

## National Bank of Fujairah's Ratings Affirmed with 'Stable' Outlooks

**Capital Intelligence (CI)**, the international credit rating agency, today announced that it has maintained the Financial Strength Ratings of National Bank of Fujairah (NBF) at 'BBB', with the high level of non-performing loans (NPLs) being a major constraining factor. The Bank's good profitability and solid capital adequacy ratio support this rating. NBF's Foreign Currency Ratings are affirmed at 'A-' Long-Term and 'A2' Short-Term with a Support Rating of '2'. The ratings are strongly underscored by the high likelihood of support from the UAE government in case of need. The Outlook for all ratings is 'Stable' in view of the Bank's good performance in H1 2012, the weakening of asset quality notwithstanding. While credit risks remain on the higher side, particularly in Dubai, to which the Bank has sizeable exposures, NBF's good earnings and strong capital base provide comfort.

NBF, one of the smaller banks in the country, has built a niche business and a good reputation in the corporate, commercial, trade finance and treasury areas. Although primarily a corporate bank, NBF is also expanding its retail banking services for affluent nationals and expatriates. The Bank's sizeable off-balance sheet business and trade finance skills have helped it to build a good-sized non-interest income base which makes a useful contribution to its bottom line. Higher levels of lending and reduced funding costs have resulted in a steady improvement in margins in recent years. Consequently, NBF's operating profit is now much higher than it was three years ago and its operating profitability is well above the sector average. The Bank's return on average assets ROAA has also strengthened over the last few years, although the improvement in 2011 was mainly on account of a substantially reduced net impairment charge.

Asset quality ratios have weakened in recent years due to the classification of exposures to Dubai government-related entities (GREs) as impaired; NPLs also rose in the first half of 2012. However, excluding impaired Dubai GREs, the NPL ratio was at a more manageable level and the loan-loss reserve coverage ratio was high at end 2011 and end-June 2012. While one GRE loan has been restructured, the other is in the process of being restructured and both are likely to be removed from the impaired loans list in due course. NBF continues to be solidly capitalised and its liquidity ratios remain satisfactory. NBF's balance sheet maturity mismatches are low compared to those of many peer banks.

The Bank was established in 1982 in the emirate of Fujairah. Its principal shareholders are the government of Fujairah (39%) and the Easa Saleh Al Gurg Company LLC (19%), which belongs to the Bank's deputy chairman and chairman of the executive committee. NBF is primarily a wholesale bank with strong trade finance and foreign exchange expertise. Its commercial business focuses on small to mid-sized companies. Its consumer banking business is primarily Fujairah-based.

### CONTACT

#### Primary Analyst

Karti Inamdar  
Senior Credit Analyst  
Tel: +91 124 239 2142  
Email: karti.inamdar@ciratings.com

#### Secondary Analyst

Thomas Kenzik  
Senior Credit Analyst  
Email: tom.kenzik@ciratings.com

#### Rating Committee Chairman

Morris Helal  
Senior Credit Analyst



The information sources used to prepare the credit ratings are the rated entity and public information. Capital Intelligence had access to the accounts and other relevant internal documents of the issuer for the purpose of the rating and considers the quality of information available on the issuer to be satisfactory for the purposes of assigning and maintaining credit ratings. Capital Intelligence does not audit or independently verify information received during the rating process.

The rating has been disclosed to the rated entity and released with no amendment following that disclosure. Ratings on the issuer were first released in July 1994. The ratings were last updated in August 2011.

The principal methodology used in determining the ratings is Bank Rating Methodology. The methodology and the meaning of each rating category and definition of default, as well as information on the attributes and limitations of CI's ratings, can be found at [www.ciratings.com](http://www.ciratings.com).