

National Bank of Fujairah PSC
Condensed consolidated interim financial
statements – (Un-audited)
For the three month period ended
31 March 2012

Condensed consolidated interim financial statements – (Un-audited)
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Review report to the Directors of National Bank of Fujairah PSC

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Bank of Fujairah ("the Bank") and its subsidiary (together referred to as "the Group") as at 31 March 2012 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

**PricewaterhouseCoopers
30 April 2012**

**Jacques E Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates**

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National Bank of Fujairah PSC


Condensed consolidated interim statement of financial position – (Un-audited)

As at 31 March 2012

		31 March 2012 AED'000	31 December 2011 AED'000 Audited
Assets			
Cash and balances with the UAE Central Bank	6	2,051,903	2,103,840
Due from banks and financial institutions	7	728,035	614,091
Loans and advances	8	11,049,045	10,505,260
Investments	10	682,394	583,898
Property and equipment		82,171	82,230
Intangible assets		1,737	3,861
Capital work-in-progress		8,457	4,820
Other assets		1,014,029	1,015,364
Total assets		15,617,771	14,913,364
Liabilities			
Due to banks	11	686,997	540,212
Term borrowings	11	918,250	918,250
Customer deposits	12	10,865,894	10,338,580
Other liabilities		1,126,908	1,055,135
Total liabilities		13,598,049	12,852,177
Shareholders' equity			
Share capital	13	1,100,000	1,100,000
Statutory reserve		283,539	283,539
Special reserve		178,539	178,539
Available-for-sale revaluation reserve		(4,361)	(8,441)
Proposed dividends		-	110,000
Retained earnings		462,005	397,550
Total shareholders' equity		2,019,722	2,061,187
Total liabilities and shareholders' equity		15,617,771	14,913,364

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 April 2012 and are signed on their behalf by:


 Vince Cook
 Chief Executive Officer


 Adnan Anwar
 Chief Financial Officer

The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial statements.

The review report of the independent auditors is set out on page 1.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012

	<i>Note</i>	Three month period ended 31 March 2012 AED'000	Three month period ended 31 March 2011 AED'000
Interest income		180,883	160,442
Interest expense		(62,133)	(61,927)
Net interest income		118,750	98,515
Net fees and commission income		41,609	37,554
Foreign exchange and derivatives income		12,571	10,057
Other operating income		2,670	2,349
Operating income		175,600	148,475
Net impairment losses	9	(43,362)	(45,053)
Income from investments		1,818	4,145
Net operating income		134,056	107,567
Operating expenses			
Employee benefits expense		(49,605)	(41,035)
Depreciation and amortization		(3,695)	(4,029)
Other operating expenses		(16,301)	(11,865)
Total operating expenses		(69,601)	(56,929)
Net profit for the period		64,455	50,638
Earnings per share (basic and diluted)	14	AED 0.06	AED 0.05

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

The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial statements.

The review report of the independent auditors is set out on page 1.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012

	Three month period ended 31 March 2012 AED'000	Three month period ended 31 March 2011 AED'000
Net profit for the period	64,455	50,638
Other comprehensive income:		
<i>Changes in available-for-sale investments:</i>		
Net fair value gains on disposal of available-for-sale investments	(1,362)	(1,339)
Net changes in fair value of available-for-sale investments	4,222	3,355
Others	1,220	1,208
Net change in available-for-sale-investments	4,080	3,224
Total comprehensive income for the period	68,535	53,862

The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial statements.

The review report of the independent auditors is set out on page 1.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012

		Three month period ended 31 March 2012 AED'000	Three month period ended 31 March 2011 AED'000
Operating activities			
	<i>Note</i>		
Net profit for the period		64,455	50,638
Adjustments for :			
Depreciation and amortization		3,695	4,029
Net impairment losses		43,362	45,053
Net fair value gains on disposal of investments		(1,314)	(1,339)
Net changes in fair value of investments at fair value through profit or loss		(504)	(2,806)
Operating profit before working capital changes		109,694	95,575
Change in statutory reserve with the UAE Central Bank		(16,500)	(3,059)
Change in loans and advances		(587,147)	(323,955)
Change in other assets		1,335	(479,133)
Change in due to banks		61,559	(11,464)
Change in customer deposits		527,314	458,344
Change in other liabilities		(38,227)	509,497
Net cash generated from operating activities		58,028	245,805
Investing activities			
Purchase of property and equipment and capital work-in-progress		(5,149)	(1,721)
Purchase of investments		(218,999)	(179,033)
Proceeds from sale of investments		126,401	140,758
Net cash used in investing activities		(97,747)	(39,996)
Financing activities			
Change in term borrowings		-	4,379
Net cash generated from financing activities		-	4,379
Net change in cash and cash equivalents		(39,719)	210,188
Cash and cash equivalents at beginning of the period		1,764,742	1,687,748
Cash and cash equivalents at end of the period	17	1,725,023	1,897,936

The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial statements.

The review report of the independent auditors is set out on page 1.

National Bank of Fujairah PSC

Condensed consolidated interim statement of changes in equity – (Un-audited) For the three month period ended 31 March 2012

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	Retained earnings AED'000	Available- for-sale revaluation reserve AED'000	Proposed dividends AED'000	Total AED'000
At 1 January 2011	1,100,000	255,447	150,447	282,809	(9,364)	68,200	1,847,539
Total comprehensive income for the period	-	-	-	50,638	3,224	-	53,862
2010 cash dividends	-	-	-	-	-	(68,200)	(68,200)
At 31 March 2011	<u>1,100,000</u>	<u>255,447</u>	<u>150,447</u>	<u>333,447</u>	<u>(6,140)</u>	<u>-</u>	<u>1,833,201</u>
At 1 January 2012	1,100,000	283,539	178,539	397,550	(8,441)	110,000	2,061,187
Total comprehensive income for the period	-	-	-	64,455	4,080	-	68,535
2011 cash dividends	-	-	-	-	-	(110,000)	(110,000)
At 31 March 2012	<u>1,100,000</u>	<u>283,539</u>	<u>178,539</u>	<u>462,005</u>	<u>(4,361)</u>	<u>-</u>	<u>2,019,722</u>

The notes on pages 7 to 20 form an integral part of these condensed consolidated interim financial statements.

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National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial statements – (Un-audited) For the three month period ended 31 March 2012

1. Legal status and activities

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

The principal activity of the Bank is commercial banking which is carried out from its fourteen branches in Fujairah, Abu Dhabi, Dubai, Sharjah, Dibba, Jebel Ali, Musaffah, Masafi, Qidfah, Deira, Ajman, Tawian, Al-Ain and Fujairah City Centre.

The Bank has a fully owned subsidiary company, NBF Financial Services FZC which was established in December 2004 with limited liability status in the Fujairah Free Trade Zone to provide support services to the Bank.

The condensed consolidated interim financial statements for the three month period ended 31 March 2012 comprise the Bank and its subsidiary (together referred to as "the Group").

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

2. Disclosure policy

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

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

a) Materiality thresholds

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

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

2. Disclosure policy (*continued*)

b) Frequency and medium of disclosure

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

- Sending quarterly reviewed and annual audited financial statements, along with Management Discussion Analysis or Directors' report and any other price sensitive information, to ADX and SCA;
- Hosting quarterly and annual financial statements on the Group's website;
- Publication of annual audited financial statements in both Arabic and English newspapers after the approval in the Annual General Meeting (AGM);
- Management analysis in Arabic and English newspapers in a manner that ensures wide dissemination; and
- Publication of annual report.

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

3. Basis of preparation

Statement of compliance

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

4. Significant accounting policies

The accounting policies and methods of computation applied by the Group in 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 2011.

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

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

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

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

4. Significant accounting policies *(continued)*

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

The Group has assessed the impact of the above standards and amendments to published standards and has concluded that they will not have a significant impact of the Group's financial statements.

Key accounting estimates and judgments

The preparation of the condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may therefore differ resulting in future changes in these estimates. In preparing 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 2011.

5. Financial risk management

The Group's financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2011.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

6. Cash and balances with the UAE Central Bank	31 March 2012 AED'000	31 December 2011 AED'000 Audited
Cash on hand	72,755	72,074
Certificates of deposit with the UAE Central Bank	1,550,000	1,525,000
Other balances with the UAE Central Bank	429,148	506,766
	<u>2,051,903</u>	<u>2,103,840</u>

7. Due from banks and financial institutions	31 March 2012 AED'000	31 December 2011 AED'000 Audited
Placements	588,683	544,666
Current accounts	139,352	69,425
	<u>728,035</u>	<u>614,091</u>

7.1 By geographical area

Within UAE	388,599	413,961
GCC countries	64,039	77,833
Others	275,397	122,297
	<u>728,035</u>	<u>614,091</u>

7.2 The currency wise analysis is set out below:

AED	304,108	334,399
USD	273,256	178,514
EURO	92,073	53,931
GBP	18,957	20,424
Others	39,641	26,823
	<u>728,035</u>	<u>614,091</u>

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

8. Loans and advances

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
8.1 Loans and advances by type:		
Overdrafts	1,258,087	1,220,654
Term loans	7,380,830	6,961,523
Loans against trust receipts	1,610,588	1,578,965
Bills discounted	874,620	765,735
Bills drawn under letters of credit	620,396	630,601
	<u>11,744,521</u>	<u>11,157,478</u>
Allowance for impairment losses (note 9)	(695,476)	(652,218)
Net loans and advances	<u>11,049,045</u>	<u>10,505,260</u>

8.2 Contingent liabilities and commitments

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

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
Contingent liabilities:		
- Letters of credit covering movement of goods	1,132,382	1,060,071
- Financial guarantees and other direct credit substitutes	415,302	391,897
- Bid bonds, performance bonds and other transaction related contingencies	3,652,099	3,558,013
	<u>5,199,783</u>	<u>5,009,981</u>
Commitments and others:		
- Undrawn commitments - credit related	8,972,387	8,301,885
- Others	20,786	22,955
	<u>8,993,173</u>	<u>8,324,840</u>
	<u>14,192,956</u>	<u>13,334,821</u>

These contingent liabilities and commitments have off balance sheet credit risk and 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.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

9. Allowance for impairment losses on loans and advances

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
Movement in allowances for impairment losses		
Balance at 1 January	652,218	658,065
Provided during the period / year	53,600	226,927
Released during the period / year	(10,238)	(113,598)
	-----	-----
Net allowance for impairment losses	43,362	113,329
Written-off during the period / year	(104)	(119,176)
	-----	-----
	<u>695,476</u>	<u>652,218</u>

10. Investments

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
Investments at fair value through profit or loss ("FVTPL") (note 10.1)	29,907	37,766
Available-for-sale ("AFS")		
Debt securities (note 10.2)	323,654	218,931
Other investments	639	524
	-----	-----
	<u>324,293</u>	<u>219,455</u>
Held-to-maturity ("HTM")		
Debt securities (note 10.2)	328,194	326,677
	-----	-----
	<u>682,394</u>	<u>583,898</u>

10.1 This includes various international funds and funds with no fixed maturities. The fair values of these investments are based on the net asset values provided by the fund managers. These also comprise investments in private equity and funds invested in an insurance bond previously maintained in a discretionary trust.

10.2 Debt securities represent the Group's investments in bonds and notes. These include floating rate securities amounting to AED 581 million (31 Dec 2011: AED 490 million). These securities are quoted on internationally recognised platforms of Reuters and Bloomberg and are liquid in normal market conditions.

National Bank of Fujairah PSC

Notes to the condensed consolidated interim financial statements – (Un-audited)
For the three month period ended 31 March 2012 (continued)

10. Investments (continued)

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

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
Government	88,651	88,317
Banks and financial institutions	493,356	387,531
Others	100,387	108,050
	<u>682,394</u>	<u>583,898</u>

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

Within UAE	466,999	449,877
GCC Countries	7,215	7,279
Others	208,180	126,742
	<u>682,394</u>	<u>583,898</u>

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

AED	448,115	445,627
USD	161,015	68,658
EURO	73,264	69,613
	<u>682,394</u>	<u>583,898</u>

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

11. Due to banks and term borrowings

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
<i>By type:</i>		
Club term loan facility (note 11.1)	863,155	863,155
Bilateral borrowing (note 11.2)	55,095	55,095
	<hr/>	<hr/>
	918,250	918,250
Short-term borrowings	686,997	540,212
	<hr/>	<hr/>
	1,605,247	1,458,462
	<hr/>	<hr/>
<i>By geographical area:</i>		
Within UAE	364,550	197,109
GCC Countries	291	7,349
Others	1,240,406	1,254,004
	<hr/>	<hr/>
	1,605,247	1,458,462
	<hr/>	<hr/>

- 11.1 On 24 June 2011, the Group arranged a club term loan facility of AED 863.2 million (USD 235 million) through a syndicate of banks. The facility carries a floating rate which is the aggregate of margin plus LIBOR and is repayable in full on 24 June 2013.

Under the terms of the agreement, the Group is required to maintain a minimum capital adequacy ratio calculated on the basis of Basel II Accord as applicable in the UAE; to maintain a minimum tangible net worth of USD 425 million; and to maintain its ratio of impaired loans to total funded gross loans, which shall not be greater than ten (10%) percent at any time, subject to the exclusion of certain facilities as stipulated in the agreement. The respective conditions stipulated above have been complied with, as at the reporting date.

- 11.2 During 2010, the Group arranged term loan facilities through banks amounting to AED 146.9 million. Out of this, an amount of AED 91.8 million has been settled during 2011. The facilities carry floating rate which is the aggregate of margin and LIBOR. As per the terms of the agreements, the tenure of the facilities extends to 2 years after the disbursement date.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

12. Customer deposits

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
<i>By type:</i>		
Demand and margin deposits	2,469,993	2,117,244
Saving deposits	38,465	33,309
Fixed term and notice deposits (note 12.1 & 12.2)	8,357,436	8,188,027
	<u>10,865,894</u>	<u>10,338,580</u>
<i>By geographical area:</i>		
Within UAE	10,328,904	9,804,409
Others	536,990	534,171
	<u>10,865,894</u>	<u>10,338,580</u>

- 12.1 The Group received deposits aggregating to AED 643 million in October and November 2008 from the Ministry of Finance of the UAE. On 31 December 2009, the Group entered into an agreement with UAE Ministry of Finance, through which these deposits are now subordinated debt subject to certain conditions as set out in the agreement and included in Tier 2 capital. As per the terms of the conversion and subordination agreement and subject to certain conditions to be adhered to, the tenure of the loan extends to 7 years from the date of conversion and is payable in full on maturity with an early repayment option. The loan carries stepped up pricing over the tenure, with interest payable quarterly.
- 12.2 On 19 August 2008, the Group arranged a subordinated term loan facility with a finance company amounting to AED 400 million. The facility carries interest rate which is the aggregate of margin and EIBOR, payable quarterly commencing from 19 November 2008. As per the terms of the facility, the full principal amount of the facility is to be repaid on 19 August 2018. The UAE Central Bank has approved the facility to be considered as Tier 2 capital for regulatory purposes.

13. Shareholders' equity

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

14. Earnings per share

The calculation of earnings per share for the three month period ended 31 March 2012 is based on earnings of AED 64.5 million (31 March 2011: AED 50.6 million) divided by the weighted average number of shares of 1,100 million (31 March 2011: 1,100 million shares) outstanding during the period.

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

15. Related parties

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

	31 March 2012 AED'000	Average balances during 2012 AED'000	31 December 2011 AED'000 Audited	Average balances during 2011 AED'000 Audited
Statement of financial position items				
Loans and advances	443,951	463,608	431,174	485,919
Customer deposits	2,411,313	2,068,702	2,320,971	2,191,438
Letters of credit	59,525	49,808	69,261	68,328
Financial guarantees and other direct credit substitutes	19,779	17,344	16,653	16,796
Transaction related contingencies	116,758	108,441	108,631	125,842
	31 March 2012 AED'000		31 March 2011 AED'000	
Statement of income items				
Interest income	5,802		7,005	
Interest expense	15,041		17,361	
Other income	2,093		1,521	
Key management compensation				
Salaries and other short-term benefits	3,408		4,103	
Employee terminal and other long-term benefits	83		79	

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

The loans given to related parties amounting to AED 444 million (31 December 2011: AED 431.2 million) have been secured against collateral amounting to AED 83.4 million (31 December 2011: AED 77.5 million).

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

16. Capital adequacy ratio

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

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

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

	31 March 2012 AED'000	31 December 2011 AED'000 Audited
Tier 1 Capital		
Share capital	1,100,000	1,100,000
Statutory reserve	283,539	255,447
Special reserve	178,539	150,447
Retained earnings	397,550	282,809
Total Tier 1	1,959,628	1,788,703
Tier 2 Capital		
Available-for-sale revaluation reserve	(4,361)	(8,441)
Subordinated facilities (note 12.1 & 12.2)	914,083	894,352
Collective impairment provision	176,079	156,079
Total Tier 2	1,085,801	1,041,990
Deductions from Tier 1 and Tier 2 Capital		
Investments in unconsolidated subsidiaries	-	-
Total capital base (a)	3,045,429	2,830,693

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

For the three month period ended 31 March 2012 (continued)

Risk weighted assets

	Risk weighted equivalent 31 March 2012 AED'000	Risk weighted equivalent 31 December 2011 AED' 000 Audited
Credit risk	14,071,952	13,359,472
Market risk	12,731	5,029
Operational risk	728,918	573,503
Total risk weighted assets (b)	14,813,601	13,938,004
Capital adequacy ratio (a) / (b) - %	20.56	20.31

17. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances from the date of acquisition:

	31 March 2012 AED'000	31 March 2011 AED'000
Cash on hand	72,755	71,663
Balances with the UAE Central Bank (note 17.1)	1,599,671	2,064,648
Due from banks with less than three months maturity	678,035	303,952
	<hr/>	<hr/>
	2,350,461	2,440,263
Due to banks with less than three months maturity	(625,438)	(542,327)
	<hr/>	<hr/>
	<u>1,725,023</u>	<u>1,897,936</u>

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

National Bank of Fujairah PSC

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

For the three month period ended 31 March 2012 (continued)

18. Segmental reporting

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

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

Business segments

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

Wholesale banking

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

Consumer banking

The segment offers a range of products and services to individuals and high net worth individuals including personal and mortgage loans, credit cards, other transactions and balances, and accepts their deposits.

Treasury, Asset and Liability Management (ALM) and others

The segment undertakes the Group's asset and liability management centrally and is responsible for optimum utilization of resources in productive assets and management of exchange and interest positions within the limits and guidelines set by management and approved by the Board. Treasury also offers various foreign exchange and derivative products to customers and is entrusted with the responsibility of managing the Group's investment portfolio together with Asset and Liability Committee. The Group's capital and investment in subsidiary is recognised under this segment.

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

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

For the three month period ended 31 March 2012 (continued)

18. Segmental reporting (continued)

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

Three month period ended 31 March 2012	Wholesale banking	Consumer banking	Treasury, ALM & others	Consolidated
	AED'000			
Segment revenue	151,355	10,799	15,264	177,418
Segment operating cost	(43,518)	(22,906)	(3,177)	(69,601)
Net impairment losses	(40,649)	(2,713)	-	(43,362)
Profit / (loss)	67,188	(14,820)	12,087	64,455
31 March 2012				
Segment assets	11,451,195	588,345	3,578,231	15,617,771
Segment liabilities	10,317,640	762,367	2,518,042	13,598,049
Capital expenditure	-	-	1,512	1,512
Three month period ended 31 March 2011	Wholesale banking	Consumer banking	Treasury, ALM & others	Consolidated
	AED'000			
Segment revenue	121,643	13,942	17,035	152,620
Segment operating cost	(35,324)	(18,664)	(2,941)	(56,929)
Net impairment losses	(44,380)	(673)	-	(45,053)
Profit / (loss)	41,939	(5,395)	14,094	50,638
31 December 2011				
Segment assets	10,957,666	536,068	3,419,630	14,913,364
Segment liabilities	9,773,531	630,778	2,447,868	12,852,177
Capital expenditure	-	-	7,380	7,380