

## Management Discussion and Analysis Report

For the nine month period ended 30 September 2018

### National Bank of Fujairah PJSC (NBF)

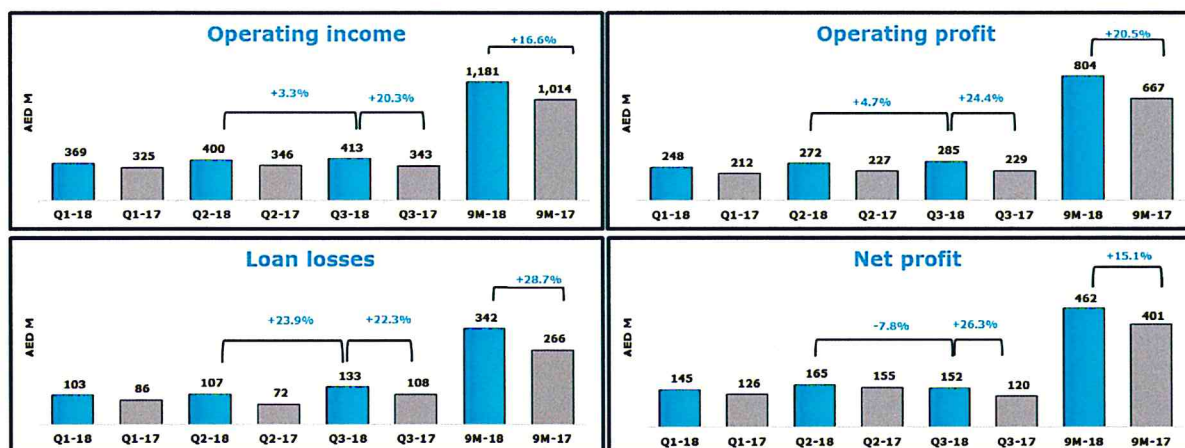
**Record nine months net profit of AED 462.1 million, up 15.1% year-on-year exhibiting continued efforts on quality business growth**

**24 October 2018:** National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the nine month period ended 30 September 2018.

### INCOME STATEMENT HIGHLIGHTS

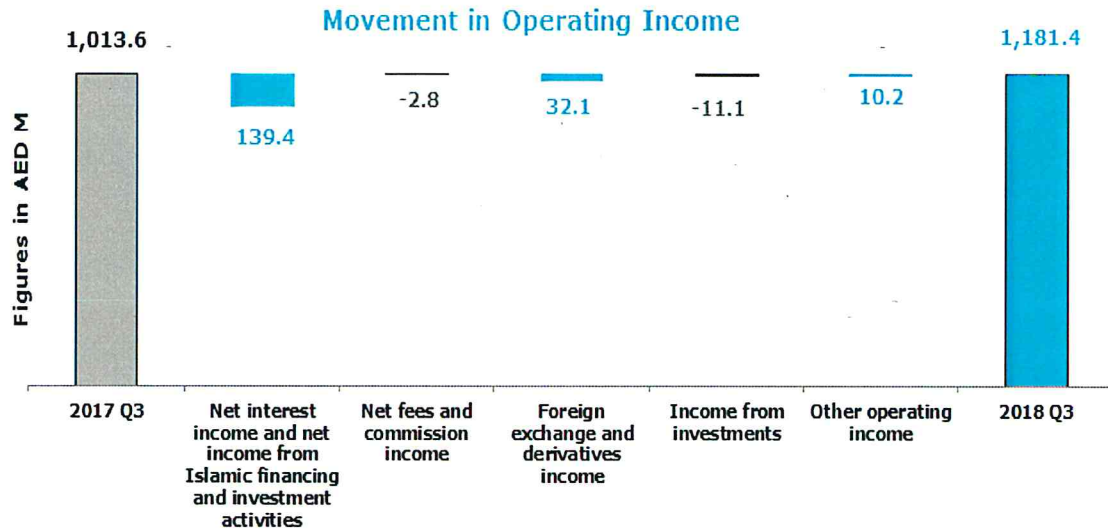
NBF posted an operating profit of AED 284.5 million in the third quarter of 2018, a rise of 24.4% quarter-on-quarter and AED 804.4 million for the nine month period ended 30 September 2018, up by 20.5% year-on-year. This reflects a high level of resilience in the bank's core business and enhanced balance sheet management in a rising interest rate environment. On the back of a solid Q3 2018 operating performance, NBF reported a net profit of AED 462.1 million for the nine month period ended 30 September 2018, up 15.1% over the corresponding period of 2017. Compared to December 2017, customer financing was up 10.6% reflecting the strength of core business. The Bank's performance reflects the continued focus on core business growth, proactive asset and liability management and disciplined cost management.

### Performance Progression

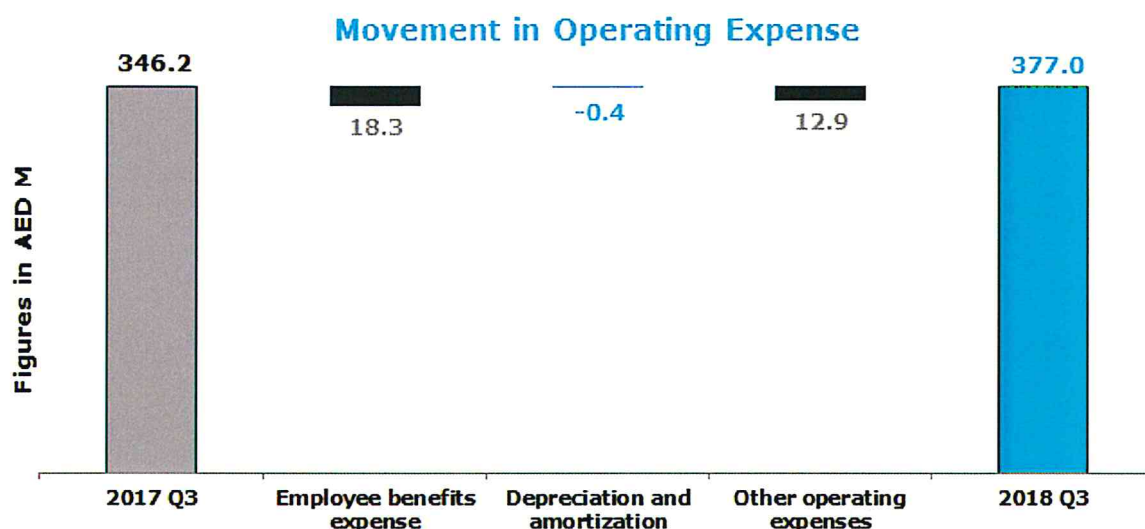


### Performance Highlights

- Operating income for the nine month period at AED 1.2 billion saw a growth of 16.6% compared to the corresponding period of 2017. This was achieved by strong core business growth, efficient management of liquidity, margins improvement and enhanced focus on return on capital.



- Net interest income and net income from Islamic financing and investment activities for the nine month period grew by 20.7% to AED 812.6 million compared to 2017. In addition to the rise in business volumes, NBF's margin improved from 2.58% in 2017 to 2.84% in 2018 which contributed towards healthy growth.
- Marginally lower fee and commission from the corresponding period, on account of reduction in the traditional lending and trade related fees as well as impact of VAT implementation.
- Foreign exchange and derivatives income experienced a solid growth of 45.3% at AED 103.1 million for the nine month period of 2018 compared with AED 71.0 million in 2017.
- Lower investment income reflects volatility in the global equity market and impact on the valuations in the rising interest rate scenario.



- Operating expenses increased by 8.9%, reflecting NBF's disciplined cost management, prudent investments in our businesses, systems and infrastructure, including a set of digitalisation initiatives to enhance our future offerings and customer service. Cost-to-income ratio improved to 31.9% compared to 34.2% in the corresponding period of 2017, providing headroom for further investments in future growth and technological capabilities.
- NBF has used the strong operating performance to increase its overall coverage levels for troubled accounts. NBF secured prudent net impairment provisions of AED 342.3 million for the nine month period of 2018 compared to AED 266.0 million in 2017, total provision coverage ratio (including credit risk reserve) improved to 97.9% from 89.5% as at 31 December 2017. The coverage ratio improves to 120.2% after taking benefit of eligible collaterals. The NPL ratio stood at 5.52% compared to 5.53% as at 31 December 2017.

## STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

|  | SEP-18 | DEC-17 | Change % | SEP-'18 | JUN-'18 | SEP-'17 | QoQ  | Vs SEP-'17 |
|--|--------|--------|----------|---------|---------|---------|------|------------|
| Total Assets   | 38,947 | 36,656 | 6.2%     | 38,947  | 38,092  | 35,224  | 2.2% | 10.6%      |
| Loans and Advances and Islamic Financing Recievables | 26,611 | 24,066 | 10.6%    | 26,611  | 26,048  | 23,643  | 2.2% | 12.6%      |
| Customer Deposits and Islamic Customer Deposits      | 29,201 | 27,865 | 4.8%     | 29,201  | 28,186  | 26,098  | 3.6% | 11.9%      |
| Total Shareholders' Equity                           | 4,992  | 4,891  | 2.1%     | 4,992   | 4,870   | 4,825   | 2.5% | 3.4%       |

- NBF total assets amounted to AED 38.9 billion as at 30 September 2018 (31 December 2017: AED 36.7 billion), up 6.2% from 31 December 2017 and up by 10.6% from 30 September 2017.



- Loans and advances and Islamic financing receivables rose 10.6% from AED 24.1 billion at 2017 year end to AED 26.6 billion, and up by 12.6% from 30 September 2017.
- Customer deposits and Islamic customer deposits stood at AED 29.2 billion compared to AED 27.9 billion at 2017 year end, and up by 11.9% from 30 September 2017.
- Investments and Islamic instruments were up 37.7% compared to 2017 year end, representing 6.8% of total assets.
- Shareholders' equity stood at AED 5.0 billion compared to AED 4.89 billion at 2017 year end, and up by 3.4% from 30 September 2017.

#### KEY PERFORMANCE INDICATORS

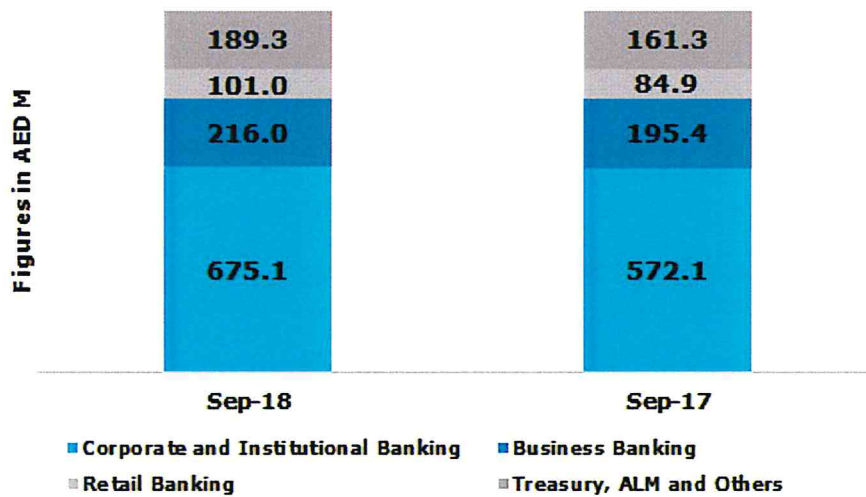
- Strong capital adequacy and lending to stable resources ratios were maintained at 16.6% (Tier 1 ratio of 14.3%) and 90.8% respectively, well ahead of Central Bank's minimum requirements. Further, eligible liquid assets ratio (ELAR) remains strong at 19.0%.
- Following the approval of Annual General Assembly Meeting and Regulatory Authorities, NBF has successfully completed the conversion of its tier 1 capital notes of AED 500 million into ordinary paid-up share capital which has augmented its common equity tier 1 ratio (CET 1) from 11.9% as at 31 December 2017 to 12.9%.
- Return on average assets was 1.6%, up from 1.5% for the corresponding period in 2017; and return on average equity was 12.5%, up from 11.4% for the corresponding period in 2017.
- NBF rating was re-affirmed at 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, highlighting the bank's underlying strength, prudent risk management and resilience.

## OUR SEGMENTED FOCUS

NBF's strategy continues to revolve around client relationships, which is reflected in the segmented approach adopted by the Bank to serve its customer needs with a dedicated focus. This also helps in diversification and maintaining stable growth.

The operating income from corporate and institutional banking customers (including business banking) for the nine month period ended 30 September 2018 was AED 891.1 million, up 16.1% compared to the corresponding period of 2017. Operating income from retail banking has grown 19.0%, while Treasury, ALM & others have increased by 17.4% compared to the corresponding period of 2017. The overall growth reflects the Group's strategy of reliably supporting its quality customers and at the same time diversifying its sources of business.

### Segment's contribution to Operating Income



## AWARDS AND ACCOLADES

- NBF maintained its leading position as the preferred banking partner for businesses at the 2018 Banker Middle East Industry Awards by securing the "Best Corporate Bank UAE" and "Best Commercial Bank UAE" awards, a leading platform recognising excellence in the financial services industry across the region. This marks the seventh year that NBF has retained the best commercial bank, and the fourth time in a row it has received the accolade for the best corporate bank.

NBF is increasingly being recognized for its exceptional human resources practices in the region as well, and now fares well with global high performing organizations. NBF has won the following Gulf Employee Experience Awards 2018:

- HR Team of the Year
- Best Nationalization Program Award
- Best Employee Experience Award



**Vince Cook**  
**Chief Executive Officer**



**Adnan Anwar**  
**Chief Financial Officer**