

## Management Discussion and Analysis Report

### National Bank of Fujairah PJSC

For the three month period ended 31 March 2022

**National Bank of Fujairah PJSC (NBF) Q1 2022 net profit jumps 43.7% reaching AED 60.4 million and surges 143.3% quarter-on-quarter underpinned by robust quality business growth**

**Strong capital adequacy, healthy liquidity and improvement in asset quality contributed to enhanced shareholder value**

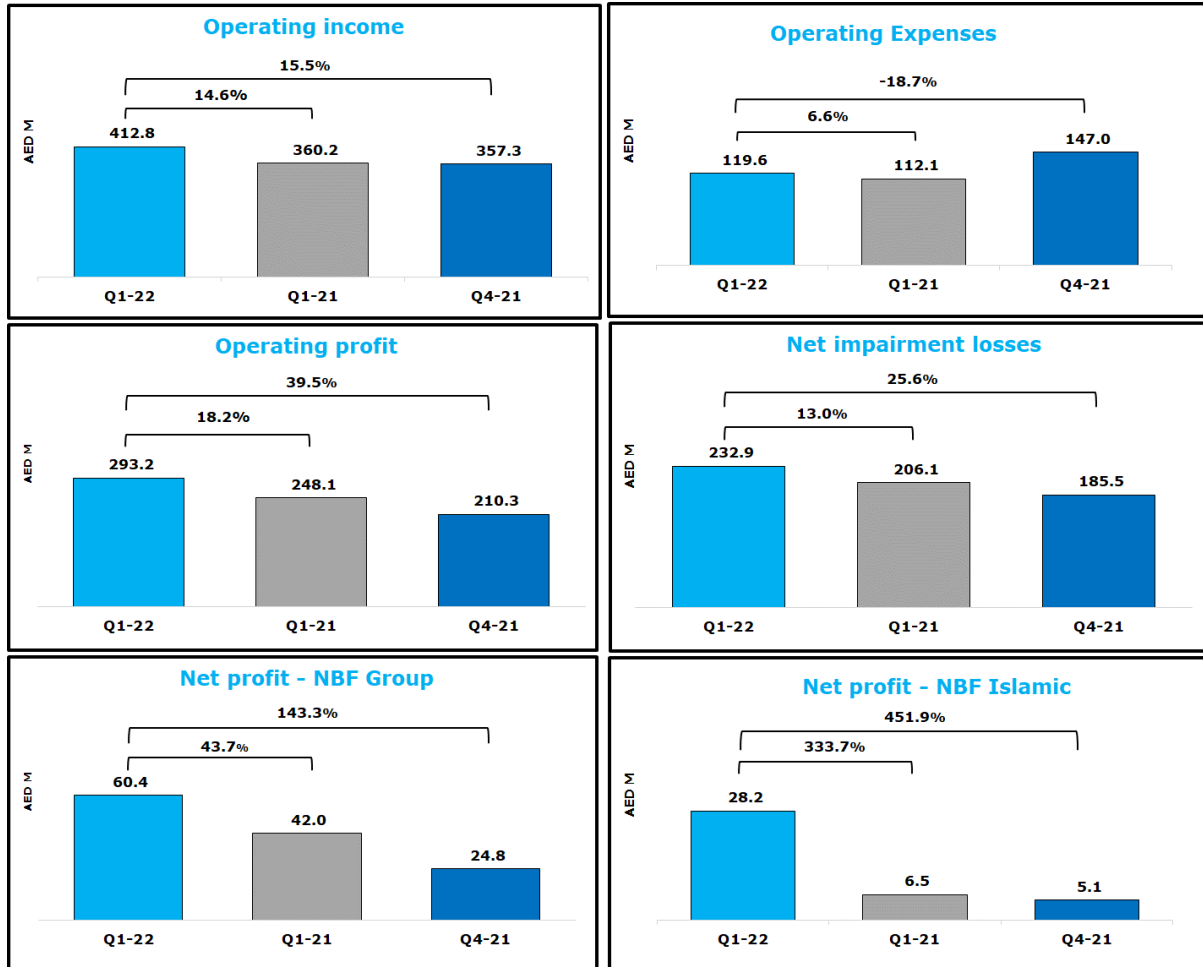
**26 April 2022:** NBF is pleased to announce its results today for the three month period ended 31 March 2022.

### Overview of Results and Operational Performance for the three month period ended 31 March 2022

NBF recorded year-on-year growth of 43.7% to close the three month period at a net profit of AED 60.4 million compared to AED 42.0 million in the corresponding period of 2021 and up 143.3% compared to Q4 2021. This demonstrates the bank's strong recovery and focus on core business, exceptional customer service, augmented level of resilience and proactive asset and liability management.

NBF maintained its policy of prudent and transparent recognition of problem accounts. The small number of exceptional group exposures that had been earmarked for resolution are progressing in line with the bank's recovery strategy. NBF secured net impairment provisions of AED 232.9 million for the three month period ended 31 March 2022 compared to AED 206.1 million in the corresponding period. During the period, the bank's impairment reserve marginally reduced by 0.2% to AED 189.2 million compared to AED 189.7 million as at 31 December 2021. Total provision coverage ratio (including impairment reserves) improved to 94.5% compared to 87.0% as at 31 December 2021. The NPL ratio improved to 9.1% compared to 9.8% as at 31 December 2021 and IFRS 9 stage 2 exposure improved to 5.8% from 6.1% as at 31 December 2021. Excluding the few exceptional group exposures, the NPL ratio would reduce to 5.1% (31 December 2021: 5.5%).

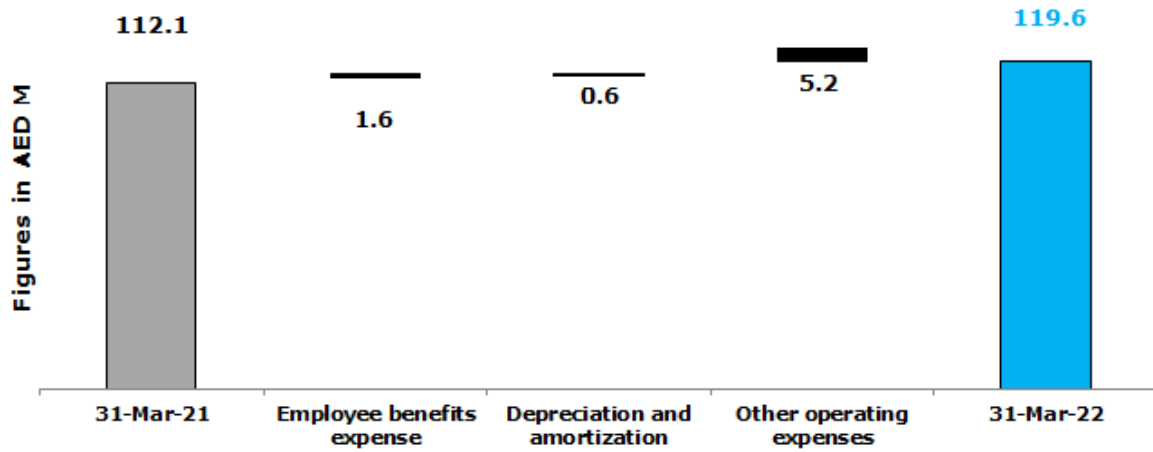
## Summary of profit and loss for the three month period ended 31 March 2022



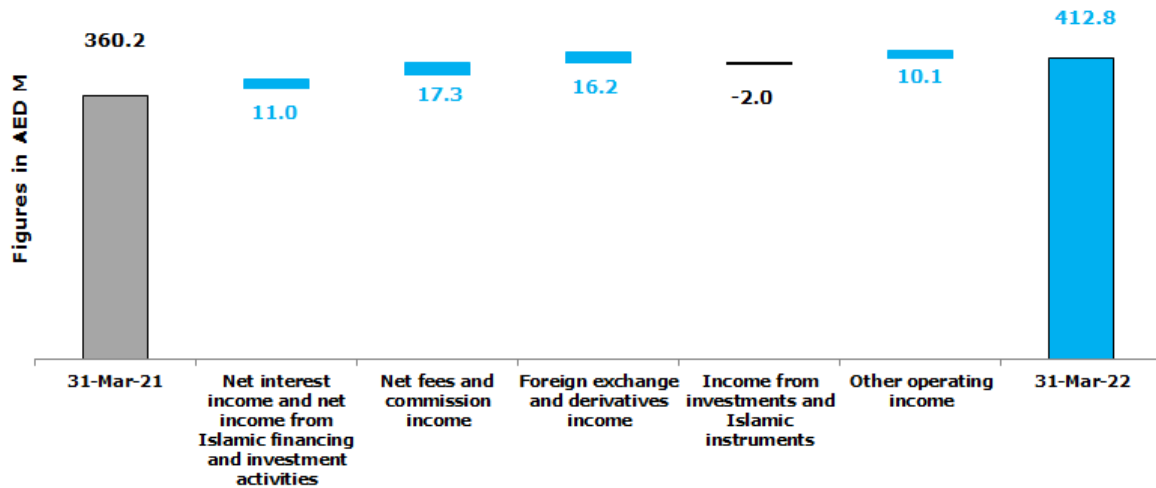
Operating income reached AED 412.8 million, up 14.6% compared to AED 360.2 million in the corresponding period and up 15.5% compared to Q4 2021 reflecting the progressive recovery trend and in line with the bank's strategy of principal focus on financial stability.

Net interest income and net income from Islamic financing and investment activities increased by 4.8% to AED 238.6 million in comparison to the corresponding period and up 2.9% compared to Q4 2021, respectively. Net fees, commission and other income up 35.0% compared to the corresponding period reaching AED 105.8 million and experienced a growth of 14.3% compared to Q4 2021. Foreign exchange and derivatives income achieved a good growth of 52.3% to AED 47.1 million compared to AED 30.9 million in the corresponding period and of 46.0% compared to Q4 2021. Income from investments and Islamic instruments stood at AED 21.4 million compared to AED 23.4 million in the corresponding period.

### Movement in Operating Expense



### Movement in Operating Income



Operating expenses increased by 6.6%, reflecting NBF's new investments in its businesses, systems and infrastructure. These investments include a set of digitalisation initiatives to enhance our focus on exceptional customer service through digital adoption and innovation. Cost-to-income ratio improved to 29.0% compared to 31.1% in the corresponding period, showing the productivity improvements made to date and providing headroom to continue investing in our technological capabilities.

## Summary of financial position as at 31 March 2022

Figures in AED M

	MAR-2022	DEC-2021	Change %	MAR-22	MAR-21	Change %
Total Assets	42,616	42,946	-0.8%	42,616	39,134	8.9%
Loans and Advances and Islamic Financing Recievables	27,206	25,615	6.2%	27,206	25,030	8.7%
Customer Deposits and Islamic Customer Deposits	32,167	32,199	-0.1%	32,167	28,321	13.6%
Investments and Islamic instruments	3,632	4,374	-17.0%	3,632	5,005	-27.4%
Total Equity	5,694	5,676	0.3%	5,694	5,685	0.2%

- Loans and advances and Islamic financing receivables rose by 6.2% to reach AED 27.2 billion compared to AED 25.6 billion at 2021 year-end, up by 8.7% from 31 March 2021.
- Investments and Islamic instruments stood at AED 3.6 billion compared to AED 4.4 billion at 2021 year-end and AED 5.0 billion as at 31 March 2021.
- Customer deposits and Islamic customer deposits stood at AED 32.17 billion compared to AED 32.20 billion at 2021 year-end, up by 13.6% from 31 March 2021. Current and Saving Accounts (CASA) deposits increased by AED 415.0 million from 2021 year-end, a 2.7% increase to AED 15.8 billion as at 31 March 2022. CASA deposits improved to a record 49.2% of total customer deposits compared to 47.9% as at 31 December 2021 and 39.8% as at 31 March 2021 cushioning the impact from the prevailing lower interest rates.
- Total assets reached AED 42.6 billion compared to AED 42.9 billion at 2021 year-end and up by 8.9% from 31 March 2021.

## Summary of the cash flows and capital expenditure during the three month period ended 31 March 2022

For the three month period ended 31 March 2022, the bank's cash and cash equivalents decreased by AED 0.6 billion compared to March 2021 mainly on account of utilization of liquidity through increase in loans and advances growth.

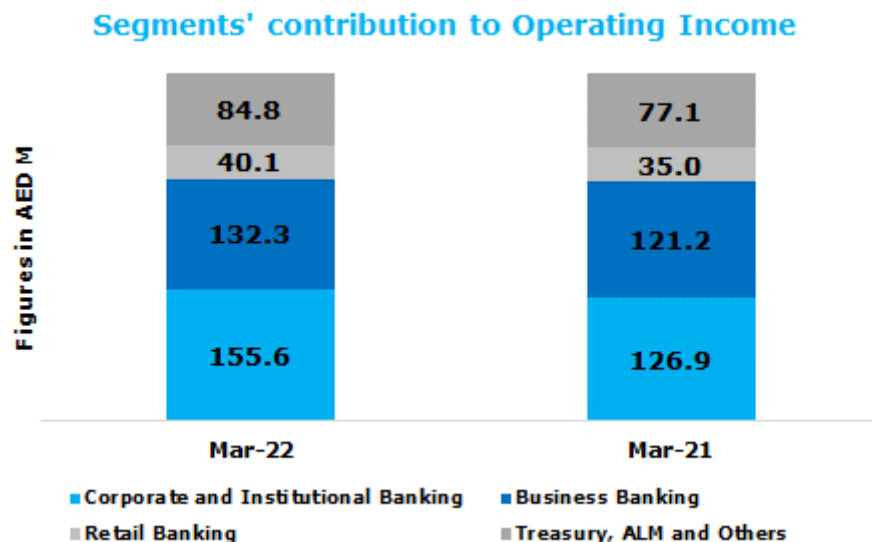
## Key Performance Indicators

- Ample liquidity has been maintained with lending to stable resources ratios at 81.3% (2021: 76.5%) and eligible liquid assets ratio (ELAR) at 19.1% (2021: 26.2%), well ahead of all CBUAE minimum requirements.
- The capital adequacy ratio (CAR) stood at 18.7% (Tier 1 ratio of 17.5% and CET 1 ratio of 13.5%) compared to 19.1% (Tier 1 ratio of 18.0% and CET 1 ratio of 13.8%) at 2021 year-end and is being maintained at this level to support the bank's ability to ride out any challenges arising out of the rapidly evolving operating landscape.
- Return on average assets improved to 0.6%, up from 0.4% for the corresponding period.
- Return on average equity improved to 4.2%, up from 3.0% for the corresponding period.

## Our Segmented Focus

NBF's business strategy continues to revolve around client relationships, which is supported by the segmented approach adopted by the bank to serve its customer needs. This also helps in building diversification and maintaining stable growth.

The operating income from Corporate and Institutional banking customers (including business banking) for the period ended 31 March 2022 was AED 287.9 million, an increase of 16.0% compared to the corresponding period. Operating income from Retail Banking increased by 14.7%, and Treasury, ALM & others have increased by 10.0% compared to the corresponding period.



NBF Islamic recorded operating income of AED 32.3 million for the period compared to AED 32.4 million in Q1 2021. Net profit reached AED 28.2 million, up by 333.7% compared to AED 6.5 million in the corresponding period.

### Expectation regarding the economy, sector and its impact on the Bank

The current economic outlook is demonstrating signs of recovery on the back of UAE government measures against the aftermath of COVID-19. The Expo 2020 and real estate activity continued to support the non-oil sector. The prospects of economic recovery are firmer now and the UAE's economy has proven to be resilient in the face of adversity. UAE achieved 3.8% GDP growth in 2021 and is expected to witness economic growth of 4.2% this year despite growing inflationary pressures, according to the Central Bank of the UAE.

NBF has been proactively managing its liquidity and further strengthened its position to benefit from the economic growth. As at 31 March 2022, NBF's advances to deposits ratio stood at 84.6% (31 December 2021: 79.6%), net stable funding ratio (NSFR) at 108.9% (31 December 2021: 113.7%), and liquidity coverage ratio (LCR) at 329.0% (31 December 2021: 336.6%).

The Group's resilient financial performance emphasizes its ability to navigate the changing environment. Credit growth has fared well on the back of effective deployment of liquidity and the balance sheet remains well-diversified and soundly positioned. The franchise's success in leveraging technology and its growing capabilities in digital innovation continue to take customer service to new levels – a significant strategic priority for NBF.

NBF's key shareholders include the Government of Fujairah, Easa Saleh Al Gurg LLC and Investment Corporation of Dubai. Rated Baa1 / Prime-2 for deposits and A3 for counterparty risk assessment by Moody's and BBB / A-2 by Standard & Poor's, both with a stable outlook, the bank is listed on the Abu Dhabi Securities Exchange under the symbol "NBF". It has a branch network of 15 (of which 1 is an electronic banking service unit) across the UAE.

### Awards and Accolades

NBF has been awarded the Dubai Chamber CSR Label in recognition for its strong commitment to Corporate Social Responsibility and ongoing efforts in taking practical measures to ensure that CSR is an integral part of its operations.



**Vince Cook**  
Chief Executive Officer



**Adnan Anwar**  
Deputy Chief Executive Officer