

## Management Discussion and Analysis Report

For the six month period ended 30 June 2017

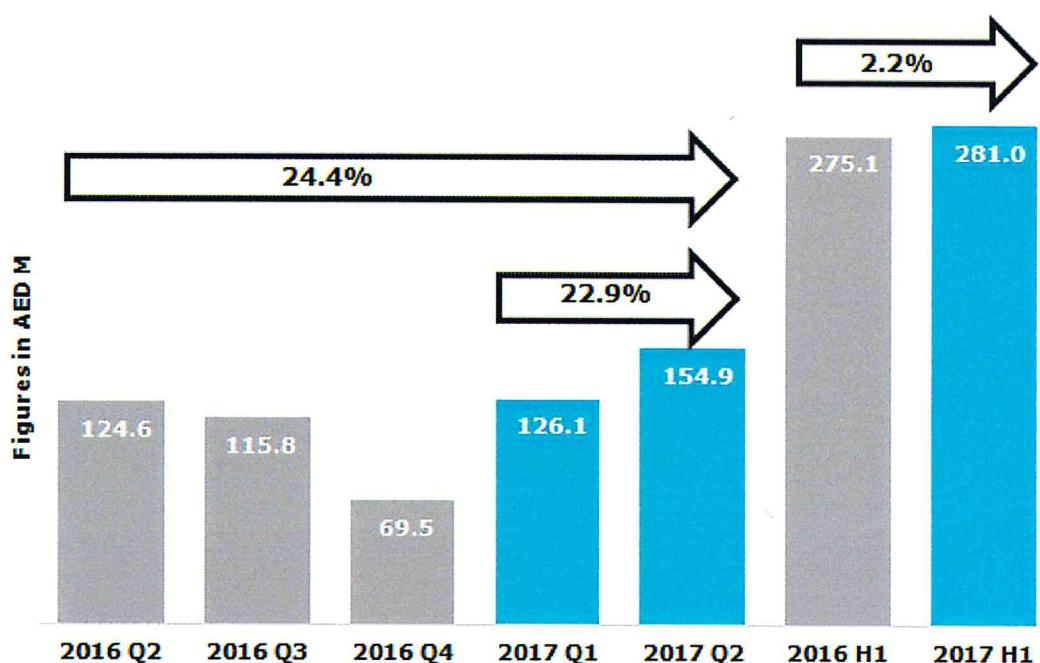
### National Bank of Fujairah PJSC (NBF) - Q2 2017 net profit bounces back 24.4% as a result of its resilient and adaptive business model

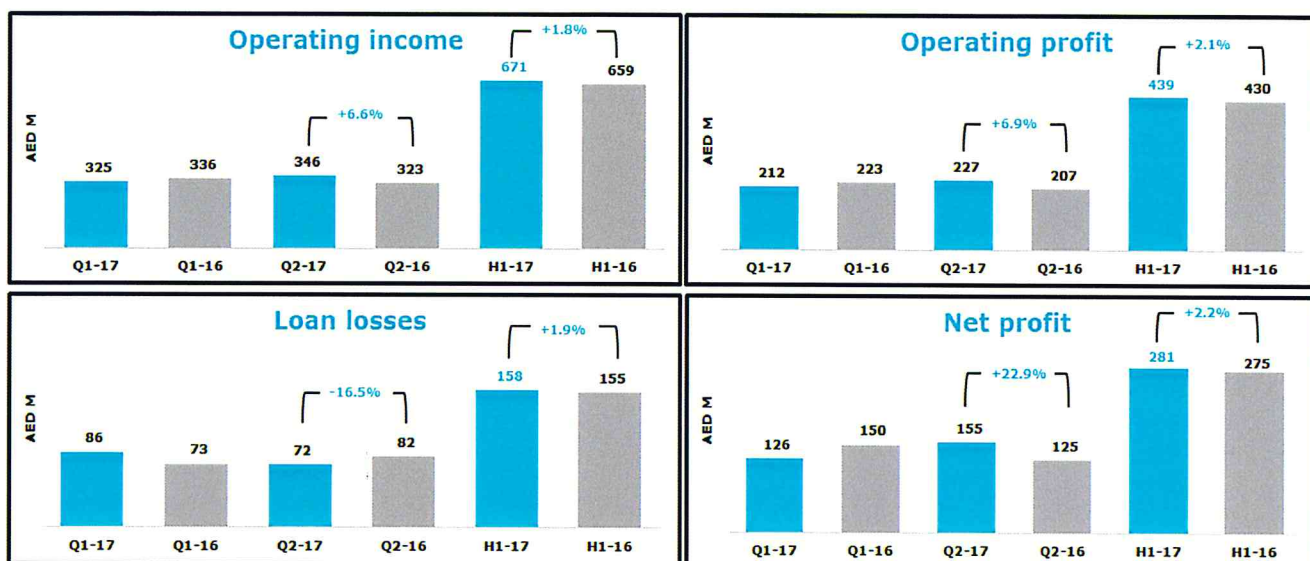
**16 July 2017:** National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the six month period ended 30 June 2017.

#### INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") posted a net profit of AED 154.9 million in the second quarter of 2017, a rise of 24.4% over the corresponding quarter of 2016, which reflects a high level of resilience in its core business, robust asset and liability management and an improvement in the impairment provisions during the current quarter. On the back of strong Q2 2017 performance, NBF reported a net profit of AED 281.0 million for the half year ended 30 June 2017, up 2.2% over the corresponding period of 2016. Compared to December 2016, customer financing was up 4.8% and customer deposits reduced by 2.5% while against 2016 H1 customer financing was up 13.2% and customer deposits grew by 11.8%, reflecting the strength of core business.

#### Net Profit Progression





## Performance Highlights

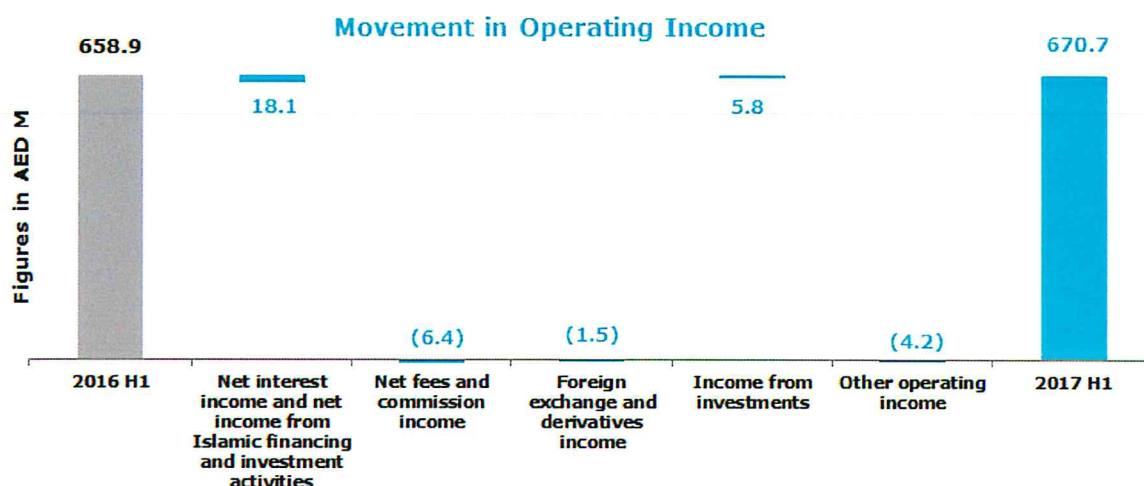
Operating income experienced a growth of 1.8% compared to the corresponding period of 2016:

- Net interest income and net income from Islamic financing and investment activities grew by 4.4% or AED 18.1 million from the corresponding period in 2016, which reflects an increase in business volumes. Against Q1 2017, there was a growth of 8.1% with increase to AED 224.1 million from AED 207.4 million.
- Net non-interest income and net income from Islamic financing and investment activities was AED 239.3 million compared to AED 245.6 million for the corresponding period of 2016.

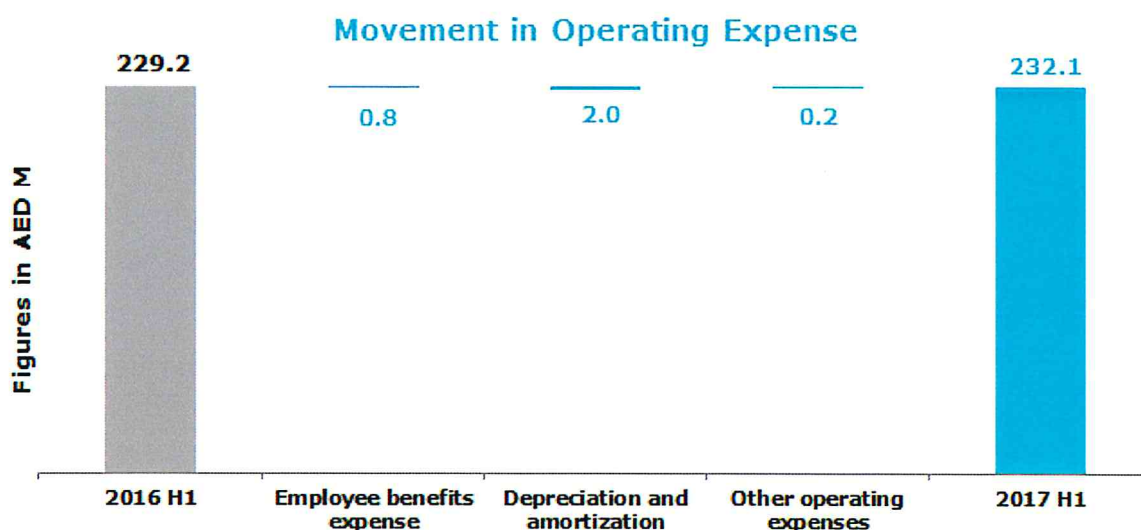
Figures in AED M

	Jun-17	Jun-16	YoY Change%	Q2'17	Q1'17	Q2'16	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	431	413	4.4%	224	207	205	8.1%	9.1%
Net non-interest income and net income from Islamic financing and investment activities	239	246	-2.6%	122	117	117	4.1%	4.1%
Operating income	671	659	1.8%	346	325	323	6.6%	7.3%
Operating expense	-232	-229	1.3%	-119	-113	-116	6.1%	3.0%
Operating profit	439	430	2.1%	227	212	207	6.9%	9.6%
Provisions	-158	-155	1.9%	-72	-86	-82	-16.5%	-12.7%
Net profit for the period	281	275	2.2%	155	126	125	22.9%	24.4%

- Income from investments was AED 11.0 million, up by AED 5.8 million compared to the corresponding period of 2016.



- Operating profit was AED 438.6 million compared to AED 430.0 million in the corresponding period of 2016; a growth of 2.1%, reflecting the efficient operating environment in the Bank.



- Operating expenses slightly increased by 1.3% on the back of operational efficiencies and disciplined cost management. Nevertheless we continue to make investments in our businesses, systems and infrastructure, including a set of digital initiatives to enhance our offerings and customer service.
- NBF continued with its prudent and transparent approach towards loan loss provisions. Net impairment losses were AED 157.6 million compared to AED 154.7 million in the corresponding period of 2016.



## STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

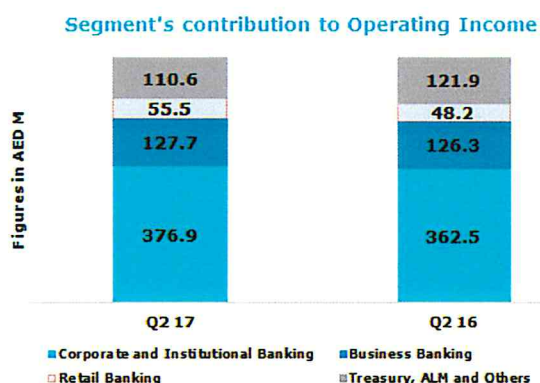
	Jun-17	Jun-16	Change %	Jun-'17	Mar-'17	Jun-'16	QoQ	YTD
Total Assets	34,045	32,332	5.3%	34,045	35,801	32,332	-4.9%	5.3%
Loans and Advances and Islamic Financing Recievables	23,913	21,122	13.2%	23,913	23,183	21,122	3.1%	13.2%
Customer Deposits and Islamic Customer Deposits	25,284	22,624	11.8%	25,284	26,507	22,624	-4.6%	11.8%
Total Shareholders' Equity	4,734	4,442	6.6%	4,734	4,579	4,442	3.4%	6.6%

- NBF's total assets amounted to AED 34.0 billion as at 30 June 2017, which represents a decrease of 4.9% from 31 March 2017 and a growth of 5.3% from the corresponding period in 2016.
- Loans and advances and Islamic financing receivables increased by AED 2.8 billion compared to the corresponding period on 2016 and stood at AED 23.9 billion, an increase of 4.8% against 2016 year end.
- Customer deposits and Islamic customer deposits of AED 25.3 billion were up by 11.8% from AED 22.6 billion compared to the corresponding period in 2016 and was down by 2.5% against year-end 2016. Customer deposits and Islamic customer deposits funded 74.3% of total assets and loans to deposit ratio at 94.6%.
- Shareholders' equity stood at AED 4.7 billion which had a growth of 3.4% against 2016 year-end, while up by 6.6% from 30 June 2016.

## KEY PERFORMANCE INDICATORS

- The Bank's capital adequacy ratio (CAR) and Tier 1 ratio are at healthy levels of 17.9% and 15.5%, respectively as at 30 June 2017. These continue to be well above the UAE's prescribed minimum threshold for CAR (12%) and Tier 1 capital ratio (8%).
- Return on average assets was 1.61% compared to 1.40% as at 31 December 2016.
- Return on average equity was 12.07% compared to 10.40% as at 31 December 2016.
- Based on new liquidity guidelines from the UAE Central Bank, NBF's Eligible Liquid Assets Ratio (ELAR) stood at 18.8% well above the requirement of 10%. The Bank is also in a comfortable position to abide by the new Basel III liquidity standards / ratios which are calculated and tracked on a daily basis.
- The lending to stable resources ratio (LSRR) of 90.3% remained well below the UAE Central Bank ceiling of 100%. The Bank holds an investment portfolio aggregating to AED 1.88 billion.

## 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 period was AED 504.7million, up 3.2% from 30 June 2016. Operating income from retail banking has grown 15.0%; while Treasury, ALM & others have reduced by 9.3% compared to the corresponding period of 2016. The overall growth reflects the Group's strategy of reliably supporting its quality customers and at the same time diversifying its sources of business.

## OPERATIONAL HIGHLIGHTS

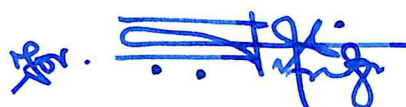
- The Bank opened its 16<sup>th</sup> branch at Fujairah Court, making banking even more convenient to our customers. The bank's long sought after branch near the Gold Souk is nearing completion and will open its doors for business in Q3 2017.
- NBF successfully went live with a new Treasury front end system in April 2017, broadening the spectrum of products offered and ensuring greater efficiency and control.
- Our Emiratisation ratio stood at 41.72% compared to 41.74% as at 31 December 2016 in compliance with the regulations. The Bank significantly exceeds the Emiratisation targets emanating from the new scoring system introduced and has been acknowledged for its efforts and commitment in this respect.

## AWARDS AND ACCOLADES

- Cementing NBF's position as a partner of choice, the Bank retained the "Best Corporate Bank UAE" and "Best Commercial Bank UAE" titles at the 2017 Banker Middle East Industry Awards. This evidences our commitment to building a sustainable business and long term relationships with our customers regardless of the short term environmental pressures.
- NBF Islamic has been recognized as the best "Sharia'-compliant Window 2017" at the Bankers' Islamic Bank of the Year awards, a clear indication of our emerging position as a leading provider of comprehensive suite of Sharia'-compliant banking solutions.



**Vince Cook**  
Chief Executive Officer



**Adnan Anwar**  
Chief Financial Officer