Liquidation impact of NBF Capital Limited	-	-	-	-	-	5	-	<b>5</b>
Zakat impact (note 22)	-	-	-	-	-	1,393	-	<b>1,393</b>
<b>At 30 September 2021</b>	<b>2,000,000</b>	<b>936,053</b>	<b>561,899</b>	<b>53,976</b>	<b>258,718</b>	<b>602,358</b>	<b>1,285,550</b>	<b>5,698,554</b>
<b>At 01 January 2022</b>	<b>2,000,000</b>	<b>947,578</b>	<b>573,424</b>	<b>44,041</b>	<b>189,674</b>	<b>635,396</b>	<b>1,285,550</b>	<b>5,675,663</b>
Profit for the period	-	-	-	-	-	230,680	-	<b>230,680</b>
Other comprehensive loss for the period	-	-	-	(96,774)	-	6,179	-	<b>(90,595)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(96,774)</b>	<b>-</b>	<b>236,859</b>	<b>-</b>	<b>140,085</b>
Excess provisions under the Central Bank of the UAE requirements over IFRS 9 (note 10.2)	-	-	-	-	(21,212)	21,212	-	-
Tier 1 capital securities coupon paid	-	-	-	-	-	(37,763)	-	<b>(37,763)</b>
<b>At 30 September 2022</b>	<b>2,000,000</b>	<b>947,578</b>	<b>573,424</b>	<b>(52,733)</b>	<b>168,462</b>	<b>855,704</b>	<b>1,285,550</b>	<b>5,777,985</b>

The notes on pages 7 to 43 form an integral part of the condensed consolidated interim financial information.

The independent auditor's review report of the Group condensed consolidated interim financial information is set out on page 1.



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2022*

### 1. Legal status and activities

National Bank of Fujairah (the Bank) is a Public Joint Stock Company registered under the laws of the United Arab Emirates. The Bank operates under a banking license issued on 29 August 1984 by the Central Bank of the United Arab Emirates (Central Bank of the UAE or CBUAE) 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 Bank's key shareholders include the Department of Industry and Economy – Government of Fujairah, Easa Saleh Al Gurg LLC and Investment Corporation of Dubai.

The principal activity of the Bank is commercial banking which is carried out from its network of fifteen branches, including one electronic banking service unit, across the UAE in emirates of Fujairah, Abu Dhabi, Dubai and Sharjah.

The Bank has two 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 Markets (Cayman) Limited is registered in the Cayman Islands as an exempted company limited by shares under the Companies Law (revised) of the Cayman Islands and regulated by the Cayman Island Government General Registry. The Company was established on 31 January 2017 to provide support services to the Bank to enter into foreign exchange and derivative transactions with financial institutions / counterparties under the terms and conditions of International Swaps and Derivatives Association (ISDA).

The condensed consolidated interim financial information for the nine month period ended 30 September 2022 comprise 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. Basis of preparation

#### Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by International Accounting Standard Board (IASB).

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Group is in the process of reviewing the provisions of the UAE Federal Decree Law No 32 of 2021 and will apply the requirements thereof no later than one year from the effective date.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 2. Basis of preparation (continued)

#### Statement of compliance (continued)

The Group has presented Basel III Pillar 3 disclosures separately in accordance with the guidelines issued by the Central Bank of the UAE.

This condensed consolidated interim financial information does not include all the information and disclosures required for full annual consolidated financial statements prepared in accordance with IFRS and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2021.

In preparing this condensed consolidated interim financial information, significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2021 except for the new judgements and estimates explained in Note 3.

### 3. Significant accounting policies

#### Changes in accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022.

#### New and revised IFRS adopted in the condensed consolidated interim financial information

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in this interim financial information. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior periods. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

#### Interbank offered rates (IBOR) reform disclosure – Phase 2

In August 2020, the IASB issued IBOR reform - Phase 2, which amends IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

IBOR Reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an alternative risk-free benchmark reference rate (RFR). The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable. The Group has assessed the impact of Phase 2 and concluded that it is not material to the Group's condensed consolidated interim financial information.

IBORs, such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 3. Significant accounting policies (continued)

#### New and revised IFRS adopted in the condensed consolidated interim financial information (continued)

##### Interbank offered rates (IBOR) reform disclosure – Phase 2 (continued)

Uncertainty surrounding the integrity of IBOR rates has in recent years led regulators, central banks and market participants to work towards a transition to RFRs and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted. Progress in the transition to these new benchmarks has resulted in significant uncertainty in the future of IBOR benchmarks beyond 1 January 2022.

The majority of LIBOR and other IBORs are to be discontinued after 31 December 2021 and replaced with certain Alternative Reference Rates (ARRs), with the exception of certain USD LIBOR rates where cessation is delayed until 30 June 2023. The transition away from the IBORs covers most of the business units and support functions of the Group.

Further, details on IBOR reforms and related disclosures can be referred to in note 21 of this condensed consolidated interim financial information and note 5(f) of the Group's consolidated financial statements as at and for the year ended 31 December 2021.

##### Narrow-scope amendments and annual improvements to the IFRS

Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 9, 'Financial instruments', and the Illustrative Examples accompanying IFRS 16, 'Leases'.

#### Standards, amendments and interpretations issued but not yet effective and not early adopted

- **Amendments to IAS 1 Presentation of financial statements – on classification of liabilities** - These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Deferred until accounting periods starting not earlier than 1 January 2024
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction** - These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. 1 January 2023

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 3. Significant accounting policies (continued)

#### Standards, amendments and interpretations issued but not yet effective and not early adopted (continued)

- **Amendments to IAS 1 Presentation of financial statements, IFRS Practice statement 2 and IAS 8 Accounting policies, changes in accounting estimates and errors**

The IASB amended IAS 1, 'Presentation of Financial Statements', to require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendment also clarifies that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. 1 January 2023

To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

The preparation of the condensed consolidated interim financial information requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2021.

There are no other applicable new standards and amendments to the published standards or IFRS IC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 01 January 2022 that would be expected to have a material impact on the Group's condensed consolidated interim financial information.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

*For the nine month period ended 30 September 2022 (continued)*

### **4. 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 2021.

#### **(a) Fair value measurement principles**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 4. Financial risk management (continued)

#### (b) 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.

Pursuant to disclosure requirements of IFRS 7 'Financial Instruments: Disclosures', the Group has disclosed the relevant information in the table below:

#### Fair value measurement – fair value hierarchy:

30 September 2022 (Unaudited) AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuk	-	2,169,660	-	-
Other investments	-	388,603	2,791	-
Forward foreign exchange contracts	18,886,260	-	(23,311)	-
Currency options	6,343,391	-	-	-
Interest rate derivatives	5,030,539	-	14,376	-
Commodity derivatives	420,622	-	(2,464)	-



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 4. Financial risk management (continued)

#### (b) Fair value hierarchy (continued)

##### Fair value measurement – fair value hierarchy (continued)

31 December 2021 (Audited)

AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuk	-	1,885,970	-	-
Other investments	-	649,169	2,862	-
Forward foreign exchange contracts	20,109,187	-	13,281	-
Currency options	3,369,558	-	66	-
Interest rate derivatives	5,699,622	-	7,971	-
Commodity derivatives	369,249	-	2,762	-

#### (c) Management of liquidity risk

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

AED'000	30 September 2022 (Unaudited)				31 December 2021 (Audited)			
	Notional	Positive fair value	Negative fair value	Net	Notional	Positive fair value	Negative fair value	Net
<b>Derivatives</b>								
Forward foreign exchange								
Contracts	18,886,260	93,393	116,704	(23,311)	20,109,187	59,580	46,299	13,281
Currency options	6,343,391	59,460	59,460	-	3,369,558	22,393	22,327	66
Interest rate derivatives	5,030,539	86,204	71,828	14,376	5,699,622	92,598	84,627	7,971
Commodity derivatives	420,622	9,326	11,790	(2,464)	369,249	9,611	6,849	2,762
	<b>30,680,812</b>	<b>248,383</b>	<b>259,782</b>	<b>(11,399)</b>	<b>29,547,616</b>	<b>184,182</b>	<b>160,102</b>	<b>24,080</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 4. Financial risk management (continued)

#### (d) Financial assets and liabilities

##### Classification and measurement

The fair values and carrying values of the financial assets and liabilities are shown below:

30 September 2022 (Unaudited) AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Allowances for impairment (Expected Credit Losses - ECL)	Carrying amount
<b>Financial assets</b>					
Cash and balances with the Central Bank of the UAE	-	-	5,341,787	-	5,341,787
Due from banks and financial institutions	-	-	2,810,635	(9,931)	2,800,704
Investments and Islamic instruments	20,076	2,540,978	3,374,550	(16,316)	5,919,288
Loans and advances and Islamic financing receivables	-	-	30,074,871	(2,482,772)	27,592,099
Other assets	-	-	1,881,842	-	1,881,842
<b>Total financial assets</b>	<b>20,076</b>	<b>2,540,978</b>	<b>43,483,685</b>	<b>(2,509,019)</b>	<b>43,535,720</b>
<b>Financial liabilities</b>					
Due to banks	-	-	3,076,480	-	3,076,480
Customer deposits and Islamic customer deposits	-	-	32,698,528	-	32,698,528
Term borrowings	-	-	440,760	-	440,760
Other liabilities	-	-	2,094,641	78,007	2,172,648
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>38,310,409</b>	<b>78,007</b>	<b>38,388,416</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 4. Financial risk management (continued)

#### (d) Financial assets and liabilities (continued)

31 December 2021 (Audited) AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortized cost	Allowances for impairment (ECL)	Carrying amount
<b>Financial assets</b>					
Cash and balances with the Central Bank of the UAE	-	-	8,006,023	-	<b>8,006,023</b>
Due from banks and financial institutions	-	-	2,137,809	(8,386)	<b>2,129,423</b>
Investments and Islamic instruments	1,783	2,536,220	1,842,607	(6,274)	<b>4,374,336</b>
Loans and advances and Islamic financing receivables	-	-	27,795,449	(2,180,549)	<b>25,614,900</b>
Other assets	-	-	2,086,977	-	<b>2,086,977</b>
<b>Total financial assets</b>	<b>1,783</b>	<b>2,536,220</b>	<b>41,868,865</b>	<b>(2,195,209)</b>	<b>42,211,659</b>
<b>Financial liabilities</b>					
Due to banks	-	-	2,133,539	-	<b>2,133,539</b>
Customer deposits and Islamic customer deposits	-	-	32,198,745	-	<b>32,198,745</b>
Term borrowings	-	-	514,220	-	<b>514,220</b>
Other liabilities	-	-	2,150,744	88,042	<b>2,238,786</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>36,997,248</b>	<b>88,042</b>	<b>37,085,290</b>

Fair value of investments and Islamic instruments measured at amortized cost amounted to **AED 3,160.3 million** (31 December 2021: AED 1,846.1 million). Management considers that the carrying amounts of all other financial assets and financial liabilities measured at amortised cost in this condensed consolidated financial information approximate their fair values.

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Allowances for impairment under Other Liabilities represent ECL for off-balance sheet items.

#### (e) Market risk

##### Derivative financial instruments

In the ordinary course of business, the Group enters into various types of derivative transactions that are affected by variables in the underlying instruments.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- (i) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 4. Financial risk management (continued)

#### (e) Market risk (continued)

##### Derivative financial instruments (continued)

- (ii) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- (iii) it is settled at a future date.

Derivative financial instruments which the Group enters into includes forward foreign exchange contracts, interest rate derivatives, commodity derivatives and currency options.

The Group uses derivative financial instruments for hedging purposes as part of its asset and liability management activities in order to reduce its own exposure to fluctuations in interest rates.

The Group uses interest rate swaps to hedge interest rate risks. In all such cases, the hedging relationship and objectives including details of the hedged item and hedging instrument are formally documented and the transactions are accounted for based on the type of hedge.

The following table shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments on account of hedging relationships.

Hedging instrument	Assets	Liabilities	Notional
<b>30 September 2022 (Unaudited)</b>			
<b>AED'000</b>			
<b>Derivatives held as fair value hedges</b>			
Interest rate swaps	1,373	-	213,978
<b>Total derivative financial instruments</b>	<b>1,373</b>	<b>-</b>	<b>213,978</b>

##### Hedging instrument

##### 31 December 2021 (Audited)

AED'000

##### Derivatives held as fair value hedges

Interest rate swaps	-	5,302	178,141
<b>Total derivative financial instruments</b>	<b>-</b>	<b>5,302</b>	<b>178,141</b>

The carrying value of investments (hedged item) is AED 205.6 million (31 December 2021: AED 197.3 million) and the accumulated amount of fair value adjustments to investments (hedged item) is AED 1.4 million (31 December 2021: AED 5.3 million). The gains / losses attributable to the hedged risk for investments amounted to AED 1.4 million (31 December 2021: AED 5.3 million) and on the interest rate swaps (hedging instrument) amounted to AED 1.4 million (31 December 2021: AED 5.3 million). All the hedges were fully effective for the period ended 30 September 2022 and the year ended 31 December 2021.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 5. Cash and balances with the Central Bank of the UAE

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Cash on hand	302,532	272,685
Certificates of deposit (CDs) with the Central Bank of the UAE	3,534,794	6,013,366
Other balances with the Central Bank of the UAE (note 5.1)	1,504,461	1,719,972
	<b>5,341,787</b>	<b>8,006,023</b>

5.1 Other balances with the Central Bank of the UAE include regulatory cash reserve deposits of **AED 1,504.0 million** (31 December 2021: AED 1,720.4 million).

### 6. Due from banks and financial institutions

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
6.1 By type		
Placements	763,834	512,122
Current accounts / term deposits	888,627	992,084
Bills discounted	1,158,174	633,603
	<b>2,810,635</b>	<b>2,137,809</b>
Less: Allowances for impairment (ECL) (note 10.1)	(9,931)	(8,386)
	<b>2,800,704</b>	<b>2,129,423</b>

As at 30 September 2022, current accounts / term deposits include cash collateral of **AED 201.3 million** (31 December 2021: AED 125.0 million) in respect of negative fair value of derivatives in accordance with the agreements with interbank counterparties.

Due from banks and financial institutions include a Wakala placement amounting to **AED 198.5 million** (31 December 2021: AED 73.5 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

Due from banks and financial institutions include bank risk discounting portfolio amounting to **AED 1,158.2 million** (31 December 2021: AED 633.6 million) to support customers' trade business.

### 6.2 By geographical area

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
UAE	781,269	538,984
GCC	494,900	239,940
Europe	952,856	510,648
Americas	86,196	453,528
Others	495,414	394,709
	<b>2,810,635</b>	<b>2,137,809</b>
Less: Allowances for impairment (ECL) (note 10.1)	(9,931)	(8,386)
	<b>2,800,704</b>	<b>2,129,423</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 6. Due from banks and financial institutions (continued)

#### 6.2 By geographical area (continued)

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
The dispersion of due from banks and financial institutions portfolio based on the redistribution of risk is set out below:		
UAE	672,733	467,546
GCC	484,367	231,268
Europe	952,100	724,111
Americas	63,552	225,384
Others	637,883	489,500
	<b>2,810,635</b>	<b>2,137,809</b>
Less: Allowances for impairment (ECL) (note 10.1)	(9,931)	(8,386)
	<b>2,800,704</b>	<b>2,129,423</b>

#### 6.3 By currency

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
AED	543,744	262,292
USD	1,635,447	1,395,666
EUR	377,106	36,819
GBP	6,764	133,223
XAU	5,729	12,796
Others	241,845	297,013
	<b>2,810,635</b>	<b>2,137,809</b>
Less: Allowances for impairment (ECL) (note 10.1)	(9,931)	(8,386)
	<b>2,800,704</b>	<b>2,129,423</b>



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 6. Due from banks and financial institutions (continued)

#### 6.4 Based on external credit ratings

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
AA	11,591	1,160
AA-	29,921	39,480
A+	102,503	48,496
A	810,668	219,634
A-	-	450,283
BBB+	1,090,080	759,934
BBB	67,851	19,588
BBB- and below	698,021	599,234
	<b>2,810,635</b>	<b>2,137,809</b>
Less: Allowances for impairment (ECL) (note 10.1)	(9,931)	(8,386)
	<b>2,800,704</b>	<b>2,129,423</b>

#### 6.5 Due from banks and financial institutions stage-wise analysis

The following table contains an analysis of the credit risk exposure of due from banks and financial institutions. The gross carrying amount of due from banks and financial institutions, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

30 September 2022 (Unaudited)				
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,813,363	-	-	2,813,363
Allowances for impairment (ECL) (note 10.1)	(9,931)	-	-	(9,931)
<b>Carrying amount</b>	<b>2,803,432</b>	<b>-</b>	<b>-</b>	<b>2,803,432</b>

  

31 December 2021 (Audited)				
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,138,314	-	-	2,138,314
Allowances for impairment (ECL) (note 10.1)	(8,386)	-	-	(8,386)
<b>Carrying amount</b>	<b>2,129,928</b>	<b>-</b>	<b>-</b>	<b>2,129,928</b>

Due from banks and financial institutions were in stage 1 throughout the period and therefore have insignificant ECL. Accordingly, there have been no significant movements between stages in respect of these financial assets.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 7. Investments and Islamic instruments

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<b>Investments at fair value through profit or loss (FVTPL) (note 7.1)</b>	<b>20,076</b>	<b>1,783</b>
<b>Investments at fair value through other comprehensive income (FVOCI)</b>		
Debt securities / Islamic sukuks (note 7.2)	2,169,660	1,885,971
Other investments / Islamic instruments (note 7.3)	371,318	650,249
	<b>2,540,978</b>	<b>2,536,220</b>
<b>Investments measured at amortized cost</b>		
Debt securities / Islamic sukuks (note 7.2)	3,374,550	1,842,607
	<b>5,935,604</b>	<b>4,380,610</b>
Less: Allowances for impairment (ECL) (note 10.1)	(16,316)	(6,274)
	<b>5,919,288</b>	<b>4,374,336</b>

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

**7.2** Debt securities aggregating **AED 5,360.0 million** (31 December 2021: AED 3,650.3 million) represent the Group's investments in bonds and notes which are quoted on recognized exchanges and prices of which 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 722.9 million** (31 December 2021: AED 748.3 million).

Debt securities portfolio include Islamic sukuks amounting to **AED 767.7 million** (31 December 2021: AED 588.7 million).

Debt securities portfolio include additional tier 1 perpetual bonds of **AED 112.2 million** (31 December 2021: AED 78.3 million).

**7.3** Other investments include various funds whose fair values are based on the net asset values provided by the fund managers, amounting to **AED 370.2 million** (31 December 2021: AED 649.2 million). No shares were purchased by the Bank during the period (31 December 2021: nil).

**7.4** The dispersion of the investment portfolio is set out below:

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
Government	1,615,734	2,114,735
Banks and financial institutions	3,522,122	1,272,597
Others	797,748	993,278
	<b>5,935,604</b>	<b>4,380,610</b>
Less: Allowances for impairment (ECL) (note 10.1)	(16,316)	(6,274)
	<b>5,919,288</b>	<b>4,374,336</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 7. Investments and Islamic instruments (continued)

#### 7.5 By geographical area

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
UAE	1,235,748	1,570,272
GCC	384,388	728,534
Europe	2,000,024	700,819
Americas	1,529,077	749,127
Others	786,367	631,858
	<b>5,935,604</b>	<b>4,380,610</b>
Less: Allowances for impairment (ECL) (note 10.1)	(16,316)	(6,274)
	<b>5,919,288</b>	<b>4,374,336</b>

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
The dispersion of investment portfolio based on the redistribution of risk is set out below:		
UAE	1,507,782	1,777,386
GCC	610,174	942,815
Europe	1,687,609	319,589
Americas	881,529	320,697
Others	1,248,510	1,020,123
	<b>5,935,604</b>	<b>4,380,610</b>
Less: Allowances for impairment (ECL) (note 10.1)	(16,316)	(6,274)
	<b>5,919,288</b>	<b>4,374,336</b>

Others include investments in multilateral development banks amounting to AED 438.7 million (31 December 2021: AED 368.7 million).

#### 7.6 By currency

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
AED	146,008	1,080
USD	5,602,528	4,230,262
EUR	79,916	119,165
GBP	35,162	30,102
SGD	71,990	-
JPY	-	1
	<b>5,935,604</b>	<b>4,380,610</b>
Less: Allowances for impairment (ECL) (note 10.1)	(16,316)	(6,274)
	<b>5,919,288</b>	<b>4,374,336</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 7. Investments and Islamic instruments (continued)

#### 7.7 Based on external credit ratings

30 September 2022 (Unaudited) AED'000	Debt securities / Islamic sukuk	Other investments	Total
AAA	71,990	-	71,990
AA	591,486	106,016	697,502
AA-	766,562	-	766,562
A+	68,231	-	68,231
A	591,707	255,158	846,865
A-	1,470,361	-	1,470,361
BBB+	1,035,683	-	1,035,683
BBB	648,721	-	648,721
BBB- and below	299,469	30,220	329,689
Less: Allowances for impairment (ECL) (note 10.1)	(15,013)	(1,303)	(16,316)
	<b>5,529,197</b>	<b>390,091</b>	<b>5,919,288</b>

31 December 2021 (Audited) AED'000	Debt securities / Islamic sukuk	Other investments	Total
AAA	-	163,354	163,354
AA	1,142,231	213,645	1,355,876
AA-	560,434	-	560,434
A+	251,182	-	251,182
A	687,498	232,097	919,595
A-	710,733	-	710,733
BBB+	107,575	-	107,575
BBB	36,764	-	36,764
BBB- and below	232,161	42,936	275,097
Less: Allowances for impairment (ECL) (note 10.1)	(4,662)	(1,612)	(6,274)
	<b>3,723,916</b>	<b>650,420</b>	<b>4,374,336</b>

BBB- and below rating investments include unrated issuances by Government related entities.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 7. Investments and Islamic instruments (continued)

#### 7.8 Debt investments and Islamic instruments stage-wise analysis

The following table contains an analysis of the credit risk exposure of debt investments and Islamic instruments. The gross carrying amount of debt investments and Islamic instruments, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

<b>30 September 2022</b> <b>(Unaudited)</b> <b>AED'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Outstanding balance	5,905,384	-	-	5,905,384
Allowances for impairment (ECL) (note 10.1)	(16,316)	-	-	(16,316)
<b>Carrying amount</b>	<b>5,889,068</b>	<b>-</b>	<b>-</b>	<b>5,889,068</b>
<b>31 December 2021</b> <b>(Audited)</b> <b>AED'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Outstanding balance	4,337,674	-	-	4,337,674
Allowances for impairment (ECL) (note 10.1)	(6,274)	-	-	(6,274)
<b>Carrying amount</b>	<b>4,331,400</b>	<b>-</b>	<b>-</b>	<b>4,331,400</b>

Debt investments and Islamic instruments were in stage 1 throughout the period and therefore have insignificant ECL. Accordingly, there have been no movements between stages in respect of these financial assets.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 8. Loans and advances and Islamic financing receivables

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<b>8.1 By type</b>		
Overdrafts	2,415,101	2,289,408
Term loans	20,425,569	19,982,404
Loans against trust receipts	4,042,690	2,990,319
Bills discounted	2,877,048	2,239,960
Bills drawn under letters of credit	314,463	293,358
<b>Gross loans and advances and Islamic financing receivables</b>	<b>30,074,871</b>	<b>27,795,449</b>
Allowances for impairment (ECL) (note 10.1)	(2,482,772)	(2,180,549)
<b>Net loans and advances and Islamic financing receivables</b>	<b>27,592,099</b>	<b>25,614,900</b>

**8.2** Loans and advances and Islamic financing receivables include Murabaha Tawarruq and Ijara financing activities amounting to AED 3,111.0 million (31 December 2021: AED 3,299.0 million) provided through a Shari'ah compliant Islamic window, NBF Islamic.

### 8.3 Loans and advances and Islamic financing receivables and acceptances stage-wise analysis

The following table contains an analysis of the credit risk exposure of loans and advances and Islamic receivables and acceptances. The gross carrying amount of loans and advances and Islamic receivables and acceptances, including accrued interest / profit, represents the Group's maximum exposure to credit risk on these assets:

#### 30 September 2022

(Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	27,138,787	2,141,626	2,761,735	32,042,148
Allowances for impairment (ECL) (note 10.1)	(251,783)	(509,149)	(1,721,840)	(2,482,772)
<b>Carrying amount</b>	<b>26,887,004</b>	<b>1,632,477</b>	<b>1,039,895</b>	<b>29,559,376</b>

#### 31 December 2021

(Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	25,158,457	1,707,868	3,062,797	29,929,122
Allowances for impairment (ECL) (note 10.1)	(271,304)	(242,250)	(1,666,995)	(2,180,549)
<b>Carrying amount</b>	<b>24,887,153</b>	<b>1,465,618</b>	<b>1,395,802</b>	<b>27,748,573</b>



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.4 Movement in the gross balance of loans and advances and Islamic financing receivables and acceptances

Outstanding balance (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2021</b>	<b>25,158,457</b>	<b>1,707,868</b>	<b>3,062,797</b>	<b>29,929,122</b>
Transferred from Stage 1	(324,253)	296,579	27,674	-
Transferred from Stage 2	46,567	(97,758)	51,191	-
Transferred from Stage 3	-	36,726	(36,726)	-
Originated / (derecognized) during the period	2,258,016	198,211	54,846	<b>2,511,073</b>
Written-off during the period	-	-	(398,047)	<b>(398,047)</b>
<b>Gross carrying amount – 30 September 2022</b>	<b>27,138,787</b>	<b>2,141,626</b>	<b>2,761,735</b>	<b>32,042,148</b>

Outstanding balance (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount – 31 December 2020</b>	<b>22,781,653</b>	<b>3,360,911</b>	<b>3,034,312</b>	<b>29,176,876</b>
Transferred from Stage 1	(204,441)	150,199	54,242	-
Transferred from Stage 2	497,986	(1,280,790)	782,804	-
Transferred from Stage 3	-	8,303	(8,303)	-
Originated / (derecognized) during the year	2,083,259	(530,755)	105,304	<b>1,657,808</b>
Written-off during the year	-	-	(905,562)	<b>(905,562)</b>
<b>Gross carrying amount - 31 December 2021</b>	<b>25,158,457</b>	<b>1,707,868</b>	<b>3,062,797</b>	<b>29,929,122</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.5 Movement in the provision for impairment of loans and advances and Islamic financing receivables and acceptances

<b>ECL (Unaudited) AED'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL allowance - 31 December 2021</b>	<b>271,304</b>	<b>242,250</b>	<b>1,666,995</b>	<b>2,180,549</b>
Transferred from Stage 1	(6,675)	20,811	15,494	29,630
Transferred from Stage 2	446	(4,002)	15,308	11,752
Transferred from Stage 3	-	3,699	(20,638)	(16,939)
Originated / (derecognized) during the period including changes in PDs / LGDs / EADs	(13,292)	246,391	442,728	675,827
<b>Net allowance for impairment losses</b>	<b>(19,521)</b>	<b>266,899</b>	<b>452,892</b>	<b>700,270</b>
Written-off during the period	-	-	(398,047)	(398,047)
<b>ECL allowance – 30 September 2022</b>	<b>251,783</b>	<b>509,149</b>	<b>1,721,840</b>	<b>2,482,772</b>

<b>ECL (Audited) AED'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL allowance - 31 December 2020</b>	<b>265,072</b>	<b>563,113</b>	<b>1,385,622</b>	<b>2,213,807</b>
Transferred from Stage 1	(7,023)	7,843	24,562	25,382
Transferred from Stage 2	12,983	(275,752)	385,885	123,116
Transferred from Stage 3	-	622	(5,537)	(4,915)
Originated / (derecognized) during the year including changes in PDs / LGDs / EADs	272	(53,576)	785,405	732,101
<b>Net allowance for impairment losses</b>	<b>6,232</b>	<b>(320,863)</b>	<b>1,190,315</b>	<b>875,684</b>
Written-off during the year	-	-	(908,942)	(908,942)
<b>ECL allowance - 31 December 2021</b>	<b>271,304</b>	<b>242,250</b>	<b>1,666,995</b>	<b>2,180,549</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.6 Risk mitigation, credit quality, collateral and credit enhancements

The Group manages credit exposure by obtaining security where appropriate, and in certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

The amount and type of collateral depends on assessments of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees, pledge over listed shares and mortgage and liens over properties or other securities over assets. Pledged interests over vehicles, ships and equipment are also obtained. Collateral generally is not held against non-trading investments and due from banks and financial institutions.

Management monitors the market value of collateral, and wherever necessary the Group requests additional collateral in accordance with the underlying agreement, and considers collateral obtained during its review of the adequacy of the allowance for impairment losses.

Estimates of fair value are generally assessed on a periodic basis in accordance with the respective credit policies.

The credit quality of the loans and advances and Islamic financing receivables is managed by the Group using internal credit ratings comprising 22 grades. The risk rating system is used as a credit risk management tool whereby any risks taken on the Group's books are rated against a set of predetermined standards which are in line with the Central Bank of the UAE guidelines.

The Group's Credit Risk Rating Methodology reflects its assessment of the probability of default of individual counterparties mapped to the ratings specified by the External Credit Assessment Institutions (ECAIs). The mapping is based on a statistical model which takes into consideration the industry weights, country specific factors and the sensitivity of the counter party to systematic risk. Risk classification / grading system has been presented below:

#### Risk grades of gross loans and advances and Islamic financing receivables

AED'000	30 September 2022 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
<b>RR 1-19</b>				
Grade RR 1 – 17: Performing	25,611,405	383,148	-	25,994,553
Grade RR 18 – 19: Watchlist	29,531	1,712,137	-	1,741,668
<b>Total – RR 1-19</b>	<b>25,640,936</b>	<b>2,095,285</b>	<b>-</b>	<b>27,736,221</b>
<b>RR 20-22: Non-performing</b>	-	-	2,338,650	2,338,650
<b>Total</b>	<b>25,640,936</b>	<b>2,095,285</b>	<b>2,338,650</b>	<b>30,074,871</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 8. Loans and advances and Islamic financing receivables (continued)

#### 8.6 Risk mitigation, credit quality, collateral and credit enhancements (continued)

##### Risk grades of gross loans and advances and Islamic financing receivables (continued)

AED'000	31 December 2021 (Audited)			Total
	Stage 1	Stage 2	Stage 3	
<b>RR 1-19</b>				
Grade RR 1 – 17: Performing	23,298,056	228,774	-	<b>23,526,830</b>
Grade RR 18 - 19: Watchlist	76,591	1,466,334	-	<b>1,542,925</b>
<b>Total – RR 1-19</b>	<b>23,374,647</b>	<b>1,695,108</b>	-	<b>25,069,755</b>
<b>RR 20-22: Non-performing</b>	-	-	2,725,694	<b>2,725,694</b>
<b>Total</b>	<b>23,374,647</b>	<b>1,695,108</b>	<b>2,725,694</b>	<b>27,795,449</b>

### 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 credit facilities and other capital expenditure commitments of the Group which are undrawn at the date of consolidated interim statement of financial position. All credit related commitments are unconditionally cancellable / revocable at the discretion of the Group except for the amounts mentioned in the following table.

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<b>Contingent liabilities:</b>		
– Letters of credit covering movement of goods	1,374,411	1,230,156
– Financial guarantees and other direct credit substitutes	705,539	656,527
– Bid bonds, performance bonds and other transaction related contingencies	4,426,806	4,438,071
	<b>6,506,756</b>	<b>6,324,754</b>
<b>Commitments:</b>		
– Undrawn irrevocable commitments – credit related	66,019	77,111
– Others	125,643	96,650
	<b>191,662</b>	<b>173,761</b>
	<b>6,698,418</b>	<b>6,498,515</b>

The total undrawn commitments which are revocable at the discretion of the Bank amount to **AED 12,189.3 million** (31 December 2021: AED 10,863.6 million). Many of the contingent liabilities and commitments will expire without being funded in whole or in part. Therefore, the amounts do not necessarily represent expected future cash flows.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 9. Contingent liabilities and commitments (continued)

#### 9.1 Off balance sheet exposures stage-wise analysis

The following table contains an analysis of the credit risk of relevant off balance sheet exposures and the related ECL. The gross carrying amount of off balance sheet exposures below represents the Group's maximum exposure to credit risk on these assets:

#### 30 September 2022 (Unaudited)

AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	5,644,571	150,078	481,852	6,276,501
Allowances for impairment (ECL)	(17,704)	(4,068)	(56,235)	(78,007)
<b>Carrying amount</b>	<b>5,626,867</b>	<b>146,010</b>	<b>425,617</b>	<b>6,198,494</b>

#### 31 December 2021 (Audited)

AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	5,489,636	153,273	481,505	6,124,414
Allowances for impairment (ECL)	(17,478)	(1,547)	(69,017)	(88,042)
<b>Carrying amount</b>	<b>5,472,158</b>	<b>151,726</b>	<b>412,488</b>	<b>6,036,372</b>

#### 9.2 Movement in the gross balance of off-balance sheet exposures

Outstanding balance (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2021</b>	<b>5,489,636</b>	<b>153,273</b>	<b>481,505</b>	<b>6,124,414</b>
Transferred from Stage 1	(50,776)	49,976	800	-
Transferred from Stage 2	7,980	(8,480)	500	-
Transferred from Stage 3	-	160	(160)	-
Originated / (expired) during the period	197,731	(44,851)	(793)	152,087
Written-off during the period	-	-	-	-
<b>Gross carrying amount - 30 September 2022</b>	<b>5,644,571</b>	<b>150,078</b>	<b>481,852</b>	<b>6,276,501</b>
Outstanding balance (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount - 31 December 2020</b>	<b>5,674,286</b>	<b>950,537</b>	<b>189,348</b>	<b>6,814,171</b>
Transferred from Stage 1	(14,108)	13,783	325	-
Transferred from Stage 2	310,358	(682,203)	371,845	-
Transferred from Stage 3	-	-	-	-
Originated / (expired) during the year	(480,900)	(128,844)	(80,013)	(689,757)
Written-off during the year	-	-	-	-
<b>Gross carrying amount - 31 December 2021</b>	<b>5,489,636</b>	<b>153,273</b>	<b>481,505</b>	<b>6,124,414</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 9. Contingent liabilities and commitments (continued)

#### 9.3 Movement in the provision for impairment of off-balance sheet exposures

ECL – AED '000 (Unaudited)	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowances - 31 December 2021</b>	<b>17,478</b>	<b>1,547</b>	<b>69,017</b>	<b>88,042</b>
Transferred from Stage 1	(476)	3,091	569	<b>3,184</b>
Transferred from Stage 2	105	(149)	240	<b>196</b>
Transferred from Stage 3	-	1	(99)	<b>(98)</b>
Originated / expired during the period including changes in PDs / LGDs / EADs	597	(422)	(13,492)	<b>(13,317)</b>
<b>Net allowance for impairment losses</b>	<b>226</b>	<b>2,521</b>	<b>(12,782)</b>	<b>(10,035)</b>
Written-off during the period	-	-	-	-
<b>ECL allowances - 30 September 2022</b>	<b>17,704</b>	<b>4,068</b>	<b>56,235</b>	<b>78,007</b>

ECL – AED '000 (Audited)	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowances - 31 December 2020</b>	<b>19,058</b>	<b>7,155</b>	<b>95,756</b>	<b>121,969</b>
Transferred from Stage 1	(87)	137	154	<b>204</b>
Transferred from Stage 2	1,094	(3,916)	14,697	<b>11,875</b>
Transferred from Stage 3	-	-	-	-
Originated / expired during the year including changes in PDs / LGDs / EADs	(2,587)	(1,829)	(41,590)	<b>(46,006)</b>
<b>Net allowance for impairment losses</b>	<b>(1,580)</b>	<b>(5,608)</b>	<b>(26,739)</b>	<b>(33,927)</b>
Written-off during the year	-	-	-	-
<b>ECL allowances – 31 December 2021</b>	<b>17,478</b>	<b>1,547</b>	<b>69,017</b>	<b>88,042</b>

The provision for ECL against the off-balance sheet exposures disclosed above, amounting to **AED 78.0 million** (31 December 2021: AED 88.0 million) is classified under other liabilities.



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 10. Stage-wise ECL and movement in the impairment reserve

10.1 The analysis of ECL by stage for loans and advances and Islamic financing receivables and acceptances, due from banks and financial institutions, debt investments and Islamic instruments and off-balance sheet items is as follows:

AED' 000

30 September 2022 (Unaudited)

	Loans and advances and Islamic financing receivables and acceptances	Due from banks and financial institutions	Investments and Islamic instruments	Off-balance sheet exposures	Total	ECL rate
Stage 3	1,721,840	-	-	56,235	1,778,075	54.8%
Stage 2	509,149	-	-	4,068	513,217	22.4%
Stage 1	251,783	9,931	16,316	17,704	295,734	0.7%
	760,932	9,931	16,316	21,772	808,951	
<b>Total ECL</b>	<b>2,482,772</b>	<b>9,931</b>	<b>16,316</b>	<b>78,007</b>	<b>2,587,026</b>	<b>5.5%</b>
<b>ECL rate</b>	<b>7.7%</b>	<b>0.4%</b>	<b>0.3%</b>	<b>1.2%</b>		

AED' 000

31 December 2021 (Audited)

	Loans and advances and Islamic financing receivables and acceptances	Due from banks and financial institutions	Investments and Islamic instruments	Off-balance sheet exposures	Total	ECL rate
Stage 3	1,666,995	-	-	69,017	1,736,012	49.0%
Stage 2	242,250	-	-	1,547	243,797	13.1%
Stage 1	271,304	8,386	6,274	17,478	303,442	0.8%
	513,554	8,386	6,274	19,025	547,239	
<b>Total ECL</b>	<b>2,180,549</b>	<b>8,386</b>	<b>6,274</b>	<b>88,042</b>	<b>2,283,251</b>	<b>5.4%</b>
<b>ECL rate</b>	<b>7.3%</b>	<b>0.4%</b>	<b>0.1%</b>	<b>1.4%</b>		

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 10. Stage-wise ECL and movement in the impairment reserve (continued)

#### 10.2 Impairment reserve

Pursuant to the Central Bank of the UAE guidelines on IFRS 9 during 2018, banks are required to compare provisions calculated as per the Central Bank of the UAE and IFRS 9. Where the Central Bank of the UAE requirement is higher, excess over IFRS 9 requirement is recorded in Impairment Reserve.

The following tables analyse the movement in the impairment reserve during the period ended 30 September 2022 and the year ended 31 December 2021:

AED'000 (Unaudited)	Impairment reserve - General	Impairment reserve - Specific	Impairment Reserve
<b>At 01 January 2022</b>	-	189,674	189,674
Change in general provision under CBUAE over stage 1 and 2 requirements under IFRS 9	-	-	-
Reduction in excess specific provision under CBUAE over stage 3 requirements under IFRS 9	-	(21,212)	(21,212)
	-	(21,212)	(21,212)
<b>At 30 September 2022</b>	-	168,462	168,462

AED'000 (Audited)	Impairment reserve - General	Impairment reserve - Specific	Impairment reserve
<b>At 01 January 2021</b>	-	283,469	283,469
Change in general provision under CBUAE over stage 1 and 2 requirements under IFRS 9	-	-	-
Reduction in excess specific provision under CBUAE over stage 3 requirements under IFRS 9	-	(93,795)	(93,795)
	-	(93,795)	(93,795)
<b>At 31 December 2021</b>	-	189,674	189,674

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 11. Due to banks and term borrowings

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<i>By type:</i>		
Bilateral borrowings (note 11.1)	440,760	514,220
Due to banks (note 11.2)	1,280,904	981,420
Repurchase agreements with banks	1,795,576	1,152,119
	<b>3,517,240</b>	<b>2,647,759</b>
<i>By geographical area:</i>		
UAE	1,320,225	855,329
GCC	1,996	25
Europe	1,615,626	1,230,240
Americas	301,487	440,760
Others	277,906	121,405
	<b>3,517,240</b>	<b>2,647,759</b>

As at 30 September 2022, due to banks include cash collateral of AED 55.4 million (31 December 2021: AED 10.5 million), in respect of positive fair value of derivatives, in accordance with the agreements with interbank counterparties.

The investment securities under repo agreements amounted to AED 1,941.0 million (31 December 2021: AED 1,345.3 million).

Due to banks include a Wakala borrowing amounting to AED 100.0 million (31 December 2021: nil) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

#### 11.1 Bilateral borrowings comprise of several borrowings obtained from other banks and financial institutions as follows.

Loan no.	Year obtained	Maturity	Interest rate	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
1	2022	Apr-23	SOFR + Margin	91,825	-
2	2022	Apr-23	SOFR + Margin	110,190	-
3	2022	May-23	SOFR + Margin	55,095	-
4	2022	Jul-23	SOFR + Margin	183,650	-
5	2021	Jun-22	Libor + Margin	-	183,650
6	2021	Mar-22	Libor + Margin	-	183,650
7	2021	Mar-22	Libor + Margin	-	73,460
8	2020	Mar-22	Libor + Margin	-	73,460
				<b>440,760</b>	<b>514,220</b>

#### 11.2 Due to banks include gold related borrowings amounting to AED 214.3 million (31 December 2021: AED 185.5 million) utilized to finance gold loans extended to customers on a matched basis.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 12. Customer deposits and Islamic customer deposits

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	14,956,351	14,562,186
Saving deposits	721,388	850,576
Fixed term and notice deposits	17,020,789	16,785,983
	<b>32,698,528</b>	<b>32,198,745</b>
<i>By geographical area:</i>		
UAE	30,463,798	29,200,200
GCC	1,256,394	1,440,749
Europe	765,337	1,005,404
Americas	40,019	27,132
Others	172,980	525,260
	<b>32,698,528</b>	<b>32,198,745</b>

- 12.1** Customer deposits and Islamic customer deposits include Qard Islamic current accounts, Murabaha, Wakala and Mudaraba deposits amounting to AED 4,045.3 million (31 December 2021: AED 3,488.7 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

### 13. Shareholders' equity

#### 13.1 Share capital

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
2,000,000,000 shares of AED 1 each (2021: 2,000,000,000 shares of AED 1 each)	2,000,000	2,000,000

Pursuant to the requirements of the Central Bank of the UAE notice number CBUAE/BSN/N/2021/2200 dated 25 April 2021 pertinent to 'Minimum Capital for Banks Regulation' (circular number 12/2021) and following the approval by shareholders at the General Assembly Meeting in September 2021, the Bank increased its paid-up capital by way of issuing 85,238,116 bonus shares from retained earnings to reach AED 2 billion.

#### 13.2 Proposed cash dividends and bonus issue

The Board of Directors did not propose a dividend for the year ended 31 December 2021.

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 14. Tier 1 capital securities

In October 2019, the Bank issued US\$ 350 million (AED 1,285.6 million) regulatory Additional Tier 1 (AT1) capital securities. These securities are perpetual, subordinated and unsecured and are classified as equity. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities. The transaction costs relating to the issuance were accounted for as a deduction from equity.

### 15. Net impairment loss

	30 September 2022 AED'000 Unaudited	30 September 2021 AED'000 Unaudited
Loans and advances and Islamic financing receivables, acceptances and off-balance sheet items	690,239	655,957
Due from banks and financial institutions	1,545	(3,488)
Investments and Islamic instruments	10,042	2,452
	<u>701,826</u>	<u>654,921</u>

### 16. Earnings per share

The calculation of earnings per share for the nine month period ended 30 September 2022 is based on net profit of AED 192.9 million after deduction of AED 37.8 million of additional Tier 1 capital securities coupon payment (30 September 2021: AED 52.7 million after deduction of AED 37.8 million of additional Tier 1 capital securities coupon payment) divided by the weighted average number of shares of 2,000.0 million (30 September 2021: 2,000.0 million shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 September 2022 is based on net profit of AED 80.2 million (30 September 2021: AED 14.2 million) divided by the weighted average number of shares of 2,000.0 million (30 September 2021: 2,000.0 million shares) outstanding during the period.

### 17. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Group, related parties, as defined in the International Accounting Standard No. 24, include major shareholders of the Group, directors and officers of the Group and companies of which they are principal owners and key management personnel. Banking transactions are entered into with related parties on agreed terms and conditions approved by the Board of Directors. The significant transactions and balances included in the condensed consolidated interim financial information, which predominantly relate to directors and shareholders of the Group, are as follows:

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 17. Related parties (continued)

	30 September 2022 AED'000 Unaudited	31 December 2021 AED'000 Audited
<b>Statement of financial position items</b>		
Loans and advances and Islamic financing receivables	3,825,398	3,534,719
Customer deposits and Islamic customer deposits	8,269,508	7,998,573
Investments and Islamic instruments	182,774	75,449
Acceptances	16,902	33,988
Tier 1 capital securities	293,840	293,840
<b>Contingent liabilities</b>		
Letters of credit	64,696	65,669
Financial guarantees and other direct credit substitutes	59,985	59,572
Transaction related contingencies	252,854	276,729
	30 September 2022 AED'000 Unaudited	30 September 2021 AED'000 Unaudited
<b>Statement of changes in equity items</b>		
Tier 1 capital securities coupon paid	8,632	8,632
<b>Statement of income items</b>		
Interest income and income from Islamic financing and investment activities	85,521	55,198
Interest expense and distribution to Islamic depositors	112,311	97,089
Other income	9,126	10,190
Operating expenses	23,079	18,954
<b>Key management compensation</b>		
Salaries and other short-term benefits	18,645	11,983
Employee end of service benefits	1,082	649

No stage 3 provisions for impairment have been recognized in respect of loans and advances and Islamic financing receivables to related parties (31 December 2021: nil).

The loans and advances and Islamic financing receivables given to related parties amounting to AED 3,825.4 million (31 December 2021: AED 3,534.7 million) have been secured against collateral amounting to AED 2,219.2 million (31 December 2021: AED 1,862.5 million).

During the period, capital expenditure transactions with related parties amounted to AED 1.4 million (31 December 2021: AED 1.5 million).

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 18. Capital adequacy ratio

The Bank's risk weighted assets (RWA) are weighted on the basis of relative credit, market, and operational risks. Credit risk includes both on and off-balance sheet risks. In accordance with the Basel III Compliance – Standardized Approach, the Bank is following the standardized measurement approach for credit, market and operational risk, under the existing Pillar 1 of Basel III requirements with the addition of the respective changes pertinent to capital supply.

The quantitative requirements, based on the regulations / guidelines, have been detailed below:

- i. Total regulatory capital (net of regulatory adjustments) – at least 10.5% of risk weighted assets (RWAs) – comprises of two tiers:

- a. Tier 1 capital – at least 8.5% of RWA, composed of:
- Common equity Tier 1 (CET1) – at least 7.0% of RWA; and
  - Additional Tier 1 (AT1)

Common equity Tier 1 (CET1) includes ordinary share capital, statutory reserve, special reserve, retained earnings and fair value reserves relating to unrealized gains on investments classified as FVOCI / available-for-sale with a hair-cut of 55%; and Additional Tier 1 (AT1) comprises of Tier 1 capital notes.

- b. Tier 2 capital

It includes collective impairment provision and sub-ordinated facilities. Collective impairment provision, including impairment reserve general, shall not exceed 1.25% of total credit risk weighted assets.

- ii. Banks must maintain a Capital Conservation Buffer (CCB) of 2.5% of RWAs in the form of CET1 capital. CBUAE may also require banks to implement Countercyclical Buffer (CCyB), to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 - 2.5% of RWAs.

#### Minimum transitional arrangements as per the Central Bank of the UAE

Capital element	Basel III 2022	Basel III 2021
Minimum common equity tier 1 ratio	7.0%	7.0%
Minimum tier 1 capital ratio	8.5%	8.5%
Minimum capital adequacy ratio	10.5%	10.5%
Capital conservation buffer	2.5%	2.5%

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 18. Capital adequacy ratio (continued)

AED'000	30 September 2022 Unaudited	31 December 2021 Audited
<b>CET1 capital</b>		
Share capital	2,000,000	2,000,000
Statutory reserve	947,578	947,578
Special reserve	573,424	573,424
Retained earnings	855,704	635,396
IFRS 9 transitional arrangement – ECL (stage 1 and 2) impact	210,338	18,738
Accumulated other comprehensive income / (loss)	(52,733)	19,818
<b>CET1 total</b>	<b>4,534,311</b>	<b>4,194,954</b>
<b>Additional Tier 1 (AT1) Capital</b>		
Tier 1 capital securities (note 14)	1,285,550	1,285,550
<b>Total Tier 1</b>	<b>5,819,861</b>	<b>5,480,504</b>
<b>Tier 2 Capital</b>		
Collective impairment provision	396,259	344,866
<b>Total Tier 2</b>	<b>396,259</b>	<b>344,866</b>
<b>Total capital base (a)</b>	<b>6,216,120</b>	<b>5,825,370</b>
<b>Risk weighted assets</b>		
Credit risk	31,700,712	27,589,268
Market risk	36,507	41,298
Operational risk	2,850,595	2,850,595
<b>Total risk weighted assets (b)</b>	<b>34,587,814</b>	<b>30,481,161</b>
<b>Capital adequacy ratio (a) / (b) - %</b>	<b>18.0</b>	<b>19.1</b>
<b>Tier 1 ratio - %</b>	<b>16.8</b>	<b>18.0</b>
<b>Common equity tier 1 ratio (CET 1) - %</b>	<b>13.1</b>	<b>13.8</b>



# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 19. 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 2022 AED'000 Unaudited	30 September 2021 AED'000 Unaudited
Cash on hand	302,532	342,187
Balances with the Central Bank of the UAE (note 19.1)	600,000	1,633,754
Due from banks with less than three month maturity	1,432,081	1,180,001
	<b>2,334,613</b>	<b>3,155,942</b>
Due to banks with less than three month maturity	(1,280,904)	(793,971)
	<b>1,053,709</b>	<b>2,361,971</b>

**19.1** Balances with the Central Bank of the UAE include certificates of deposit with less than three month maturity.

**19.2** Based on residual maturities, cash on hand, balances with the Central Bank of the UAE and due from banks, net of balances due to banks amount to **AED 1,053.7 million** maturing within three months from 30 September 2022 (AED 4,796.1 million maturity within three months from 30 September 2021).

### 20. Segmental reporting

The Group uses business segments for presenting its segment information in line with the Group's management and internal reporting structure. The Group's operations are confined mainly in the UAE.

Business segments pay and receive interest, to and from Treasury on an arm's length basis to reflect allocation of capital and funding costs.

#### Business segments

The Group conducts its activity through the following clearly defined business segments:

#### Corporate and Institutional banking

##### *Corporate and Institutional segments*

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

##### *Business banking segment*

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

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 20. Segmental reporting (continued)

#### Business segments (continued)

##### 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 the Investment Management Unit under the guidance from the Investment Committee and 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 systems and Technology, Product Development, Legal, Credit and Internal Audit. The shared services costs are allocated to business segments based on transaction and relevant drivers.

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

<b>Nine month period ended 30 September 2022 AED'000 (Unaudited)</b>	<b>Corporate and institutional segments</b>	<b>Business banking segment</b>	<b>Retail banking</b>	<b>Treasury, ALM and others</b>	<b>Consolidated</b>
Segment revenue	534,397	435,055	117,778	232,635	1,319,865
Segment operating cost	(132,821)	(160,846)	(69,492)	(24,200)	(387,359)
<b>Segment operating profit</b>	<b>401,576</b>	<b>274,209</b>	<b>48,286</b>	<b>208,435</b>	<b>932,506</b>
Net impairment losses	(633,516)	(37,867)	(18,298)	(12,145)	(701,826)
<b>Profit / (loss) for the period</b>	<b>(231,940)</b>	<b>236,342</b>	<b>29,988</b>	<b>196,290</b>	<b>230,680</b>
<b>30 September 2022 (Unaudited)</b>					
Segment assets	19,643,220	7,090,967	3,959,451	13,680,114	44,373,752
Segment liabilities	22,680,271	9,180,635	3,122,919	3,611,942	38,595,767
Capital expenditure	-	-	-	61,966	61,966

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 20. Segmental reporting (continued)

Nine month period ended 30 September 2021 AED'000 (Unaudited)	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Segment revenue	413,543	369,100	111,821	190,163	<b>1,084,627</b>
Segment operating cost	(109,024)	(141,053)	(67,401)	(21,788)	<b>(339,266)</b>
<b>Segment operating profit</b>	<b>304,519</b>	<b>228,047</b>	<b>44,420</b>	<b>168,375</b>	<b>745,361</b>
Net impairment losses	(593,264)	(43,324)	(15,310)	(3,023)	<b>(654,921)</b>
<b>Profit / (loss) for the period</b>	<b>(288,745)</b>	<b>184,723</b>	<b>29,110</b>	<b>165,352</b>	<b>90,440</b>
<b>31 December 2021 (Audited)</b>					
Segment assets	18,701,773	6,232,420	3,507,199	14,504,156	<b>42,945,548</b>
Segment liabilities	23,885,446	8,415,289	2,424,986	2,544,164	<b>37,269,885</b>
Capital expenditure	-	-	-	55,705	<b>55,705</b>

### 21. IBOR Reforms

The Group has maintained its momentum in tracking its exposure to IBORs, preparing its IT systems to accommodate the incoming RFRs, amending or preparing contractual templates and communicating its progress with both the Regulators and its clients. IBOR reform exposes the Bank to various risks, which the IBOR Project Working Committee is managing and monitoring closely under oversight of ALCO. These risks include, but are not limited to, the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable; and
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available.

The Group has set up a methodical framework to monitor the progress of transition from IBORs to new benchmark rates by reviewing its exposure and contracts on a regular basis. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR. The Group holds derivatives for trading and risk management purposes. Derivatives held for risk management purposes are designated in hedging relationships. The interest rate

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 21. IBOR Reforms (continued)

swaps have floating legs that are indexed to various IBORs. The Group's derivative instruments are governed by ISDA definitions.

Further, the Group evaluated the extent to which its fair value hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates, which are mainly USD 3 months / 6 months LIBOR Index. These IBOR benchmark rates are quoted regularly and IBOR cash flows are exchanged with its counterparties as usual.

The Group's exposure to interest rate swaps designated in hedge accounting relationships as at 30 September 2022 represents an amount of **AED 178.4 million**. The objective of the majority of these hedges is to reduce fluctuations from interest rate risk, and is consistent with the overall interest rate risk management strategy of NBF.

#### Financial assets:

The Group's IBOR exposures on floating-rate loans and advances and Islamic financing facilities and investments in floating rate notes (FRN) to customers are covered in the following table:

Currency	30 September 2022 AED'000	31 December 2021 AED'000
USD	2,325,241	3,694,600
EUR	-	4,099
	<b>2,325,241</b>	<b>3,698,699</b>

#### Financial liabilities:

The Group has floating-rate liabilities indexed to IBORs of **AED 178.7 million** (31 December 2021: AED 803.1 million) denominated in USD.

The table below shows the Bank's exposure to significant IBORs subject to reform that have yet to transition to RFRs.

30 September 2022 AED'000	Non-derivative financial assets carrying value	Non-derivative financial liabilities carrying value	Derivative nominal amount
LIBOR 1 month	336,332	-	10,774
LIBOR 3 month	1,720,280	178,685	1,132,050
LIBOR 6 month	268,629	-	86,316
	<b>2,325,241</b>	<b>178,685</b>	<b>1,229,140</b>

# National Bank of Fujairah PJSC

## Notes to the condensed consolidated interim financial information

For the nine month period ended 30 September 2022 (continued)

### 21. IBOR Reforms (continued)

#### Financial liabilities: (continued)

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships analysed by interest rate basis. These will be affected by IBOR reforms as financial instruments transition to RFR. The derivative hedging instruments provide a close approximation to the extent of the risk exposure, the Bank manages through hedging relationships:

30 September 2022	Nominal amount AED'000	Average Maturity (Year)
Interest rate swap		
LIBOR 3 month	91,825	0.3
LIBOR 6 month	86,316	0.6
	<u>178,141</u>	<u>0.5</u>

### 22. Zakat

In line with the Central Bank of the UAE regulations and The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Shari'ah standards, zakat payable amounting to AED 1.39 million, had been reflected in the 31 December 2020 consolidated financial statements as an appropriation from retained earnings. However, pursuant to the Central Bank of the UAE notice CBUAE/BSN/2021/956 dated 16 February 2021 regarding the cancellation of the resolution pertinent to the transfer of Zakat monies to the Zakat Fund in the UAE, zakat payable of the same amount had been reversed back to retained earnings during Q1 2021.

### 23. Comparative figures

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