

National Bank of Fujairah PJSC
Condensed consolidated interim financial information
For the six month period ended
30 June 2024

Condensed consolidated interim financial information
For the six month period ended 30 June 2024

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Bank of Fujairah PJSC (the "Bank") and its subsidiaries (together referred to as the 'Group') as at 30 June 2024 and the related condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods then ended and the condensed consolidated statements of cash flows and changes in equity and for the six-month period then ended and other 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.

Scope of review

We conducted our review in accordance with 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.

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 Limited Partnership Dubai Branch
25 July 2024

A handwritten signature in blue ink, appearing to read 'Rami Sarhan'.

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

National Bank of Fujairah PJSC

Condensed consolidated interim statement of financial position

As at 30 June 2024

		30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
	Notes		
Assets			
Cash and balances with the Central Bank of the UAE	5	12,789,083	11,456,782
Due from banks and financial institutions	6	2,273,308	2,101,500
Investments and Islamic instruments - fair value	7	3,110,690	3,030,451
Investments and Islamic instruments - amortised cost	7	5,735,939	5,112,153
Loans and advances and Islamic financing receivables	8	29,448,516	27,903,695
Acceptances		1,159,397	1,074,657
Other assets		560,721	523,006
Property and equipment		399,435	372,859
Intangibles		154,169	144,713
Total assets		55,631,258	51,719,816
Liabilities			
Due to banks	11	1,004,750	1,137,077
Customer deposits and Islamic customer deposits	12	41,594,226	38,572,006
Repurchase agreements	11	3,122,039	2,501,332
Term borrowings	11	642,775	550,950
Acceptances		1,162,314	1,076,470
Other liabilities		1,357,618	1,315,375
Total liabilities		48,883,722	45,153,210
Equity			
Share capital	13.1	2,226,000	2,120,000
Statutory reserve		1,054,121	1,054,121
Special reserve		679,967	679,967
Fair value reserve		6,282	14,408
Cash flow hedge reserve		(5,538)	(1,230)
Proposed cash dividends	13.2	-	212,000
Proposed bonus issue	13.2	-	106,000
Retained earnings		1,501,154	1,095,790
Tier 1 capital securities	14	1,285,550	1,285,550
Total equity attributable to equity and securities holders of the Group		6,747,536	6,566,606
Total liabilities and equity		55,631,258	51,719,816

This condensed consolidated interim financial information was approved by the Board of Directors on 25 July 2024 and was signed on its behalf by:


Vince Cook
Chief Executive Officer


Adnan Anwar
Deputy Chief Executive Officer


Brian Mulholland
Chief Financial Officer

The notes on pages 7 to 39 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

Condensed consolidated interim statement of income – (Unaudited)

For the six month period ended 30 June 2024

		Three month period ended 30 June 2024 AED'000	Three month period ended 30 June 2023 AED'000	Six month period ended 30 June 2024 AED'000	Six month period ended 30 June 2023 AED'000
	Notes				
Interest income and income from Islamic financing and investment activities		814,276	711,055	1,623,935	1,366,405
Interest expense and distribution to Islamic depositors		(380,267)	(290,037)	(741,480)	(541,308)
Net interest income and net income from Islamic financing and investment activities		434,009	421,018	882,455	825,097
Fees and commission income		115,653	104,476	236,170	223,234
Fees and commission expense		(12,624)	(15,207)	(23,008)	(27,172)
Net fees and commission income		103,029	89,269	213,162	196,062
Foreign exchange and derivatives income		45,612	39,406	90,674	79,535
Income / (loss) from investments and Islamic instruments		609	232	1,407	(2,636)
Other operating income		7,085	8,928	16,650	14,931
Operating income		590,344	558,853	1,204,348	1,112,989
Operating expenses					
Employee benefits expense		(111,583)	(102,004)	(217,496)	(194,104)
Depreciation and amortization		(10,196)	(8,071)	(20,035)	(15,712)
Other operating expenses		(61,265)	(61,346)	(121,049)	(117,886)
Total operating expenses		(183,044)	(171,421)	(358,580)	(327,702)
Operating profit before impairment losses and tax		407,300	387,432	845,768	785,287
Net impairment losses	15	(197,163)	(207,297)	(360,853)	(453,146)
Profit for the period before tax		210,137	180,135	484,915	332,141
Tax	21	(20,039)	-	(43,762)	-
Profit for the period after tax		190,098	180,135	441,153	332,141
Earnings per share (basic and diluted)	16	AED 0.068	AED 0.064	AED 0.181	AED 0.132

The notes on pages 7 to 39 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

Condensed consolidated interim statement of comprehensive income – (Unaudited)

For the six month period ended 30 June 2024

	Three month period ended 30 June 2024 AED'000	Three month period ended 30 June 2023 AED'000	Six month period ended 30 June 2024 AED'000	Six month period ended 30 June 2023 AED'000
Profit for the period after tax	190,098	180,135	441,153	332,141
Other comprehensive income:				
Items that will not be reclassified subsequently to the statement of income:				
Movement in fair value reserve (equity instruments):				
Net change in fair value	-	498	(2,004)	329
Tax	-	-	180	-
Other comprehensive income of the items that will not be reclassified subsequently to the statement of income	-	498	(1,824)	329
Items that may be reclassified subsequently to statement of income:				
Movement in fair value reserve (debt instruments):				
-Net change in fair value	1,234	(7,069)	(2,182)	4,798
-Net change in allowances for impairment	(664)	(876)	(3,308)	(237)
-Net amount transferred to the statement of income	(987)	290	(1,861)	2,581
Fair value loss on cash flow hedges	(958)	-	(4,308)	-
Tax	124	-	1,049	-
Other comprehensive income of the items that may be reclassified subsequently to statement of income	(1,251)	(7,655)	(10,610)	7,142
Other comprehensive (loss) / income for the period	(1,251)	(7,157)	(12,434)	7,471
Total comprehensive income for the period	188,847	172,978	428,719	339,612

The notes on pages 7 to 39 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

Condensed consolidated interim statement of cash flows – (Unaudited)

For the six month period ended 30 June 2024

	Notes	Six month period ended 30 June 2024 AED'000	Six month period ended 30 June 2023 AED'000
Operating activities			
Profit for the period after tax		441,153	332,141
Adjustments for:			
Depreciation and amortization		20,035	15,712
Provision for employee end of service and other long term benefits		13,569	12,069
Net impairment losses	15	360,853	453,146
Net fair value (gains) / loss on disposal of investments and Islamic Instruments		(2,027)	3,559
Net changes in fair value of investments		620	(923)
Cash flow from operating activities before changes in operating assets and liabilities and payment of employee end of service and other long term benefits		834,203	815,704
Payment of employee end of service and other long term benefits		(10,480)	(5,986)
Change in due from the Central Bank of the UAE		(1,801,782)	(666,916)
Change in due from banks and financial institutions		(357,897)	(190,289)
Change in loans and advances and Islamic financing receivables		(1,903,748)	(1,947,218)
Change in acceptances and other assets		(123,559)	(123,147)
Change in due to banks		(132,327)	224,791
Change in repurchase agreements		620,707	430,886
Change in customer deposits and Islamic customer deposits		3,022,220	(856,370)
Change in acceptances and other liabilities		125,007	400,440
Net cash generated from / (used in) operating activities		272,344	(1,918,105)
Investing activities			
Purchase of property, equipment and intangibles		(47,508)	(66,972)
Purchase of investments and Islamic instruments		(1,487,762)	(1,360,639)
Proceeds from sale and maturity of investments and Islamic instruments		765,437	1,121,415
Net cash used in investing activities		(769,833)	(306,196)
Financing activities			
Cash dividends paid		(212,000)	-
Proceeds from term borrowings		275,475	-
Repayment of term borrowings		(183,650)	(257,110)
Tier 1 capital securities coupon paid		(37,763)	(37,763)
Net cash used in financing activities		(157,938)	(294,873)
Net change in cash and cash equivalents		(655,427)	(2,519,174)
Cash and cash equivalents at beginning of the period		2,532,848	4,274,798
Cash and cash equivalents at end of the period	19	1,877,421	1,755,624

The notes on pages 7 to 39 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

Condensed consolidated interim statement of changes in equity – (Unaudited)

For the six month period ended 30 June 2024

AED'000	Share capital	Statutory reserve	Special reserve	Fair value reserve	Cash flow hedge reserve	Proposed dividends	Impairment reserve	Retained earnings	Tier 1 capital securities	Total
At 1 January 2023	2,000,000	981,616	607,462	(52,192)	-	120,000	168,201	739,827	1,285,550	5,850,464
Profit for the period	-	-	-	-	-	-	-	332,141	-	332,141
Other comprehensive income for the period	-	-	-	7,471	-	-	-	-	-	7,471
Total comprehensive income for the period	-	-	-	7,471	-	-	-	332,141	-	339,612
Excess provisions under the Central Bank of the UAE requirements over IFRS 9	-	-	-	-	-	-	(3,975)	3,975	-	-
Tier 1 capital securities coupon paid	-	-	-	-	-	-	-	(37,763)	-	(37,763)
2022 bonus shares issued	120,000	-	-	-	-	(120,000)	-	-	-	-
At 30 June 2023	2,120,000	981,616	607,462	(44,721)	-	-	164,226	1,038,180	1,285,550	6,152,313
At 1 January 2024	2,120,000	1,054,121	679,967	14,408	(1,230)	318,000	-	1,095,790	1,285,550	6,566,606
Profit for the period after tax	-	-	-	-	-	-	-	441,153	-	441,153
Other comprehensive (loss) / income for the period	-	-	-	(8,126)	(4,308)	-	-	1,974	-	(10,460)
Total comprehensive (loss) / income for the period	-	-	-	(8,126)	(4,308)	-	-	443,127	-	430,693
Tier 1 capital securities coupon paid	-	-	-	-	-	-	-	(37,763)	-	(37,763)
2023 bonus shares issued	106,000	-	-	-	-	(106,000)	-	-	-	-
2023 cash dividends paid	-	-	-	-	-	(212,000)	-	-	-	(212,000)
At 30 June 2024	2,226,000	1,054,121	679,967	6,282	(5,538)	-	-	1,501,154	1,285,550	6,747,536

The notes on pages 7 to 39 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 six month period ended 30 June 2024

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 fourteen branches, 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 six month period ended 30 June 2024 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 IFRS Accounting Standards, International Accounting Standard (IAS) 34: Interim Financial Reporting as issued by International Accounting Standard Board (IASB).

This condensed consolidated interim financial information does not include all the information 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 2023.

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 2023 except for the new judgements and estimates explained in Note 3.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

3. Material 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 2023, except for the adoption of the new applicable standards and amendments to the published standards effective as of 01 January 2024.

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

The following amendments to existing standards and framework have been applied by the Group in preparation of these condensed consolidated interim financial information. The adoption of the below did not result in changes to previously reported net profit or equity of the Group.

Descriptions	Effective from
• Amendments to IFRS 16 – Lease liability in a sale and leaseback	1 January 2024
• Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
• Amendment to IAS 7 and IFRS 7 – Supplier finance arrangements	1 January 2024
• Amendments to IAS 21 – Lack of Exchangeability	1 January 2024

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

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial information. The Group is constantly 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.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (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 2023.

(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 condensed 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, taking into account 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 six month period ended 30 June 2024 (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 June 2024 (Unaudited)

AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuk	2,521,605	2,521,605	-	-
Other investments	599,905	598,253	1,652	-
Forward foreign exchange contracts	19,718,630	-	4,930	-
Currency options	2,469,748	-	22	-
Interest rate derivatives	3,057,542	-	834	-
Commodity derivatives	719,841	-	5,525	-

31 December 2023 (Audited)

AED'000	Notional	Level 1	Level 2	Level 3
Investments and Islamic instruments				
Debt securities / Islamic sukuk	2,416,329	2,416,329	-	-
Other investments	621,634	619,708	1,926	-
Forward foreign exchange contracts	15,524,317	-	29,642	-
Currency options	2,686,291	-	-	-
Interest rate derivatives	2,779,644	-	6,810	-
Commodity derivatives	858,908	-	3,008	-

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

4. Financial risk management (continued)

(b) Fair value hierarchy (continued)

Fair value measurement – fair value hierarchy (continued)

	Fair value (FV) hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to FV
Debt securities / Islamic sukuk and Other investments	Level 1	Quoted bid prices in active market	None	Not applicable
Other investments	Level 2	Quoted prices in secondary market	None	Not applicable
Derivatives	Level 2	Observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).	None	Not applicable

During the period, there were no transfers between Level 1 and Level 2. Further, there has been no change in the valuation techniques in relation to valuation of financial instruments. Please refer note 4 for details.

(c) Management of liquidity risk

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

AED'000	30 June 2024 (Unaudited)				31 December 2023 (Audited)			
	Notional	Positive fair value	Negative fair value	Net	Notional	Positive fair value	Negative fair value	Net
Derivatives								
Forward foreign exchange contracts	19,718,630	39,500	34,570	4,930	15,524,317	63,611	33,969	29,642
Currency options	2,469,748	3,665	3,643	22	2,686,291	4,027	4,027	-
Interest rate derivatives	3,057,542	45,113	44,279	834	2,779,644	44,385	37,575	6,810
Commodity derivatives	719,841	9,690	4,165	5,525	858,908	10,014	7,006	3,008
	25,965,761	97,968	86,657	11,311	21,849,160	122,037	82,577	39,460

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

4. Financial risk management (continued)

(d) Assets and liabilities

Classification and measurement

The fair values and carrying values of the assets and liabilities (financial and non-financial) are shown below:

30 June 2024 (Unaudited) AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total
Assets				
Cash and balances with the Central Bank of the UAE	-	-	12,789,083	12,789,083
Due from banks and financial institutions	-	-	2,273,308	2,273,308
Investments and Islamic instruments	572	3,110,118	5,735,939	8,846,629
Loans and advances and Islamic financing receivables	-	-	29,448,516	29,448,516
Acceptances and other assets	-	-	1,720,118	1,720,118
Property and equipment and intangibles	-	-	553,604	553,604
Total assets	572	3,110,118	52,520,568	55,631,258
Liabilities				
Due to banks	-	-	1,004,750	1,004,750
Customer deposits and Islamic customer deposits	-	-	41,594,226	41,594,226
Repurchase agreements	-	-	3,122,039	3,122,039
Term borrowings	-	-	642,775	642,775
Acceptances and other liabilities	-	-	2,519,932	2,519,932
Total liabilities	-	-	48,883,722	48,883,722

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

4. Financial risk management (continued)

(d) Assets and liabilities (continued)

31 December 2023 (Audited) AED'000	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total
Assets				
Cash and balances with the Central Bank of the UAE	-	-	11,456,782	11,456,782
Due from banks and financial institutions	-	-	2,101,500	2,101,500
Investments and Islamic instruments	19,211	3,011,240	5,112,153	8,142,604
Loans and advances and Islamic financing receivables	-	-	27,903,695	27,903,695
Acceptances and other assets	-	-	1,597,663	1,597,663
Property and equipment and intangibles	-	-	517,572	517,572
Total assets	19,211	3,011,240	48,689,365	51,719,816
Liabilities				
Due to banks	-	-	1,137,077	1,137,077
Customer deposits and Islamic customer deposits	-	-	38,572,006	38,572,006
Repurchase agreements	-	-	2,501,332	2,501,332
Term borrowings	-	-	550,950	550,950
Acceptances and other liabilities	-	-	2,391,845	2,391,845
Total liabilities	-	-	45,153,210	45,153,210

Fair value of investments and Islamic instruments measured at amortised cost amounted to [AED 5,595.5 million](#) (31 December 2023: AED 4,992.4 million). Management considers that the carrying amounts of all other assets and liabilities measured at amortised cost in this condensed consolidated interim 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.

(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:

- 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 six month period ended 30 June 2024 (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 Group's exposure to interest rate swaps designated in hedge accounting relationships represents an amount of AED 529.6 million (31 December 2023: AED 210.8 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 the Bank.

The following table shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments:

Hedging instrument	Assets	Liabilities	Notional
30 June 2024 (Unaudited)			
AED'000			
Derivatives held as cash flow hedges			
Interest rate swaps	-	5,538	529,606
Total derivative financial instruments	-	5,538	529,606
Hedging instrument			
31 December 2023 (Audited)			
AED'000			
Derivatives held as cash flow hedges			
Interest rate swaps	-	1,230	210,835
Total derivative financial instruments	-	1,230	210,835

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For the six month period ended 30 June 2024 (continued)

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

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Cash on hand	373,965	341,873
Certificates of Deposit (CDs) with the Central Bank of the UAE	9,898,014	9,034,676
Regulatory cash reserve deposit	2,517,104	2,080,233
	<u>12,789,083</u>	<u>11,456,782</u>

6. Due from banks and financial institutions

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
6.1 By type		
Placements	642,775	741,235
Current accounts / term deposits	967,468	944,766
Bills discounted	667,708	420,000
	<u>2,277,951</u>	<u>2,106,001</u>
Less: Allowances for impairment (ECL) (note 10)	(4,643)	(4,501)
	<u>2,273,308</u>	<u>2,101,500</u>

Placements include a Wakala placement amounting to AED 73.5 million (31 December 2023: AED 98.5 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

Current accounts / term deposits include cash collateral of AED 16.5 million (31 December 2023: AED 36.4 million) in respect of negative fair value of derivatives, in accordance with the agreements with interbank counterparties.

Bills discounted represent bank risk discounting portfolio to support customers' trade business.

6.2 By currency

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
AED	174,883	220,544
USD	1,802,159	1,600,693
EUR	33,741	43,624
GBP	4,421	8,399
XAU	21,457	25,010
Others	241,290	207,731
	<u>2,277,951</u>	<u>2,106,001</u>
Less: Allowances for impairment (ECL) (note 10)	(4,643)	(4,501)
	<u>2,273,308</u>	<u>2,101,500</u>

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

6. Due from banks and financial institutions (continued)

6.3 By geographical area

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
UAE	179,354	215,745
GCC	734,460	675,128
Europe	253,267	454,826
Americas	609,199	577,221
Others	501,671	183,081
	2,277,951	2,106,001
Less: Allowances for impairment (ECL) (note 10)	(4,643)	(4,501)
	2,273,308	2,101,500

The dispersion of due from banks and financial institutions portfolio based on the redistribution of risk is set out below:

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
UAE	248,031	203,893
GCC	796,675	655,792
Europe	634,148	804,553
Americas	181,619	198,443
Others	417,478	243,320
	2,277,951	2,106,001
Less: Allowances for impairment (ECL) (note 10)	(4,643)	(4,501)
	2,273,308	2,101,500

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

6. Due from banks and financial institutions (continued)

6.4 Based on external credit ratings

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
AA	6,737	627
AA–	33,357	33,578
A+	198,093	35,930
A	961,846	1,197,784
BBB+	465,626	593,770
BBB	2,357	3,981
BBB– and below	609,935	240,331
	2,277,951	2,106,001
Less: Allowances for impairment (ECL) (note 10)	(4,643)	(4,501)
	2,273,308	2,101,500

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 June 2024 (Unaudited)			
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,296,117	-	-	2,296,117
Allowances for impairment (ECL) (note 10)	(4,643)	-	-	(4,643)
Carrying amount	2,291,474	-	-	2,291,474

	31 December 2023 (Audited)			
AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	2,130,149	-	-	2,130,149
Allowances for impairment (ECL) (note 10)	(4,501)	-	-	(4,501)
Carrying amount	2,125,648	-	-	2,125,648

Due from banks and financial institutions were in stage 1 throughout the period. 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 six month period ended 30 June 2024 (continued)

7. Investments and Islamic instruments

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Investments at fair value through profit or loss (FVTPL) (note 7.1)	572	19,211
Investments at fair value through other comprehensive income (FVOCI)		
Debt securities / Islamic sukuks (note 7.2)	2,521,605	2,416,329
Other investments / Islamic instruments (note 7.3)	599,333	602,423
	3,120,938	3,018,752
Investments measured at amortised cost		
Debt securities / Islamic sukuks (note 7.2)	5,753,043	5,125,292
	8,874,553	8,163,255
Less: Allowances for impairment (ECL) (note 10)	(27,924)	(20,651)
	8,846,629	8,142,604

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 8,108.8 million** (31 December 2023: AED 7,426.2 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 286.1 million** (31 December 2023: AED 363.5 million).

Debt securities portfolio include Islamic sukuks amounting to **AED 1,003.5 million** (31 December 2023: AED 802.0 million).

Debt securities portfolio include additional tier 1 perpetual bonds of **AED 165.8 million** (31 December 2023: AED 115.4 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 598.3 million** (31 December 2023: AED 601.3 million). No shares were purchased by the Bank during the period (31 December 2023: nil).

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

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Government	2,748,351	2,504,677
Banks and financial institutions	5,526,296	5,036,943
Others	599,906	621,635
	8,874,553	8,163,255
Less: Allowances for impairment (ECL) (note 10)	(27,924)	(20,651)
	8,846,629	8,142,604

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For the six month period ended 30 June 2024 (continued)

7. Investments and Islamic instruments (continued)

7.5 By geographical area

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
UAE	1,920,540	1,775,655
GCC	657,512	428,432
Europe	2,963,539	2,792,769
Americas	2,296,924	2,155,824
Others	1,036,038	1,010,575
	8,874,553	8,163,255
Less: Allowances for impairment (ECL) (note 10)	(27,924)	(20,651)
	8,846,629	8,142,604

The dispersion of investment portfolio based on the redistribution of risk is set out below:

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
UAE	2,259,338	2,054,099
GCC	897,593	620,675
Europe	2,792,043	2,546,534
Americas	1,556,034	1,523,438
Others	1,369,545	1,418,509
	8,874,553	8,163,255
Less: Allowances for impairment (ECL) (note 10)	(27,924)	(20,651)
	8,846,629	8,142,604

Others include investments in multilateral development banks amounting to AED 329.0 million (31 December 2023: AED 403.4 million).

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

7. Investments and Islamic instruments (continued)

7.6 By currency

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
AED	230,371	260,957
USD	8,504,348	7,752,690
EUR	94,190	97,490
JPY	45,644	52,118
	8,874,553	8,163,255
Less: Allowances for impairment (ECL) (note 10)	(27,924)	(20,651)
	8,846,629	8,142,604

7.7 Based on external credit ratings

30 June 2024 (Unaudited) AED'000	Debt securities / Islamic sukus	Other investments	Total
AAA	70,464	-	70,464
AA	1,683,037	-	1,683,037
AA-	511,675	-	511,675
A+	513,436	115,024	628,460
A	374,166	483,230	857,396
A-	2,173,210	-	2,173,210
BBB+	2,274,645	-	2,274,645
BBB	379,975	-	379,975
BBB- and below	294,040	1,651	295,691
Less: Allowances for impairment (ECL) (note 10)	(25,027)	(2,897)	(27,924)
	8,249,621	597,008	8,846,629

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

7. Investments and Islamic instruments (continued)

7.7 Based on external credit ratings (continued)

31 December 2023 (Audited) AED'000	Debt securities / Islamic sukuk	Other investments	Total
AAA	70,884	-	70,884
AA	1,021,790	-	1,021,790
AA-	973,026	-	973,026
A+	201,283	113,476	314,759
A	637,739	482,374	1,120,113
A-	1,880,907	-	1,880,907
BBB+	2,080,158	-	2,080,158
BBB	416,574	-	416,574
BBB- and below	259,260	25,784	285,044
Less: Allowances for impairment (ECL) (note 10)	(18,303)	(2,348)	(20,651)
	7,523,318	619,286	8,142,604

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

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:

30 June 2024 (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	8,872,901	-	-	8,872,901
Allowances for impairment (ECL) (note 10)	(27,924)	-	-	(27,924)
Carrying amount	8,844,977	-	-	8,844,977
31 December 2023 (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	8,137,470	-	-	8,137,470
Allowances for impairment (ECL) (note 10)	(20,651)	-	-	(20,651)
Carrying amount	8,116,819	-	-	8,116,819

Debt investments and Islamic instruments are in stage 1 throughout the period. 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 six month period ended 30 June 2024 (continued)

8. Loans and advances and Islamic financing receivables

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
8.1 By type		
Overdrafts	1,724,211	1,988,396
Term loans	22,942,520	21,003,661
Loans against trust receipts	4,094,321	4,039,170
Bills discounted	2,079,686	2,195,592
Bills drawn under letters of credit	406,386	409,931
Gross loans and advances and Islamic financing receivables	31,247,124	29,636,750
Allowances for impairment losses (ECL) (note 10)	(1,798,608)	(1,733,055)
Net loans and advances and Islamic financing receivables	29,448,516	27,903,695

8.2 Loans and advances and Islamic financing receivables include Murabaha Tawarruq and Ijara financing activities amounting to AED 4,440.6 million (31 December 2023: AED 3,993.7 million) provided through a Shari'ah compliant Islamic window, NBF Islamic.

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

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

30 June 2024 (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	27,727,981	2,127,753	1,798,652	31,654,386
Allowances for impairment (ECL) (note 10)	(192,143)	(526,928)	(1,079,537)	(1,798,608)
Carrying amount	27,535,838	1,600,825	719,115	29,855,778

31 December 2023 (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Outstanding balance	26,259,891	2,207,549	1,679,876	30,147,316
Allowances for impairment (ECL) (note 10)	(188,434)	(458,984)	(1,085,637)	(1,733,055)
Carrying amount	26,071,457	1,748,565	594,239	28,414,261

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (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

Outstanding balance (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount - 31 December 2023	26,259,891	2,207,549	1,679,876	30,147,316
Transferred from Stage 1	(356,168)	265,367	90,801	-
Transferred from Stage 2	19,362	(214,780)	195,418	-
Transferred from Stage 3	-	54	(54)	-
Originated / (derecognized) during the period	1,804,896	(130,437)	125,984	1,800,443
Written-off during the period	-	-	(293,373)	(293,373)
Gross carrying amount – 30 June 2024	27,727,981	2,127,753	1,798,652	31,654,386

Outstanding balance (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount – 31 December 2022	24,863,960	2,317,638	2,430,987	29,612,585
Transferred from Stage 1	(561,449)	348,752	212,697	-
Transferred from Stage 2	176,792	(519,264)	342,472	-
Transferred from Stage 3	-	126,212	(126,212)	-
Originated / (derecognized) during the year	1,780,588	(65,789)	(212,496)	1,502,303
Written-off during the year	-	-	(967,572)	(967,572)
Gross carrying amount - 31 December 2023	26,259,891	2,207,549	1,679,876	30,147,316

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (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

ECL (Unaudited) AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowance - 31 December 2023	188,434	458,984	1,085,637	1,733,055
Transferred from Stage 1	(6,012)	18,850	23,414	36,252
Transferred from Stage 2	165	(26,955)	103,758	76,968
Transferred from Stage 3	-	-	(44)	(44)
Originated / (derecognized) during the period including changes in PDs / LGDs / EADs	9,556	76,049	160,145	245,750
Net allowance for impairment losses	3,709	67,944	287,273	358,926
Written-off during the period	-	-	(293,373)	(293,373)
ECL allowance – 30 June 2024	192,143	526,928	1,079,537	1,798,608

ECL (Audited) AED'000	Stage 1	Stage 2	Stage 3	Total
ECL allowance - 31 December 2022	233,100	440,294	1,348,841	2,022,235
Transferred from Stage 1	(13,117)	27,782	123,126	137,791
Transferred from Stage 2	2,968	(45,215)	163,678	121,431
Transferred from Stage 3	-	480	(18,920)	(18,440)
Originated / (derecognized) during the year including changes in PDs / LGDs / EADs	(34,517)	35,643	436,484	437,610
Net allowance for impairment losses	(44,666)	18,690	704,368	678,392
Written-off during the year	-	-	(967,572)	(967,572)
ECL allowance - 31 December 2023	188,434	458,984	1,085,637	1,733,055

8.6 Risk mitigation, credit quality, collateral and credit enhancements

In line with Basel and IFRS 9 standards, the Credit Risk Management Framework (“CRMF”) outlines the basis pertaining to the eligibility, valuation, roles & responsibilities of various departments and overall management of collateral in order to adopt effective credit risk mitigation mechanism and maximize the use of eligible collateral.

The eligible collateral under IFRS 9 helps in arriving at EAD and LGD for Expected Credit Loss (ECL) calculations. As for measuring ECL, the expected cash shortfalls will reflect via LGD the cash flows expected from collateral realization provided the same are as per contractual terms.

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.

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

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

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

The amount and type of collateral depends on assessments of the credit risk of the counterparty. The types of collateral mainly include cash, guarantees, stand-by letter of credit (bank guarantee), 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 distribution by risk grades is presented below:

Risk grades of gross loans and advances and Islamic financing receivables

	30 June 2024 (Unaudited)			
AED'000	Stage 1	Stage 2	Stage 3	Total
RR 1-19				
Grade RR 1 – 17: Performing	27,505,751	346,267	-	27,852,018
Grade RR 18 – 19: Watchlist	-	1,744,765	-	1,744,765
Total – RR 1-19	27,505,751	2,091,032	-	29,596,783
RR 20-22: Non-performing	-	-	1,650,341	1,650,341
Total	27,505,751	2,091,032	1,650,341	31,247,124

	31 December 2023 (Audited)			
AED'000	Stage 1	Stage 2	Stage 3	Total
RR 1-19				
Grade RR 1 – 17: Performing	26,031,660	287,247	-	26,318,907
Grade RR 18 – 19: Watchlist	-	1,875,998	-	1,875,998
Total – RR 1-19	26,031,660	2,163,245	-	28,194,905
RR 20-22: Non-performing	-	-	1,441,845	1,441,845
Total	26,031,660	2,163,245	1,441,845	29,636,750

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For the six month period ended 30 June 2024 (continued)

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 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Contingent liabilities:		
– Letters of credit covering movement of goods	1,526,960	1,527,712
– Financial guarantees and other direct credit substitutes	802,610	928,336
– Bid bonds, performance bonds and other transaction related contingencies	5,807,662	4,870,723
	<u>8,137,232</u>	<u>7,326,771</u>
Commitments:		
– Undrawn irrevocable commitments – credit related	218,628	238,903
– Commitments for future capital expenditure	168,083	125,649
	<u>386,711</u>	<u>364,552</u>
	<u>8,523,943</u>	<u>7,691,323</u>

The total undrawn commitments which are revocable at the discretion of the Bank amount to **AED 16,201.3 million** (31 December 2023: AED 16,413.8 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.

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (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 June 2024 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
AED'000				
Outstanding balance	7,503,246	223,043	163,069	7,889,358
Allowances for impairment (ECL) (note 10)	(20,140)	(3,933)	(109,893)	(133,966)
Carrying amount	7,483,106	219,110	53,176	7,755,392

	31 December 2023 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
AED'000				
Outstanding balance	6,690,731	226,462	163,555	7,080,748
Allowances for impairment (ECL) (note 10)	(19,986)	(2,943)	(117,630)	(140,559)
Carrying amount	6,670,745	223,519	45,925	6,940,189

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

Outstanding balance (Unaudited)	Stage 1	Stage 2	Stage 3	Total
AED'000				
Gross carrying amount - 31 December 2023	6,690,731	226,462	163,555	7,080,748
Transferred from Stage 1	(15,237)	13,962	1,275	-
Transferred from Stage 2	57	(4,340)	4,283	-
Transferred from Stage 3	-	-	-	-
Originated / (expired) during the period	827,695	(13,041)	(6,044)	808,610
Written-off during the period	-	-	-	-
Gross carrying amount - 30 June 2024	7,503,246	223,043	163,069	7,889,358

Outstanding balance (Audited)	Stage 1	Stage 2	Stage 3	Total
AED'000				
Gross carrying amount - 31 December 2022	5,820,222	186,595	154,197	6,161,014
Transferred from Stage 1	(137,818)	119,756	18,062	-
Transferred from Stage 2	6,929	(53,317)	46,388	-
Transferred from Stage 3	-	-	-	-
Originated / (expired) during the year	1,001,398	(26,572)	(55,092)	919,734
Written-off during the year	-	-	-	-
Gross carrying amount - 31 December 2023	6,690,731	226,462	163,555	7,080,748

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (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
ECL allowances - 31 December 2023	19,986	2,943	117,630	140,559
Transferred from Stage 1	(76)	115	817	856
Transferred from Stage 2	2	(121)	3,098	2,979
Transferred from Stage 3	-	-	-	-
Originated / expired during the period including changes in PDs / LGDs / EADs	228	996	(11,652)	(10,428)
Net allowance for impairment losses	154	990	(7,737)	(6,593)
Written-off during the period	-	-	-	-
ECL allowances - 30 June 2024	20,140	3,933	109,893	133,966

ECL – AED '000 (Audited)	Stage 1	Stage 2	Stage 3	Total
ECL allowances - 31 December 2022	19,364	5,684	75,561	100,609
Transferred from Stage 1	(673)	1,079	14,753	15,159
Transferred from Stage 2	47	(402)	29,534	29,179
Transferred from Stage 3	-	-	-	-
Originated / expired during the year including changes in PDs / LGDs / EADs	1,248	(3,418)	(2,218)	(4,388)
Net allowance for impairment losses	622	(2,741)	42,069	39,950
Written-off during the year	-	-	-	-
ECL allowances – 31 December 2023	19,986	2,943	117,630	140,559

The provision for ECL against the off-balance sheet exposures disclosed above is classified under other liabilities.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

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

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

AED' 000

30 June 2024 (Unaudited)

	Loans and advances and Islamic financing receivables	Due from banks and financial institutions	Investments and Islamic instruments	Acceptances and other assets	Off-balance sheet exposures	Total	ECL rate
Stage 3	1,079,537	-	-	12,031	109,893	1,201,461	60.8%
Stage 2	526,928	-	-	32	3,933	530,893	22.5%
Stage 1	192,143	4,643	27,924	1,654	20,140	246,504	0.5%
	719,071	4,643	27,924	1,686	24,073	777,397	
Total ECL	1,798,608	4,643	27,924	13,717	133,966	1,978,858	3.8%
ECL rate	5.7%	0.2%	0.3%	1.2%	1.7%		

AED' 000

31 December 2023 (Audited)

	Loans and advances and Islamic financing receivables	Due from banks and financial institutions	Investments and Islamic instruments	Acceptances and other assets	Off-balance sheet exposures	Total	ECL rate
Stage 3	1,085,637	-	-	10,800	117,630	1,214,067	65.5%
Stage 2	458,984	-	-	39	2,943	461,966	18.9%
Stage 1	188,434	4,501	20,651	1,774	19,986	235,346	0.5%
	647,418	4,501	20,651	1,813	22,929	697,312	
Total ECL	1,733,055	4,501	20,651	12,613	140,559	1,911,379	3.9%
ECL rate	5.7%	0.2%	0.3%	1.2%	2.0%		

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

11. Due to banks, repurchase agreements and term borrowings

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
<i>By type:</i>		
Due to banks (note 11.2)	1,004,750	1,137,077
Repurchase agreements	3,122,039	2,501,332
Term borrowings (note 11.1)	642,775	550,950
	4,769,564	4,189,359
<i>By geographical area:</i>		
UAE	1,914,310	1,575,064
GCC	-	276,999
Europe	2,459,656	1,863,795
Americas	94,161	18,832
Others	301,437	454,669
	4,769,564	4,189,359

As at 30 June 2024, due to banks include cash collateral of **AED 101.7 million** (31 December 2023: AED 60.9 million), in respect of positive fair value of derivatives, in accordance with the agreements with the interbank counterparties.

Due to banks include a Wakala borrowing amounting to **AED 523.7 million** (31 December 2023: 100.0 million) undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

The investment securities under repo agreements amounted to **AED 3,619.4 million** (31 December 2023: AED 2,752.1 million).

11.1 Term borrowings comprise of several bilateral borrowings obtained from other banks and financial institutions as follows:

Loan no.	Year obtained	Maturity	Interest rate	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
1	2023	Sep-26	SOFR + Margin	183,650	183,650
2	2023	Dec-28	SOFR + Margin	183,650	183,650
3	2024	May-26	SOFR + Margin	183,650	-
4	2024	May-26	SOFR + Margin	91,825	-
5	2023	Aug-27	SOFR + Margin	-	183,650
				642,775	550,950

11.2 Due to banks include gold related borrowings amounting to **AED 128.2 million** (31 December 2023: AED 378.8 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 six month period ended 30 June 2024 (continued)

12. Customer deposits and Islamic customer deposits

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	17,116,289	15,190,315
Saving deposits	697,204	711,494
Fixed term and notice deposits	23,780,733	22,670,197
	41,594,226	38,572,006
<i>By geographical area:</i>		
UAE	39,499,472	36,593,397
GCC	963,986	696,037
Europe	987,488	1,098,081
Americas	56,350	100,945
Others	86,930	83,546
	41,594,226	38,572,006

12.1 Islamic customer deposits undertaken through a Shari'ah - compliant Islamic window, NBF Islamic.

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
<i>By type:</i>		
Qard Islamic current accounts	690,171	574,066
Murabaha deposits	507,843	509,363
Wakala deposits	2,873,647	3,364,384
Mudaraba deposits	47,173	47,667
	4,118,834	4,495,480

13. Shareholders' equity

13.1 Share capital

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
<i>Authorised, issued and fully paid:</i>		
2,226,000,000 shares of AED 1 each (2023: 2,120,000,000 shares of AED 1 each)	2,226,000	2,120,000

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

13. Shareholders' equity (continued)

13.2 Proposed cash dividends and bonus issue

The Board of Directors proposed a distribution of bonus shares of 5.0% of share capital and cash dividend of 10.0% of share capital for the year ended 31 December 2023. The distribution was approved by the shareholders at the Annual General Assembly Meeting held in March 2024.

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 which has been classified as equity in accordance with IAS 32: Financial Instruments – Classification. These securities are perpetual, subordinated and unsecured. The Bank can elect not to pay a coupon at its own discretion and has an option to call back the securities in addition to allowing the Bank to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of CBUAE. The transaction costs relating to the issuance were accounted for as a deduction from equity.

At the General Assembly Meeting held on 26 June 2024, the shareholders, through a special resolution, approved the issuance of an amount up to USD (\$) 275 million (AED 1.01 billion) Additional Tier 1 capital securities ("AT1 capital") for the purpose of supporting the Bank's capital adequacy ratio, scheduled for 16 September 2024. The issuance will be privately placed with the Government of Fujairah and the capital instruments shall include the terms and conditions required by the Central Bank of the UAE, including conversion into ordinary shares, at a conversion ratio of AED 2.85, within two years of the issuance being mandatory, subject to relevant competent regulatory approvals.

15. Net impairment losses

	30 June 2024 AED'000 Unaudited	30 June 2023 AED'000 Unaudited
Loans and advances and Islamic financing receivables, acceptances, other assets and off balance sheet items	353,438	450,660
Due from banks and financial institutions	142	(790)
Investments and Islamic instruments	7,273	3,276
	360,853	453,146

16. Earnings per share

The calculation of earnings per share for the six month period ended 30 June 2024 is based on net profit of AED 403.4 million after deduction of AED 37.8 million of additional Tier 1 capital securities coupon payment (30 June 2023: AED 294.4 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 2,226 million (30 June 2023: 2,226 million shares) outstanding during the period.

The calculation of earnings per share for the three month period ended 30 June 2024 is based on net profit of AED 152.3 million after deduction of AED 37.8 million of additional Tier 1 capital securities coupon payment (30 June 2023: net profit of AED 142.4 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 2,226 million (30 June 2023: 2,226 million shares) outstanding during the period.

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024

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:

	30 June 2024 AED'000 Unaudited	31 December 2023 AED'000 Audited
Statement of financial position items		
Loans and advances and Islamic financing receivables	3,267,826	3,583,682
Customer deposits and Islamic customer deposits	10,687,619	9,948,263
Investments and Islamic instruments	94,702	136,332
Acceptances	32,649	34,780
Tier 1 capital securities	297,513	293,840
Contingent liabilities		
Letters of credit	72,193	115,179
Financial guarantees and other direct credit substitutes	35,107	36,870
Transaction related contingencies	633,647	596,391
	30 June 2024 AED'000 Unaudited	30 June 2023 AED'000 Unaudited
Statement of changes in equity items		
Tier 1 capital securities coupon paid	8,739	8,632
Statement of income items		
Interest income and income from Islamic financing and investment activities	102,711	121,252
Interest expense and distribution to Islamic depositors	243,469	189,346
Other income	5,850	7,307
Operating expenses	12,268	17,273
Key management compensation		
Salaries and other short-term benefits	13,109	11,923
Employee end of service benefits	593	657

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

17. Related parties (continued)

Stage 3 ECL, amounting to AED 70.8 million, has been recognized pertinent to related parties (31 December 2023: nil). Further, stage 1 and 2 ECL amounted to AED 14.3 million (31 December 2023: 15.9 million).

The loans and advances and Islamic financing receivables given to related parties have been secured against collateral amounting to AED 2,129.4 million (31 December 2023: AED 2,220.2 million).

During the period, capital expenditure transactions with related parties amounted to AED 1.3 million (31 December 2023: AED 3.2 million).

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 securities.
 - 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 2024	Basel III 2023
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 six month period ended 30 June 2024 (continued)

18. Capital adequacy ratio (continued)

AED'000	30 June 2024 Unaudited	31 December 2023 Audited
CET1 capital		
Share capital	2,226,000	2,120,000
Statutory reserve	1,054,121	1,054,121
Special reserve	679,967	679,967
Retained earnings	1,501,154	1,201,790
IFRS 9 transitional arrangement – ECL (stage 1 and 2) impact	62,224	84,406
Accumulated other comprehensive income	335	5,930
Regulatory deductions - intangibles	(154,169)	(144,713)
CET1 total	5,369,632	5,001,501
Additional Tier 1 (AT1) Capital		
Tier 1 capital securities (note 14)	1,285,550	1,285,550
Total Tier 1	6,655,182	6,287,051
Tier 2 Capital		
Collective impairment provision	426,295	396,045
Total Tier 2	426,295	396,045
Total capital base (a)	7,081,477	6,683,096
Risk weighted assets		
Credit risk	34,103,617	31,683,618
Market risk	38,186	64,748
Operational risk	3,836,611	3,504,166
Total risk weighted assets (b)	37,978,414	35,252,532
Capital adequacy ratio (a) / (b)	18.6%	19.0%
Tier 1 ratio	17.5%	17.8%
Common equity Tier 1 ratio (CET 1)	14.1%	14.2%

National Bank of Fujairah PJSC

Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (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 June 2024 AED'000 Unaudited	30 June 2023 AED'000 Unaudited
Cash on hand	373,965	310,301
Balances with the Central Bank of the UAE	598,428	800,000
Due from banks with less than three months maturity	905,028	645,323
	<u>1,877,421</u>	<u>1,755,624</u>

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

Based on residual maturities, cash on hand, balances with the Central Bank of the UAE and due from banks amounting to AED 5,738.8 million are maturing within three months from 30 June 2024 (AED 3,799.8 million maturity within three months from 30 June 2023).

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 six month period ended 30 June 2024 (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 as follows:

Six month period ended 30 June 2024 AED'000 (Unaudited)	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Net interest income and net income from Islamic financing and investment activities	341,536	301,654	94,736	144,529	882,455
Non-interest income	98,493	118,739	12,199	92,462	321,893
Operating income	440,029	420,393	106,935	236,991	1,204,348
Operating expenses	(117,806)	(156,162)	(60,450)	(24,162)	(358,580)
Operating profit before impairment losses and tax	322,223	264,231	46,485	212,829	845,768
Net impairment losses	(303,178)	(36,150)	(14,772)	(6,753)	(360,853)
Profit for the period before tax	19,045	228,081	31,713	206,076	484,915
Tax	(1,718)	(20,584)	(2,862)	(18,598)	(43,762)
Profit for the period after tax	17,327	207,497	28,851	187,478	441,153
30 June 2024 (Unaudited)					
Segment assets	18,687,999	8,210,072	4,730,347	24,002,840	55,631,258
Segment liabilities	27,183,104	11,906,886	5,112,415	4,681,317	48,883,722
Capital expenditure	-	-	-	47,508	47,508

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

20. Segmental reporting (continued)

Six month period ended 30 June 2023 AED'000 (Unaudited)	Corporate and institutional segments	Business banking segment	Retail banking	Treasury, ALM and others	Consolidated
Net interest income and net income from Islamic financing and investment activities	330,342	260,456	78,246	156,053	825,097
Non-interest income	103,435	100,590	6,112	77,755	287,892
Operating income	433,777	361,046	84,358	233,808	1,112,989
Operating expenses	(116,608)	(137,653)	(51,343)	(22,098)	(327,702)
Operating profit before impairment losses and tax	317,169	223,393	33,015	211,710	785,287
Net impairment losses	(404,552)	(31,506)	(15,418)	(1,670)	(453,146)
Profit / (loss) for the period before tax	(87,383)	191,887	17,597	210,040	332,141
Tax	-	-	-	-	-
Profit / (loss) for the period after tax	(87,383)	191,887	17,597	210,040	332,141
31 December 2023 (Audited)					
Segment assets	17,536,343	7,719,715	4,472,140	21,991,618	51,719,816
Segment liabilities	25,485,993	11,141,104	4,611,928	3,914,185	45,153,210
Capital expenditure	-	-	-	106,686	106,686

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Notes to the condensed consolidated interim financial information

For the six month period ended 30 June 2024 (continued)

21. Tax

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 09 December 2022, UAE Federal Decree Law No. 47 of 2022 was published setting in place a general corporate income tax for the first time. The taxable income threshold, of upto AED 375,000 will be taxed at 0% and beyond AED 375,000 will be taxed at 9%, will apply as clarified via Cabinet Decision No. 116 of 2022 published on 16 January 2023; and at this point the tax law was considered enacted and substantively enacted for accounting purposes. The UAE Tax Law has confirmed the application of the Corporate Tax ('CT') to tax periods commencing on or after 01 June 2023. Therefore, NBF's effective date of applying the CT regime is the current financial year commencing from 01 January 2024. The Bank's registration was concluded and the certificate of registration was issued by the Federal Tax Authority (FTA) in May 2024. Current taxes are now payable for the year starting 01 January 2024 potentially leading to a corresponding impact on deferred tax liabilities and assets; where the carrying amount differs from the tax base.

Whilst a number of Tax Guides have been issued by the FTA to help taxable persons understand the provisions of the CT law, it is expected that further guides would be issued in the coming periods to provide further clarity on the application and interpretation of the UAE Tax Law. This will be monitored closely by the management to assess any relevant impact on NBF's tax position.

Based on the review and assessment, a deferred tax asset has been recognized, amounting to [AED 1.05 million](#), as at 30 June 2024, arising from items that may be reclassified subsequently to the statement of income, from other comprehensive income perspective. Further, the current tax impact has been calculated considering the potential adjustments which has resulted in an effective tax rate of [9.02%](#).

22. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial information as at and for the six-month period ended 30 June 2024.