

National Bank of Fujairah PSC
Condensed consolidated interim financial statements – (Un-audited)
For the three month period ended 31 March 2009

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For the three month period ended 31 March 2009

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Report on Review of Interim Financial Information
To the Shareholders of National Bank of Fujairah PSC

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of National Bank of Fujairah PSC ("the Bank") and its subsidiaries (together referred to as "the Group") as of 31 March 2009, and the related condensed consolidated statement of comprehensive income (comprising a condensed consolidated statement of comprehensive income and a separate condensed consolidated income statement), condensed consolidated statement of changes in equity and condensed consolidated cash flows for the three-month period then ended (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this 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 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 interim financial information as at and for the three-month period ended 31 March 2009 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

21 APR 2009

KPMG
Vijendra Nath Malhotra
Registration No. B 48

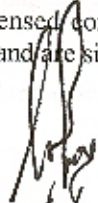
National Bank of Fujairah PSC


Condensed consolidated interim statement of financial position – (Un-audited) As at 31 March 2009

| | Note | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|---|-------|------------------------|-----------------------------------|
| Assets | | | |
| Cash and balances with UAE Central Bank | | 1,708,396 | 1,735,449 |
| Due from banks | 5 | 429,860 | 437,298 |
| Loans and advances | 6 & 7 | 8,431,083 | 9,037,759 |
| Investments | 8 | 820,358 | 1,034,941 |
| Property and equipment | | 91,066 | 90,908 |
| Intangible assets | | 18,130 | 19,425 |
| Capital work in progress | | 1,465 | 1,199 |
| Other assets | | 424,267 | 475,175 |
| Total assets | | 11,924,625 | 12,832,154 |
| Liabilities | | | |
| Due to banks | 9 | 645,137 | 944,892 |
| Medium term borrowings | 9 | 1,161,455 | 1,164,506 |
| Customer deposits | 10 | 8,030,844 | 8,603,041 |
| Other liabilities | | 496,214 | 561,162 |
| Total liabilities | | 10,333,650 | 11,273,601 |
| Shareholders' equity | | | |
| Share capital | 11 | 1,100,000 | 1,100,000 |
| Statutory reserve | | 227,929 | 227,929 |
| Special reserve | | 122,929 | 122,929 |
| Available for sale revaluation reserve | | (21,074) | (23,162) |
| Retained earnings | | 161,191 | 130,857 |
| Total shareholders' equity | | 1,590,975 | 1,558,553 |
| Total liabilities and shareholders' equity | | 11,924,625 | 12,832,154 |

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on 21 April 2009 and are signed on their behalf by:


Easa Saleh Al Gurg, KCVO, CBE
Deputy Chairman


Adnan Anwar
Head of Finance

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2009

| | Note | Three month period ended 31 Mar 2009 AED'000 | Three month period ended 31 Mar 2008 AED'000 |
|--|------|---|---|
| Interest income | | 181,604 | 169,184 |
| Interest expense | | (104,977) | (94,211) |
| Net interest income | | 76,627 | 74,973 |
| Net fees and commission income | | 26,501 | 34,551 |
| Foreign exchange income | | 8,954 | 8,824 |
| Net gain on revaluation of derivative financial instruments | | - | 1,588 |
| Other operating income | | 2,043 | 2,316 |
| | | 114,125 | 122,252 |
| Impairment losses (net) on loans and advances | 7 | (24,156) | 577 |
| Investment losses | | (797) | (30,254) |
| Net operating income | | 89,172 | 92,575 |
| Operating expenses | | | |
| Employee benefits expense | 12 | (42,600) | (31,093) |
| Depreciation and amortised cost | | (3,611) | (3,063) |
| Other operating expenses | | (12,627) | (2,984) |
| Total operating expenses | 12 | (58,838) | (37,140) |
| Profit for the period | | 30,334 | 55,435 |
| Earnings per share (basic and diluted) | 13 | AED 0.03 | AED 0.05 |

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

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

The Independent auditors' review report is set out on page 3.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2009

| | <i>Note</i> | Three month period ended 31 Mar 2009 AED'000 | Three month period ended 31 Mar 2008 AED'000 |
|---|-------------|---|---|
| Profit for the period | | 30,334 | 55,435 |
| Other comprehensive income: | | | |
| Changes in available-for-sale investments: | | | |
| Adjustment on maturity of available-for-sale investment | | 500 | - |
| Amortisation of reclassified investments | | 1,419 | - |
| Revaluation of available-for-sale investments | | 169 | - |
| Net change in available-for-sale-investments | | 2,088 | - |
| Total comprehensive income for the period | | 32,422 | 55,435 |

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

The Independent auditors' review report is set out on page 3.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2009

| | | Three month period ended 31 Mar 2009 | Three month period ended 31 Mar 2008 |
|--|------|--|--|
| | Note | AED'000 | AED'000 |
| Operating activities | | | |
| Profit for the period | | 30,334 | 55,435 |
| Adjustments for: | | | |
| Depreciation and amortised cost | | 3,611 | 3,063 |
| Impairment losses (net) | | 24,156 | (577) |
| Realised gains on investments | | (4,741) | (6,947) |
| Unrealised losses on investments | | 5,538 | 37,201 |
| | | 58,898 | 88,175 |
| Change in due from banks | | 10,252 | - |
| Change in loans and advances | | 582,520 | (650,305) |
| Change in other assets | | 50,908 | (26,524) |
| Change in due to banks | | (12,905) | 68,841 |
| Change in customer deposits | | (572,197) | (8,797) |
| Change in other liabilities | | (64,948) | 73,423 |
| Net cash from / (used in) operating activities | | 52,528 | (455,187) |
| Investing activities | | | |
| Purchase of property and equipment and capital work in progress | | (2,740) | (1,307) |
| Purchase of investments | | (24,313) | (296,246) |
| Proceeds from sale of investments | | 240,187 | 17,455 |
| Net cash from / (used in) investing activities | | 213,134 | (280,098) |
| Financing activities | | | |
| Directors' attendance fees | | - | (2,200) |
| Change in syndicated and subordinated borrowing | | (3,051) | - |
| Net cash used in financing activities | | (3,051) | (2,200) |
| Net increase in cash and cash equivalents | | 262,611 | (737,485) |
| Cash and cash equivalents at beginning of the period | | 1,292,234 | 2,016,671 |
| Cash and cash equivalents at end of the period | 16 | 1,554,845 | 1,279,186 |

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

The Independent auditors' review report is set out on page 3.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2009

| | Share capital AED'000 | Statutory reserve AED'000 | Special reserve AED'000 | Retained earnings AED'000 | Available for sale revaluation reserve AED'000 | Proposed Directors' Fees AED'000 | Proposed dividends AED'000 | Total AED'000 |
|---|-----------------------------|---------------------------------|-------------------------------|---------------------------------|--|---|----------------------------------|------------------|
| At 1 January 2008 | 1,100,000 | 227,929 | 122,929 | 181,127 | - | 2,200 | 165,000 | 1,799,185 |
| Total comprehensive income for the period | - | - | - | 55,435 | - | - | - | 55,435 |
| 2007 directors' fees paid | - | - | - | - | - | (2,200) | - | (2,200) |
| Dividends | - | - | - | - | - | - | (165,000) | (165,000) |
| At 31 March 2008 | 1,100,000 | 227,929 | 122,929 | 236,562 | - | - | - | 1,687,420 |
| At 1 January 2009 | 1,100,000 | 227,929 | 122,929 | 130,857 | (23,162) | - | - | 1,558,553 |
| Total comprehensive income for the period | - | - | - | 30,334 | 2,088 | - | - | 32,422 |
| At 31 March 2009 | 1,100,000 | 227,929 | 122,929 | 161,191 | (21,074) | - | - | 1,590,975 |

The notes on pages 9 to 19 form an integral part of these condensed consolidated interim financial statements.

The Independent auditors' review report is set out on page 3.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2009

1. Legal status and activities

National Bank of Fujairah ("the Bank") is a Public Shareholding Company registered under the laws of the United Arab Emirates. The Bank operates under a banking license issued on August 29, 1984 by the Central Bank of the United Arab Emirates and commenced operations on 20 September 1984. The shares of the Bank were listed on Abu Dhabi Securities Market on 23 October 2005.

The principal activity of the Bank is commercial banking which is carried out from its twelve branches in Fujairah, Abu Dhabi, Dubai, Sharjah, Dibba, Jebel Ali, Musaffah, Masafi, Qidfa, Deira, Ajman and Tawian.

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 Securities LLC ("the Company") is registered in the Emirate of Fujairah as a limited liability company under United Arab Emirates ("UAE") law and regulations. The Company was established on 30 April 2006 and commenced operations on 21 May 2006 through a branch in the Emirate of Dubai. The principal activity of the Company is to deal in local shares and bonds. The Board of Directors of the Company resolved on 26 November 2008 to close the Company with immediate effect. The Securities & Commodities Authority (SCA), through their letter dated 8 April 2009 has advised the Group about the cancellation of the Company from the broker register and revocation of the license to carry out the work of the financial intermediation. Accordingly, the Group has initiated the legal formalities in this respect.

The condensed consolidated interim financial statements of the Bank for the three month period ended 31 March 2009 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. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: *Interim Financial Reporting*. These financial statements do not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2008.

3. Significant accounting policies

The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2008.

National Bank of Fujairah PSC

Notes *(continued)*

3. Significant accounting policies *(continued)*

However, the Group has adopted IAS 1 'Presentation of financial statements' (Revised 2007) and IFRS 8 'Operating segments' for the first time in preparation of these condensed consolidated interim financial statements. These new and revised IASs, which became applicable for annual periods beginning on or after 1 January 2009, affects the presentation and disclosure of these condensed consolidated interim financial statements and does not affect the Group's reported profit or loss or equity.

IAS 1 – Presentation of financial statements (Revised 2007)

The revised IAS introduces the term 'total comprehensive income' which represents changes in equity during a period other than those resulting from transactions with owners in their capacity as owners. The Group has applied the revised IAS 1 retrospectively and has adopted two statement approach to present comprehensive income i.e. income statement and a separate statement of comprehensive income. Further the revised IAS 1 has also changed the title of 'balance sheet' to 'statement of financial position'.

IFRS 8 – Operating segments

The Group has presented the segment information in respect of its business and geographical segments.

Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2008.

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 2008.

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Notes (continued)

| | | |
|--|--------------------|-------------|
| 5. Due from banks | 31 Mar 2009 | 31 Dec 2008 |
| | AED'000 | AED'000 |
| | | Audited |
| By geographical area | | |
| Within UAE | 402,937 | 389,899 |
| OECD countries | 11,526 | 39,104 |
| GCC countries | 14,505 | 7,881 |
| Others | 892 | 414 |
| | ----- | ----- |
| | 429,860 | 437,298 |
| | ===== | ===== |
| 6. Loans and advances | 31 Mar 2009 | 31 Dec 2008 |
| | AED'000 | AED'000 |
| | | Audited |
| 6.1 Loans and advances by type: | | |
| Overdrafts | 1,010,407 | 1,041,783 |
| Term loans | 5,167,303 | 5,271,382 |
| Loans against trust receipts | 936,933 | 1,122,543 |
| Bills discounted | 1,175,046 | 1,206,338 |
| Bills drawn under letters of credit | 453,078 | 683,241 |
| | ----- | ----- |
| | 8,742,767 | 9,325,287 |
| | ----- | ----- |
| Allowance for impairment losses (note 7) | (311,684) | (287,528) |
| | ----- | ----- |
| Net loans and advances | 8,431,083 | 9,037,759 |
| | ===== | ===== |
| 6.2 Contingent liabilities and commitments | | |
| Contingent liabilities represent credit related commitments under letters of credit and guarantees which are designed to meet the requirements of the Group's customers towards third parties. Commitments represent contractually binding commitments to extend credit and other capital expenditure commitments of the Group which are undrawn at the date of statement of financial position. | | |
| | AED'000 | AED'000 |
| Contingent liabilities: | | Audited |
| - Letters of credit covering movement of goods | 910,965 | 906,667 |
| - Financial guarantees and other direct credit substitutes | 356,830 | 315,685 |
| - Bid bonds, performance bonds and other transaction related contingencies | 3,495,715 | 3,536,003 |
| | ----- | ----- |
| | 4,763,510 | 4,758,355 |
| | ===== | ===== |
| Other contingent liabilities: | | |
| - Credit related | 5,731,128 | 4,465,211 |
| - Others | 8,851 | 9,764 |
| | ----- | ----- |
| | 5,739,979 | 4,474,975 |
| | ===== | ===== |

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Notes (continued)

6. Loans and advances (continued)

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

7. Allowance for impairment losses on loans and advances

| | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|--|------------------------|-----------------------------------|
| Movement in allowances for impairment losses | | |
| Balance at 1 January | 287,528 | 107,805 |
| Provided during the period / year | 35,238 | 184,659 |
| Released during the period / year | (11,082) | (4,936) |
| Net allowance for impairment losses | 24,156 | 179,723 |
| Balance at 31 March / December | 311,684 | 287,528 |

8. Investments

| | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|--|------------------------|-----------------------------------|
| Investments at fair value through income statement (FVPL) | | |
| Designated: | | |
| Debt securities (note 8.1) | 300,401 | 348,735 |
| Externally managed portfolios (note 8.2) | 122,643 | 204,316 |
| Overseas trust (note 8.3) | 10,646 | 10,620 |
| Other investments (note 8.4) | 10,997 | 12,500 |
| | 444,687 | 576,171 |
| Available for sale (AFS) | | |
| Debt securities (note 8.1) | 42,019 | 117,671 |
| Held to maturity (HTM) | | |
| Debt securities (note 8.1) | 333,652 | 341,099 |
| | 820,358 | 1,034,941 |

National Bank of Fujairah PSC

Notes (continued)

8. Investments (continued)

- 8.1 **Debt securities** represent the Group's investments in bonds and notes. These include floating rate securities amounting to **AED 648 million** (31 Dec 2008: AED 770 million). These securities are quoted on internationally recognized platforms of Reuter and Bloomberg and are liquid in normal market conditions.
- 8.2 **Externally managed portfolios** include various international funds and funds with no fixed maturities and coupon rates. The portfolio is segregated into liquid and growth portfolios (with a view to enhancing returns on liquid funds and profitability respectively). The fair values of these investments are based on the net asset values provided by the fund managers. During the three month period, the management has liquidated significant component of investment portfolio with a view to enhance focus on core business.
- 8.3 **Overseas trust investment** represents funds invested in a bond through a discretionary trust to secure employee termination benefits calculated in accordance with UAE Labour Laws.
- 8.4 **Other investments** mainly comprise investments in private equity.
- 8.5 The counterparty dispersion of the investment portfolio is set out below:

| | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|----------------------------------|------------------------|-----------------------------------|
| Government | 533,627 | 565,097 |
| Banks and financial institutions | 105,820 | 205,318 |
| Others | 180,911 | 264,526 |
| | <u>820,358</u> | <u>1,034,941</u> |

- 8.6 The geographic dispersion of the investment portfolio is as follows:

| | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|----------------|------------------------|-----------------------------------|
| Within UAE | 575,878 | 706,506 |
| GCC Countries | 62,557 | 80,612 |
| OECD Countries | 173,047 | 226,206 |
| Others | 8,876 | 21,617 |
| | <u>820,358</u> | <u>1,034,941</u> |

National Bank of Fujairah PSC

Notes (continued)

9. Due to banks and medium term borrowings

| | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|---|------------------------|-----------------------------------|
| <i>By type:</i> | | |
| Syndicated borrowings from banks (note 9.1) | 761,455 | 764,506 |
| Term loan subordinated facility (note 9.2) | 400,000 | 400,000 |
| | ----- | ----- |
| | 1,161,455 | 1,164,506 |
| Short term borrowings | 645,137 | 944,892 |
| | ----- | ----- |
| | 1,806,592 | 2,109,398 |
| | ===== | ===== |
| <i>By geographical area:</i> | | |
| Within UAE | 354,034 | 467,059 |
| GCC Countries | 18,735 | 125,192 |
| OECD Countries | 1,433,538 | 1,516,323 |
| Others | 285 | 824 |
| | ----- | ----- |
| | 1,806,592 | 2,109,398 |
| | ===== | ===== |

- 9.1 On 31 July 2008, the Group arranged a term loan facility of AED 761.45 million (comprising US\$ 190 million and Euro 13 million) through a syndicate of banks. The facility carries a floating interest rate which is the aggregate of margin and LIBOR and is repayable in full on 25 June 2011 (US Dollar loan) and 31 July 2011 (Euro loan) respectively.

The Group is required to maintain a minimum capital adequacy ratio calculated on the basis of Basel Accord as applicable in the UAE and to maintain a minimum tangible net worth of US\$ 350 million.

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

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Notes (continued)

10 Customer deposits

| | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|---|------------------------|-----------------------------------|
| <i>By type</i> | | |
| Demand and margin deposits | 1,544,757 | 1,570,289 |
| Saving deposits | 40,301 | 45,262 |
| Fixed term and notice deposits (note 10.1 & 10.2) | 6,445,786 | 6,987,490 |
| | <u>8,030,844</u> | <u>8,603,041</u> |
| <i>By geographical area</i> | | |
| Within UAE | 7,967,918 | 8,437,770 |
| Others | 62,926 | 165,271 |
| | <u>8,030,844</u> | <u>8,603,041</u> |

10.1 The Group has arranged facilities aggregating to AED 643 million in October and November 2008 from the Ministry of Finance of the UAE. These facilities are arranged for a period of 3 to 5 years subject to certain conditions to be adhered to during the tenure of the facilities and are payable in full on maturity. The facilities carry interest rate of US Treasury 5 year notes plus margin, payable quarterly.

10.2 Fixed term and notice deposits include structured deposit notes which are fair valued through income statement amounting to AED 313 million (31 December 2008: AED 438 million), being the fair value as at 31 March 2009.

11. Shareholders' equity

Share capital

| | 31 Mar 2009 AED'000 | 31 Dec 2008 AED'000 Audited |
|--|------------------------|-----------------------------------|
| <i>Authorised, issued and fully paid:</i> | | |
| 1,100,000,000 shares of AED 1 each (2008: 1,100,000,000 shares of AED 1 each) | <u>1,100,000</u> | <u>1,100,000</u> |

12. Operating Expenses

Includes nil (31 March 2008: AED 7.1 million) in respect of reversal of provisions considered as no more required.

13. Earnings per share

The calculation of earnings per share for the three month period ended 31 March 2009 is based on earnings of AED 30,334,000 (31 March 2008: AED 55,435,000) divided by the weighted average number of shares of 1,100,000,000 (31 March 2008: 1,100,000,000 shares) outstanding during the period.

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Notes (continued)

14. Related parties

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

| | 31 March 2009 AED'000 | Average balances during 2009 AED'000 | 31 December 2008 AED'000 Audited | Average balances during 2008 AED'000 Audited |
|--|--------------------------------------|---|---|---|
| Items of statement of financial position | | | | |
| Loans and advances | 246,497 | 255,484 | 279,036 | 222,147 |
| Customer deposits | 1,756,803 | 1,801,685 | 1,786,869 | 1,329,210 |
| Letters of credit | 135,732 | 56,378 | 125,911 | 90,326 |
| Acceptances and other direct credit substitutes | 17,575 | 339 | 37,016 | 34,711 |
| Transaction related contingencies | 131,077 | 161,760 | 135,041 | 131,547 |
| | | | | |
| | 31 Mar 2009 AED'000 | | 31 Mar 2008 AED' 000 | |
| Items of income statement | | | | |
| Interest income | 3,225 | | 3,119 | |
| Interest expense | 23,932 | | 5,296 | |
| Other income | 1,525 | | 680 | |
| | | | | |
| Key management personnel | | | | |
| Salaries and other short-term benefits | 3,296 | | 2,759 | |
| Employee terminal and other long-term benefits | 132 | | 368 | |

National Bank of Fujairah PSC

Notes (continued)

15. Capital adequacy ratio

The Central Bank's guidelines prescribe a ratio of 10% of total capital to total risk weighted assets to be maintained, which is analyzed as follows:

| | AED'000 31 Mar 2009 | AED'000 31 Dec 2008 |
|--|---|--|
| | | Audited |
| Tier 1 Capital | | |
| Share capital | 1,100,000 | 1,100,000 |
| Statutory reserve | 227,929 | 227,929 |
| Special reserve | 122,929 | 122,929 |
| Retained earnings | 186,887 | 186,887 |
| Total Tier 1 | 1,637,745 | 1,637,745 |
| Tier 2 Capital | | |
| Available-for-sale revaluation reserve | (21,074) | (23,162) |
| Term loan subordinated facility (note 9.2) | 400,000 | 400,000 |
| General provision | 94,358 | 89,358 |
| Total Tier 2 | 473,284 | 466,196 |
| Deductions from Tier 1 and Tier 2 Capital | | |
| Investments in unconsolidated subsidiaries | (30,150) | (30,150) |
| Total capital base (a) | 2,080,879 | 2,073,791 |
| Risk weighted assets | | |
| | Risk-weighted equivalent AED'000" | Risk-weighted equivalent AED' '000 " |
| Credit risk | 10,445,961 | 11,712,474 |
| Market risk | 16,078 | 2,864 |
| Operational risk | 733,235 | 547,571 |
| Total risk weighted assets (b) | 11,195,274 | 12,262,909 |
| Capital adequacy ratio (a) / (b) - % | 18.59 | 16.91 |
| Capital adequacy ratio (Basel I) | 18.99 | 17.75 |

National Bank of Fujairah PSC

Notes (continued)

16. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

| | 31 Mar 2009 AED'000 | 31 Mar 2008 AED'000 |
|-----------------------------------|------------------------|------------------------|
| Cash on hand | 58,790 | 49,522 |
| Balances with Central Bank of UAE | 1,649,606 | 1,826,230 |
| Due from banks | 429,860 | 392,387 |
| | <hr/> | <hr/> |
| | 2,138,256 | 2,268,139 |
| Due to banks | (583,411) | (988,953) |
| | <hr/> | <hr/> |
| | <u>1,554,845</u> | <u>1,279,186</u> |

17. Segmental analysis

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

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

Business segments

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

Wholesale banking

The Group has consolidated its **corporate and commercial banking (formerly small and medium enterprise ("SME") banking)** activities into a single business unit namely "**Wholesale banking**" to benefit from synergies. The segment offers a range of products and services including credit and trade finance products, and services to large sized and small to medium size corporate customers through separate units and to financial institutions, and accepts deposits.

Retail banking

The segment offers a range of products and services to individuals and high networth individuals including personal and mortgage loans, credit cards, investment products, other transactions and balances, and accepts their deposits. The segment also offers transactional services to small-sized businesses.

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Notes (continued)

17. Segmental analysis (continued)

Treasury and investments

The segment undertakes the Group's liquidity management centrally and is responsible for optimum utilization of resources in productive assets and management of exchange and interest positions within the limits and guidelines set by management and approved by the Board. Treasury also offers various foreign exchange and derivative products to customers and is entrusted with the responsibility of managing the Group's investment portfolio together with ALCO.

Head Office and others

The Group has central shared services which include Operations, Risk Management, Human Resources, Finance and Information Technology which are recognized centrally under Head Office. The Group's capital and investments in subsidiaries are recognized under Head Office.

The segment analysis is set out below which arise largely from commercial and retail banking activities.

| 2009 | Wholesale Banking | Retail Banking | Treasury & Investments | Head Office & Others | Consolidated |
|----------------------------------|------------------------------|---------------------------|---------------------------------------|-------------------------------------|---------------------|
| | AED "000"..... | | | | |
| Three month period ended | | | | | |
| 31 March 2009 | | | | | |
| Segment revenue | 86,376 | 22,566 | (8,757) | 13,940 | 114,125 |
| Cost | | | | | (56,024) |
| Impairment losses | | | | | (24,156) |
| Depreciation and amortization | | | | | (3,611) |
| Profit | | | | | 30,334 |
| 31 March 2009 | | | | | |
| Segment assets | 7,977,354 | 762,121 | 3,000,178 | 74,311 | 11,813,964 |
| Segment liabilities | 7,471,985 | 1,113,099 | 1,607,929 | 140,637 | 10,333,650 |
| Capital expenditure | | | | | 2,474 |
| 2008 | Wholesale Banking | Retail Banking | Treasury & Investments | Head Office & Others | Consolidated |
| | AED "000"..... | | | | |
| Three month period ended | | | | | |
| 31 March 2008 | | | | | |
| Segment revenue | 85,827 | 19,655 | (8,491) | 25,261 | 122,252 |
| Cost | | | | | (64,331) |
| Impairment losses | | | | | 577 |
| Depreciation and amortization | | | | | (3,063) |
| Profit | | | | | 55,435 |
| 31 December 2008 | | | | | |
| Segment assets | 8,569,892 | 874,461 | 3,229,491 | 46,778 | 12,720,622 |
| Segment liabilities | 7,571,752 | 1,560,302 | 1,975,135 | 166,412 | 11,273,601 |
| Capital expenditure | | | | 18,295 | 18,295 |

18. Comparative figures

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

