

Management Discussion and Analysis Report

National Bank of Fujairah PJSC

For the year ended 31 December 2024

NBF posted its second consecutive year of record results; achieving its best ever operating and net profit performance generated through strong balance sheet growth

Net profit before tax grew 28.9% to reach AED 934.8 million; with net profit after tax of AED 850.1 million

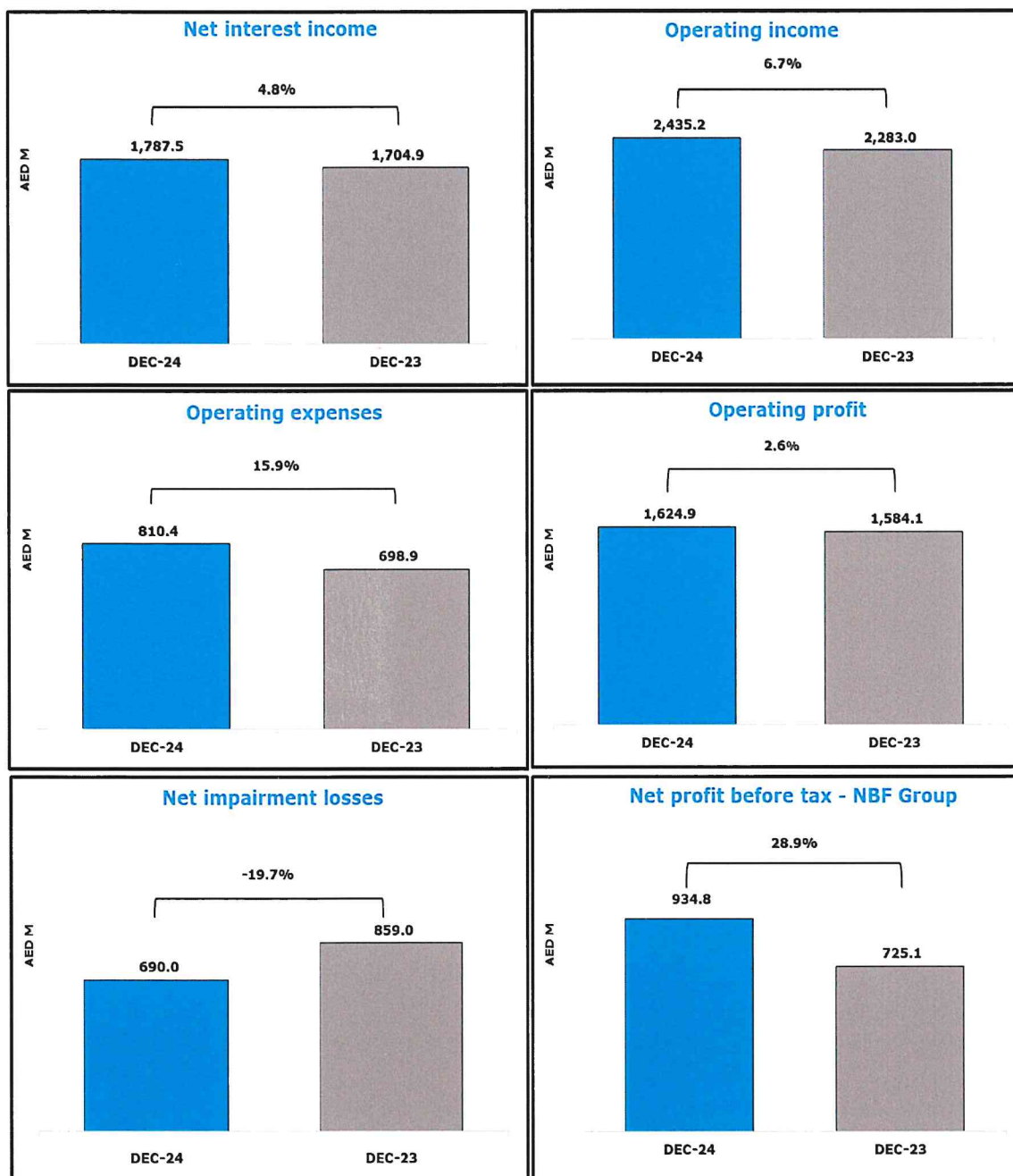
29 January 2025: NBF is pleased to announce its results today for the year ended 31 December 2024.

Overview of Results and Operational Performance for the year ended 31 December 2024

NBF recorded year-on-year growth of 28.9% to close the year at a net profit before tax of AED 934.8 million compared to AED 725.1 million in 2023. Further, NBF posted a record net profit after tax of AED 850.1 million for the year with a corporate tax charge of AED 84.7 million. These results demonstrate the bank's continued focus on quality business growth and effective asset and liability management in a falling interest rate environment. Buoyant market conditions supported by UAE government initiatives, improvement in impairment provisions, and careful management of costs, in what continues to be an uncertain global environment exacerbated by geopolitical tensions, all contributed to this robust set of results.

NBF maintained its policy of prudent and transparent recognition of problem accounts whilst taking into consideration the new credit risk standards introduced by the Central Bank of the UAE. NBF booked net impairment provisions of AED 690 million for the year ended 31 December 2024 compared to AED 859 million in 2023, a substantial reduction of 19.7%. The asset quality measured by the combined IFRS 9 stage 2 and 3 mix improved to 10.2% compared to 12.2% as at 31 December 2023. The NPL ratio stood at 5.1% compared to 4.9% as at 31 December 2023. The total provision coverage ratio stood at 119.4% compared to 120.2% as at 31 December 2023.

Summary of Income Statement performance for the year ended 31 December 2024



Underpinned by higher revenue generation from balance sheet growth, NBF posted its highest ever operating profit of AED 1.62 billion, a rise of 2.6% compared to AED 1.58 billion in 2023.

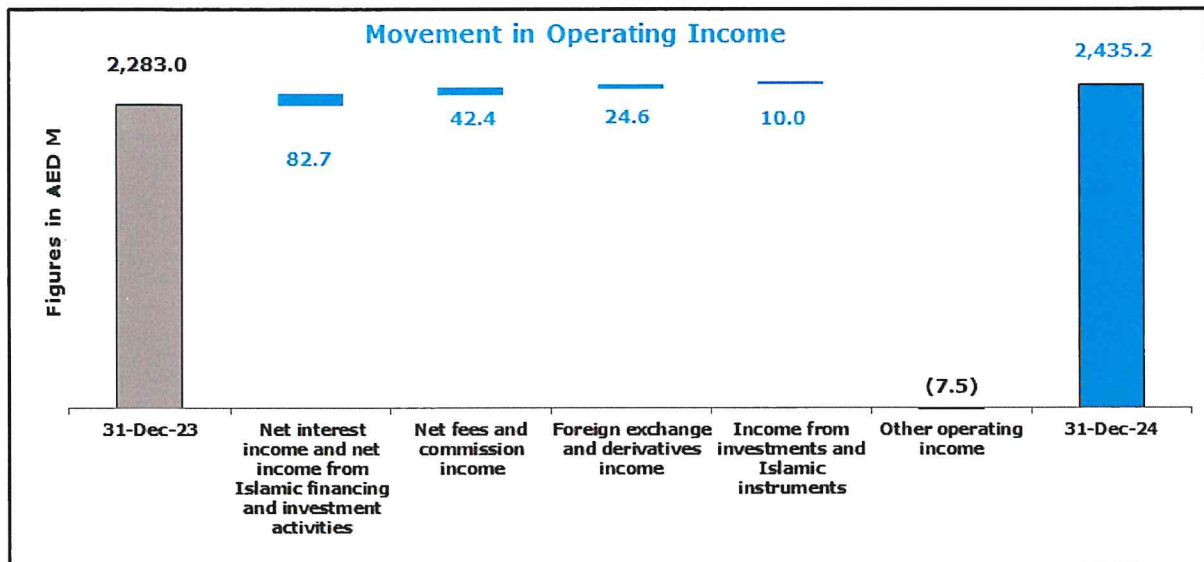
NBF recorded its best ever operating income of AED 2.4 billion, up 6.7% over 2023 reflecting enhanced focus on key business segment growth, proactive asset and liability management and the bank's long-standing customer centric approach that off-set the impact from the reducing interest rates.

Net interest income and net income from Islamic financing and investment activities grew 4.8% to AED 1.8 billion compared to AED 1.7 billion in 2023.

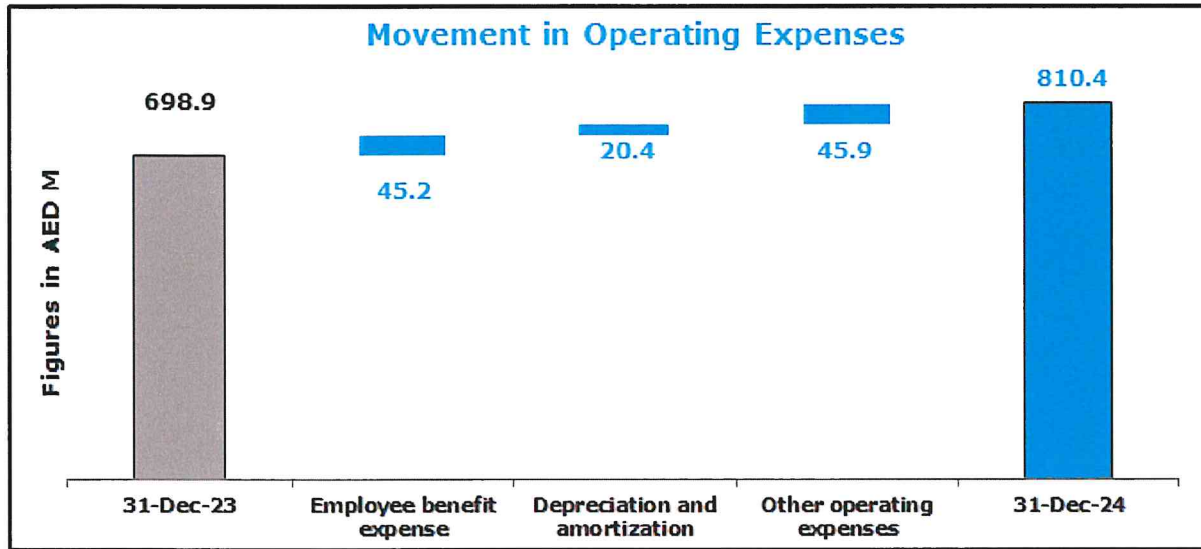
Net fees, commission and other income rose 8.4% to AED 452.7 million compared to AED 417.8 million in 2023.

Foreign exchange and derivatives income experienced a solid growth of 15% compared to 2023, reaching AED 189.1 million for the year ended 31 December 2024.

Helped by an improvement of AED 20 million in investments designated as fair value through other comprehensive income (FVOCI), NBF's total comprehensive income for the year was AED 870.1 million, up 10.1% compared to AED 790.4 million in 2023.



Operating expenses increased by 15.9%, reflecting NBF's investments in its businesses, systems, infrastructure and people. These investments include a set of digitalization initiatives to further enhance our focus on exceptional customer service, innovation and competitiveness in line with the changing market demands. Further, NBF's cost-to-income ratio stood at 33.3% compared to 30.6% in 2023, remaining in the mid-industry range and reflecting investments made in line with the bank's future growth strategy.



Summary of financial position as at 31 December 2024

Figures in AED M

	DEC-2024	DEC-2023	Change %	DEC-2024	SEP-2024	Change %
Total Assets	60,879	51,720	17.7%	60,879	58,529	4.0%
Loans and Advances and Islamic Financing Receivables	32,392	27,904	16.1%	32,392	30,830	5.1%
Customer Deposits and Islamic Customer Deposits	45,757	38,572	18.6%	45,757	41,846	9.3%
Investments and Islamic instruments	9,446	8,143	16.0%	9,446	9,272	1.9%
Total Equity	6,856	6,567	4.4%	6,856	8,048	-14.8%

Loans and advances and Islamic financing receivables rose by 16.1% to reach AED 32.4 billion compared to AED 27.9 billion at 2023 year-end.

Investments and Islamic instruments increased by 16.0% to reach AED 9.4 billion compared to AED 8.1 billion at 2023 year-end; optimizing a portion of liquidity towards a high-quality investment book to augment value and return.

Customer deposits and Islamic customer deposits increased by 18.6% to reach AED 45.8 billion compared to AED 38.6 billion at 2023 year-end. Current and Saving Accounts (CASA) deposits improved to 43.2% (2023: 41.2%) of total customer deposits, balancing the impact of fixed-term deposit products.

Summary of the cash flows and capital expenditure during the year ended 31 December 2024

During the year, surplus liquidity has been deployed to fund quality loans and investment book growth, and the overall position remains well within the bank's risk appetite and regulatory expectations. Cash and cash equivalents amounted to AED 4.2 billion compared to AED 2.5 billion at 2023 year-end.

During the year ended 31 December 2024, NBF incurred AED 100.6 million in capital expenditure relating to the additions of property, equipment and intangibles compared to AED 106.7 million in the previous year.

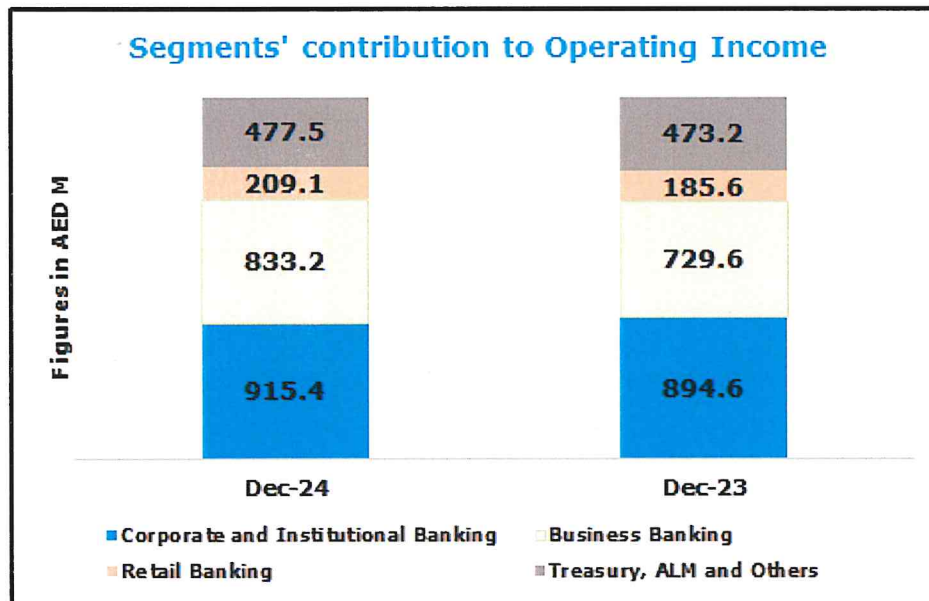
Key Performance Indicators

- Ample liquidity has been maintained with lending to stable resources ratios at 67.4% (2023: 67.4%) and eligible liquid assets ratio (ELAR) at 29.9% (2023: 28.3%), well ahead of Central Bank of the UAE's minimum requirements.
- The capital adequacy ratio (CAR) stood at 16.6% (Tier 1 ratio of 15.5% and CET 1 ratio of 15.5%) compared to 19.0% (Tier 1 ratio of 17.8% and CET 1 ratio of 14.2%) at 2023 year-end; exceeding regulatory requirements and ensuring a robust financial foundation. This augmented CET1 capital is on account of the successful conversion of the Additional Tier 1 capital securities ("AT1 capital"), amounting to USD (\$) 275 million (AED 1.01 billion) at a ratio of AED 2.85:1, on 31 December 2024 into ordinary paid-up share capital as part of strengthening of NBF's capital structure enabling its business and operational strategy.
- Return on average equity improved to 12.7%, up from 11.7% in 2023.
- Return on average assets improved to 1.51% compared to 1.46% in 2023.
- Taking into account the 2024 performance, the Board of Directors proposed a distribution of profits of 15% (2023: 15%) of share capital in the form of cash dividends of 15% (2023: cash dividend of 10% and bonus shares of 5%).

Our Segmented Focus

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

For the year ended 31 December 2024, the operating income from Corporate and Institutional Banking customers was AED 915.4 million, an increase of 2.3% compared to the previous year. For the Business Banking segment, the operating income rose by 14.2% to AED 833.2 million. For Retail Banking it increased by 12.7% while Treasury, ALM & others have increased by 0.9% compared to the year 2023.



Expectation regarding the economy, sector and its impact on the bank

We are pleased with these robust set of results delivered by NBF in 2024. This is an outstanding achievement that clearly illustrates the underlying strength of the Group's core activities, solid revenue growth, good performance across key business segments and the quality of the work undertaken to maintain the upward trajectory.

Supported by a well-diversified balance sheet, robust capital adequacy, sound improvement in overall asset quality and enhanced integration of advanced technology into NBF's services, the Group was able to achieve these results; whilst working towards the highest standards of risk management practices.

Driven by its diversification efforts, strong trade relations, thriving tourism sector and continued economic expansion, the UAE's economy is forecast to achieve 6.7 per cent growth in 2025, a substantial increase from 3.8 per cent in 2024.

With this in mind in the year ahead and beyond, NBF will continue to strengthen its operating platform, target to increase market share in areas where it has competitive advantage, deliver best-in-class services with faster decision-making and support the overall development of the UAE economy.

Shareholding and Rating

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 14 across the UAE.

Awards and Accolades

- NBF has been honored with four prestigious awards at the MENA Finance Technology Awards 2024, including Best Payment Solutions Implementation, Best SME Bank, Best Corporate Services Bank, and Best Trade Finance Bank. These accolades underscore NBF's commitment to delivering innovative and tailored financial services that meet the diverse needs of its customers.
- NBF secured the "Banking Excellence in Customer & Employee Insights" award by MicroStrategy at the MicroStrategy World Dubai Edition held in November 2024. This award is a testament to NBF's outstanding use of the MicroStrategy Hyperintelligence Platform ("Smart Cards"). The implementation of the zero-click interface has empowered NBF to provide valuable insights in real time. NBF has become one of the leading MicroStrategy partners using the zero-click interface within the UAE region, showcasing commitment and leveraging the use of cutting-edge technology to drive excellence.



Adnan Anwar
Chief Executive Officer



Brian Mulholland
Chief Financial Officer