

Management Discussion and Analysis Report

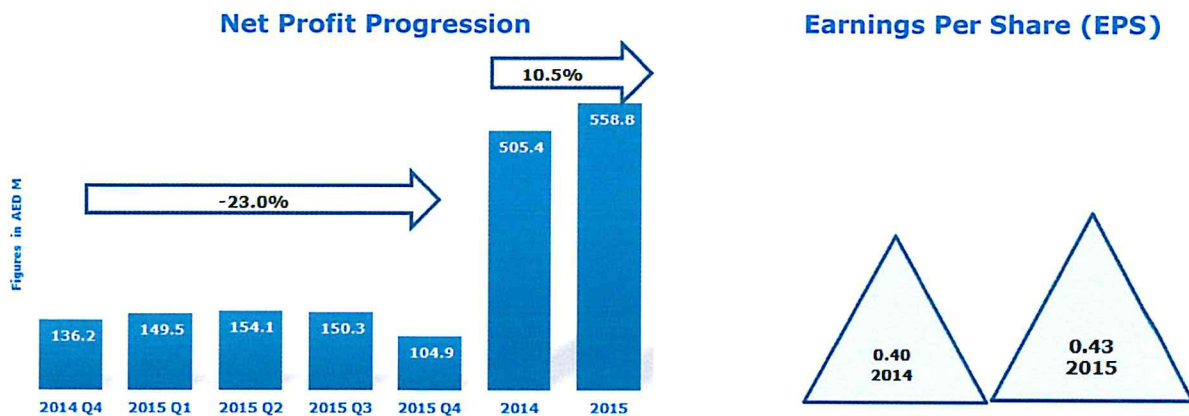
For the year ended 31 December 2015

National Bank of Fujairah PJSC (NBF) caps off a successful 2015 with its highest ever operating profit of AED 766.9 million, an increase of 20.2% over the previous year

20 January 2016: National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the year ended 31 December 2015, which have been submitted to the Central Bank of the UAE for approval.

INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") saw a strong operating profit growth of 20.2% to AED 766.9 million for the year ended 31 December 2015. Compared to 2014, customer financing was up 20.6%, customer deposits grew by 20.5%, and shareholders' equity was up 27.2% reflecting strength of core business and a robust financial position. The Bank's performance reflects the continuing focus on core business growth, improved asset quality and disciplined cost management. Net profit was AED 558.8 million recording a growth of 10.5% constrained by additional provisioning in response to the credit stress emerging in the market. Earnings per share for the year 2015 was AED 0.43, up 7.1% when compared to 2014.



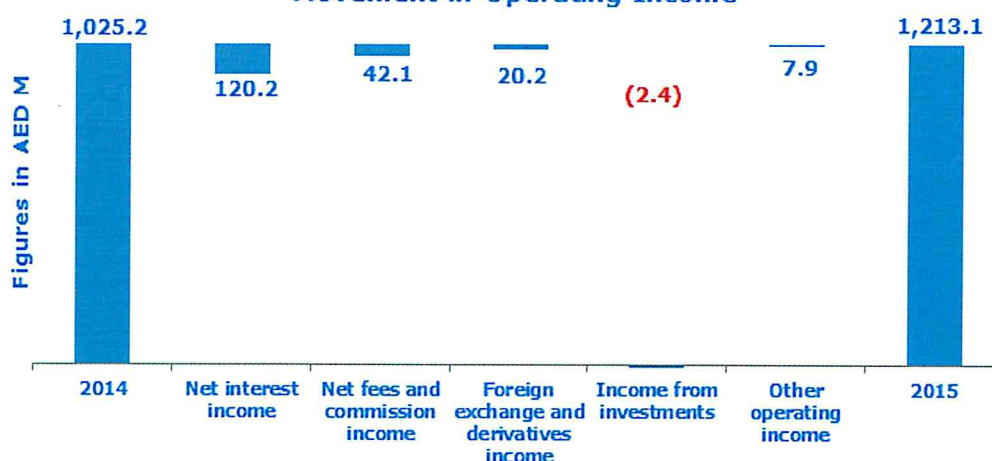
Operating income experienced strong growth at 18.3% and the principal drivers were the following

- Net interest income grew by 17.7% compared to the same period last year, reflecting an increase in business volumes.
- Net non-interest income reported 19.7% growth over the corresponding period last year. The growth in this space reaffirms the Bank's ongoing focus on the trade finance and advisory business. Foreign exchange and derivatives income marked a robust growth of 28.5% compared to the corresponding period of 2014.
- Income from investments reflects lower fair value gain compared to the corresponding period of 2014.
- Q4' 15 profit was dropped lower than other quarters due to higher loan loss provisions which reflects growing credit stress in the market and the bank's prudent and proactive approach towards recognising problem accounts and provisions.

Figures in AED M

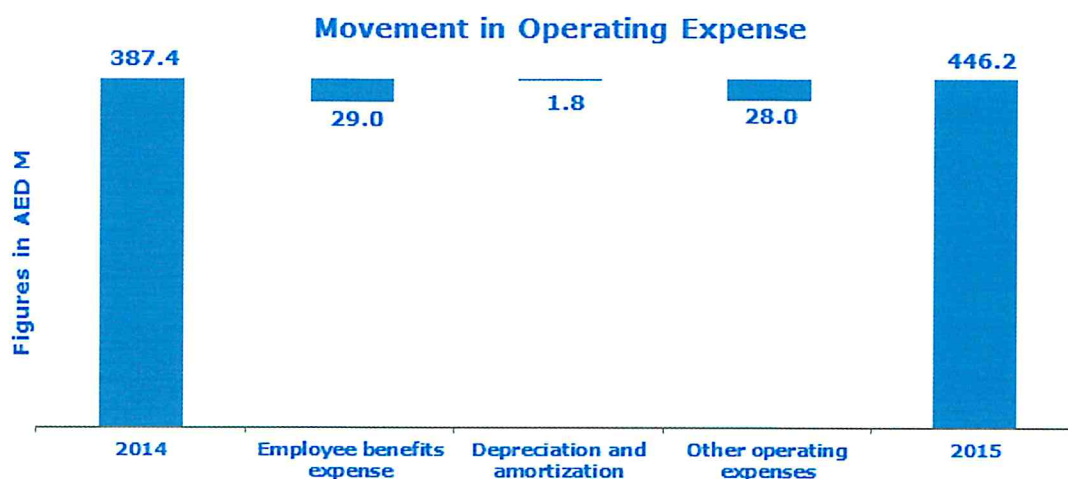
	Dec-15	Dec-14	YoY Change%	Q4'15	Q3'15	Q4'14	QoQ	YoY
Net interest income	801	681	17.7%	200	211	188	-4.9%	6.5%
Net Non-interest income	412	344	19.7%	99	96	97	2.7%	1.9%
Operating Income	1,213	1,025	18.3%	299	307	285	-2.5%	5.0%
Operating Expense	-446	-387	15.2%	-118	-111	-113	6.4%	5.1%
Operating Profit	767	638	20.2%	181	196	172	-7.6%	4.8%
Provisions	-208	-132	57.2%	-76	-45	-36	67.4%	109.4%
Net Income	559	505	10.5%	105	150	136	-30.2%	-23.0%

Movement in Operating Income



- Operating profit was AED 766.9 million compared to AED 637.8 million in the corresponding period of 2014; a rise of 20.2%.

Operating expenses increased by 15.2% compared to year end 2014, reflecting ongoing investment in our business and service platforms. Cost-to-income ratio improved to 36.8% from 37.8% in the full year 2014, reflecting NBF's continued focus on productivity enhancement, operational efficiencies and disciplined cost management.



- Net impairment losses were AED 208.1 million compared to AED 132.4 million in the corresponding period of 2014. This reflects the strong growth in the loan book and the general and collective impairment provisions required by International Financial Reporting Standards (IFRS) and the Central Bank. The non-performing loans increased from 4.4% to 4.7%. This out turn results from NBF's prudent and transparent approach towards loan loss provisions in response to a noticeable slowdown in the operating environment and rising levels of credit stress in the second half of the year. Specific provision coverage ratio improved to 63.8% from 56.6% in 2014.

STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS

Figures in AED M

	Dec-15	Dec-14	Change %	Dec-'15	Sep-'15	Dec-'14	QoQ	YTD
Total Assets	30,033	24,586	22.2%	30,033	28,633	24,586	4.9%	22.2%
Net loans and advances	19,688	16,328	20.6%	19,688	19,417	16,328	1.4%	20.6%
Customer deposits	21,613	17,932	20.5%	21,613	20,234	17,932	6.8%	20.5%
Total shareholders' equity	4,280	3,364	27.2%	4,280	4,179	3,364	2.4%	27.2%

- NBF's total assets amounted to AED 30.0 billion as of 31 December 2015, which represents an increase of 22.2% over 31 December 2014.
- The Bank's net loan book increased by AED 3.4 billion compared to the end of the last year. Loans and advances of AED 19.7 billion were up by 20.6% from AED 16.3 billion at 2014 year end.

- Customer deposits of AED 21.6 billion were up by 20.5% from AED 17.9 billion at 2014 year end. Customer deposits funded 72.0% of total assets and loans to deposit ratio was 91.1%.
- Shareholders' equity went up by 27.2% to AED 4.3 billion compared to AED 3.4 billion at 2014 year end. During the year, NBF successfully issued its second tranche of additional Tier 1 capital of AED 500 million.

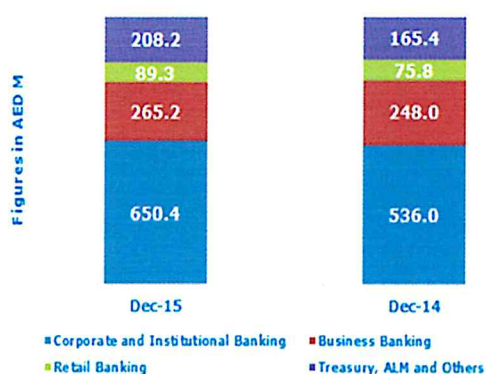
KEY PERFORMANCE INDICATORS

- At NBF, long term success is measured through our profitability levels, and this focus is evident from the below ratios. The strong financial performance in the year 2015 further improved the Bank's ROAE, ROAA and Cost to Income ratios.
- NBF's continuous focus on credit quality during the year 2015 helped bring the NPL ratio to 4.7% and the coverage ratio to 107.7%; among the best at the industry level.
- Following our bonus share issue and tier 1 note issuance in H1 2015, the CAR and Tier 1 ratio are at healthy levels of 18.4% and 15.7%, respectively, for the year. These continue to be well above the UAE's prescribed minimum threshold for capital adequacy (12%) and Tier 1 capital (8%).
- Return on average assets was 2.1%, and Return on average equity was 14.6%.
- Based on new liquidity guidelines from UAE Central Bank, our Eligible Liquid Assets Ratio (ELAR) stands at 18.2% above the requirement of 10%. The Bank is also in a comfortable position to abide by the new Basel III liquidity standard – Liquidity Coverage Ratio (LCR) which will be implemented for eligible banks from January 2016.
- The lending to stable resources ratio (LSRR) of 88.7% remained well below the UAE Central Bank ceiling of 100%. The bank holds an investment portfolio aggregating to AED 1.4 billion.

	Dec-15	Dec-14	Change (bps)	Dec-'15	Sep-'15	Dec-'14	QoQ Change (bps)	YTD Change (bps)
Return on Average Assets	2.1%	2.2%	-10	2.1%	2.3%	2.2%	-17	-10
Return on Average Equity	14.6%	15.8%	-119	14.6%	16.0%	15.8%	-142	-119
Cost to Income ratio	36.8%	37.8%	-100	36.8%	35.9%	37.8%	91	-100
NPL ratio	4.7%	4.4%	31	4.7%	3.7%	4.4%	102	31
Provision Coverage Ratio	107.7%	121.4%	-1376	107.7%	137.4%	121.4%	-2970	-1376
Lending to Stable Resources Ratio	88.7%	87.0%	166	88.7%	88.7%	87.0%	-4	166
Liquid Assets Ratio	26.5%	24.9%	161	26.5%	23.4%	24.9%	308	161
Loans to Deposit Ratio	91.1%	91.1%	4	91.1%	96.0%	91.1%	-487	4
Tier 1 Ratio	15.7%	14.6%	112	15.7%	16.0%	14.6%	-28	112
Capital Adequacy Ratio	18.4%	17.6%	76	18.4%	18.7%	17.6%	-32	76

OUR SEGMENTED FOCUS

Segment's contribution to Operating Income



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 year was AED 915.6 million, up 16.8% over last year. Operating income for retail has grown 17.7% while Treasury, ALM & others have grown by 25.9% compared to last year.

OPERATIONAL HIGHLIGHTS

- Following the reaffirmation of the Bank's long-term credit rating at Baa1 and BBB+ by Moody's and S&P respectively in H1 2015, Capital Intelligence has also reaffirmed the Bank's long-term and short term foreign currency credit ratings at A- and A2 respectively, with stable outlook
- The strong progress of NBF Islamic continues and a number of corporate products have been launched following approval from the Central Bank. Islamic deposits grew to around AED 1.12 billion, while total Islamic financing receivable amounted to AED 587.58 million and Islamic sukuk amounted to AED 270.27 million.
- NBF sponsored the recent fifth Gulf Intelligence Energy Markets Forum in Fujairah, a networking and thought leadership platform that highlights the latest developments in the global and regional energy markets. Underscoring its expertise in the energy markets, the Bank hosted a breakout session around oil price volatility and its impact on the global oil storage trade.

- NBF's new corporate banking office in Abu Dhabi has been inaugurated. Located at the Al Badie building in the Capital District, the new office gives greater access to the growing business opportunities within the Mussafah, Mohammed Bin Zayed and Al Falah cities and strengthens the Bank's efforts in supporting the emirate's push to develop its services and manufacturing sectors.
- Mobile Banking solution is in the soft launch phase and is expected to be available for customers' use in Q1 2016.
- NBF's focus on improving emiratization and its quality has also received external recognition; which improved from 42.0 per cent to 42.4 per cent.
- NBF remained active in its CSR activities. A few to name include Ramadan drive to support fasting workers, participation in the UAE Humanitarian day and contribution to Nepal Earthquake fund. NBF was a finalist at the Daman Corporate Health Awards for 'Corporate Health & Wellness Initiative' and 'CSR Employee Engagement of the Year' which underscores its commitment towards sustainability.

AWARDS AND ACCOLADES

NBF was voted "Best Commercial Bank UAE" and "Best Corporate Bank UAE" at the 2015 BME Industry Awards and "Best Local Bank UAE" at the EMEA Finance Middle East Banking Awards 2015. These achievements marked the fourth consecutive year that NBF has retained the former award and the first time win on the second. These awards also add to NBF's record haul of five trophies at the BME Product Awards, a sister event held earlier this year: Best Corporate Advisory Service; Best SME Customer Service; Best SME Trade Finance Offering; Best SME Internet Banking Service and Best Treasury Management. This is a strong sign that NBF has remained true to its traditional values and its focus on ensuring customers are positioned at the centre of the business.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer