

Management Discussion and Analysis Report

For the three month period ended 31 March 2017

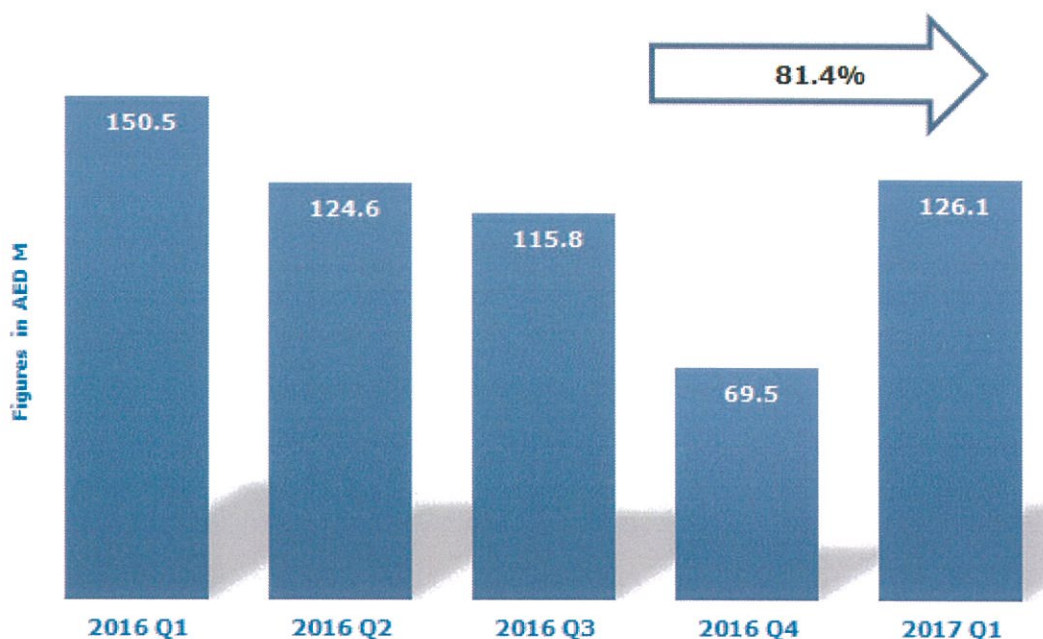
National Bank of Fujairah PJSC (NBF) net profit jumped 81.4% from last quarter of 2016 evidencing a positive bounce back, sound liquidity and improvement in loan impairment provisions

18 April 2017: National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the three month period ended 31 March 2017.

INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") saw a strong net profit growth of 81.4% compared to the last quarter of 2016, up from AED 69.5 million to AED 126.1 million for the three month period ended 31 March 2017. Compared to December 2016, customer financing was up 1.6% and customer deposits grew by 2.2% reflecting the strength of the core business and a robust financial position. The Bank's performance reflects the continuing focus on core business growth, proactive asset and liability management and disciplined cost management. Net profit was AED 126.1 million compared to AED 150.5 million in the corresponding period of 2016, depicting a negative growth of 16.2% year-on-year against an exceptionally strong Q1 in 2016.

Net Profit Progression



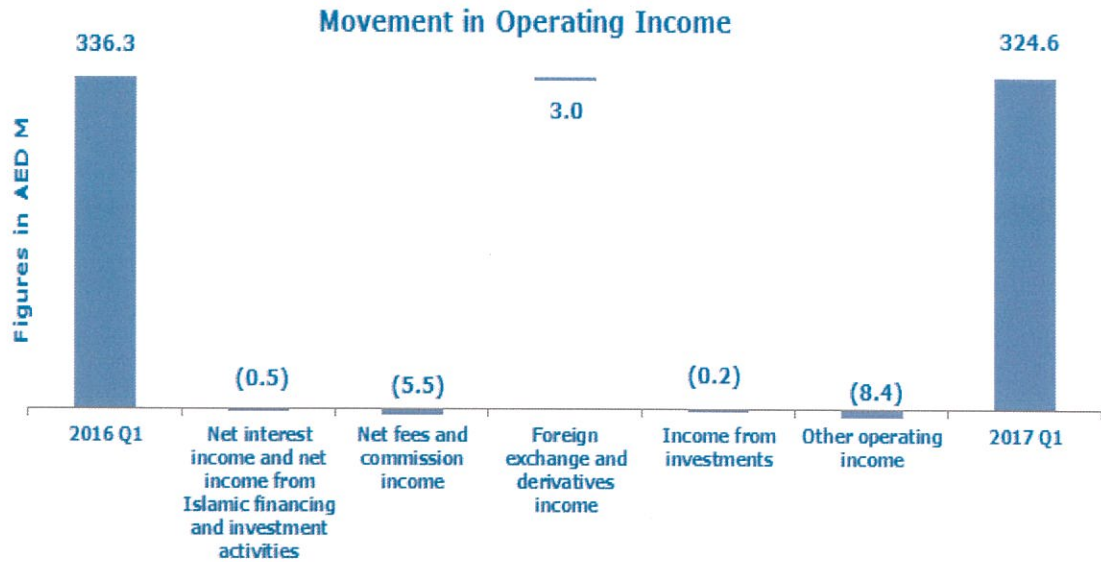
Performance Highlights

Figures in AED M

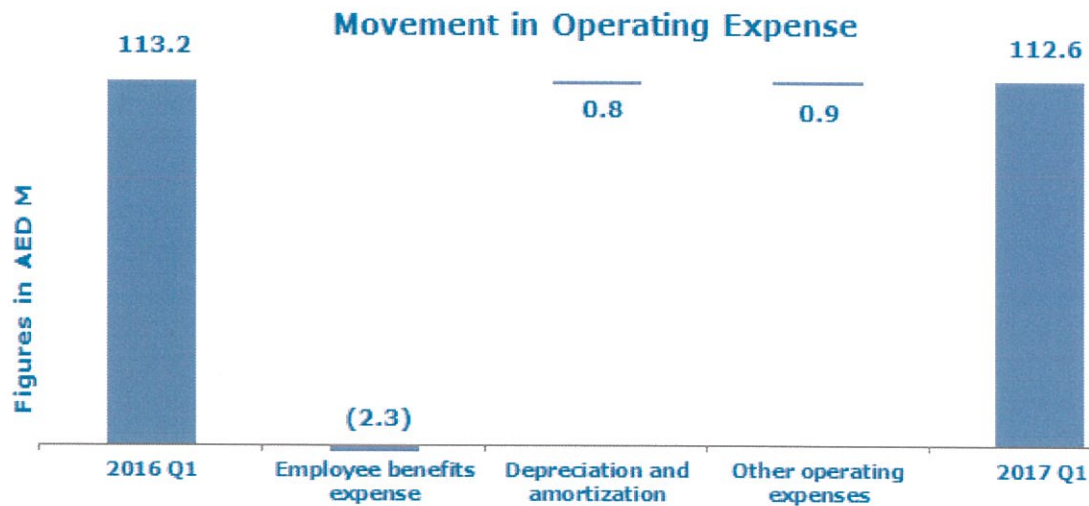
	Mar-17	Mar-16	YoY Change%	Q1'17	Q4'16	Q1'16	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	207	208	-0.3%	207	218	208	-4.9%	-0.3%
Net non-interest income and net income from Islamic financing and investment activities	117	128	-8.7%	117	126	128	-7.1%	-8.7%
Operating income	325	336	-3.5%	325	344	336	-5.7%	-3.5%
Operating expense	-113	-113	-0.5%	-113	-112	-113	0.1%	-0.5%
Operating profit	212	223	-5.0%	212	232	223	-8.5%	-5.0%
Provisions	-86	-73	18.4%	-86	-162	-73	-47.1%	18.4%
Net profit for the period	126	151	-16.2%	126	70	151	81.4%	-16.2%

Operating income experienced a negative growth of 3.5% compared to the corresponding period of 2016:

- Net interest income and net income from Islamic financing and investment activities was marginally lower than the same period last year which reflects a significantly higher level of high quality liquid assets than the industry in general and pressure on margins.
- Net non-interest income and net income from Islamic financing and investment activities was AED 117.3 million compared to AED 128.4 million in the corresponding period of 2016; whereas foreign exchange and derivatives income recorded a growth of 13.5% compared to 31 March 2016. The growth in this area re-affirms the Bank's ongoing focus on the trade finance and advisory business.
- Income from investments was AED 2.3 million, decreased by AED 0.2 million compared to the corresponding period of 2016.



- Operating profit was AED 212.0 million compared to AED 223.1 million in the corresponding period of 2016; a negative growth of 5.0% which reflects the subdued market.
- Operating expenses decreased by 0.5% on the back of operational efficiencies and disciplined cost management. This improvement was achieved whilst we continued to make prudent 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 85.9 million compared to AED 72.6 million in the corresponding period of 2016 and AED 162.3 million in the last quarter of 2016.

STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS

Figures in AED M

	Mar-17	Mar-16	Change %	Mar-'17	Dec-'16	Mar-'16	QoQ	YTD
Total Assets	35,801	32,123	11.5%	35,801	35,668	32,123	0.4%	11.5%
Loans and Advances and Islamic Financing Recievables	23,183	20,846	11.2%	23,183	22,818	20,846	1.6%	11.2%
Customer Deposits and Islamic Customer Deposits	26,507	23,148	14.5%	26,507	25,938	23,148	2.2%	14.5%
Total Shareholders' Equity	4,579	4,309	6.3%	4,579	4,579	4,309	0.0%	6.3%

- NBF's total assets amounted to AED 35.8 billion as at 31 March 2017, which represents an increase of 11.5% from 31 March 2016 and a growth of 0.4% from the year-end 2016.
- Loans and advances and Islamic financing receivables increased by AED 2.3 billion compared to the same period last year and stood at AED 23.2 billion.
- Customer deposits and Islamic customer deposits of AED 26.5 billion were up by 14.5% from AED 23.1 billion compared to the same period last year and was up by 2.2% against year-end 2016. Customer deposits and Islamic customer deposits funded 74.0% of total assets and loans to deposit ratio at 87.5% improved from 88.0% as at 31 December 2016.
- Shareholders' equity stood at AED 4.6 billion and remained at the 2016 year-end level, while up by 6.3% from 31 March 2016.

KEY PERFORMANCE INDICATORS

- At NBF, long term success is measured through profitability, and this focus is evident from our ROAE, ROAA and Cost to Income ratios which are maintained relative to industry levels.

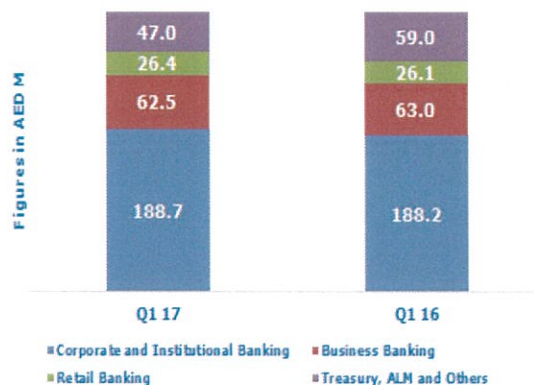
We have risen steadily up The Banker's Magazine's Top 1,000 World banks listing year-on-year, a further reflection of NBF's ongoing success. These rankings clearly reflect the bank's priorities in building a strong financial position and profitability ahead of size. NBF is the seventh highest mover for Tier 1 capital in the Middle East and is currently ranked 618th for Tier 1 capital and 69th for capital assets ratio globally.

Ranking on The Banker's Top 1,000 World Bank list	2016	2015	2014	2013
Soundness (capital asset ratio)	69	84	119	166
Return on Asset	141	139	197	248
Return on Capital	486	419	433	420
Size (Assets)	814	851	887	902
World rank	618	688	764	837

- The Bank's capital adequacy ratio (CAR) and Tier 1 ratio are at healthy levels of 17.5% and 15.1%, respectively as at 31 March 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 1.41% compared to 1.40% as at 31 December 2016.
- Return on average equity was 11.02% 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 24.0% 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. As at 31 March 2017, liquidity coverage ratio and net stable funding ratio stood at 211% and 105% respectively (31 December 2016: liquidity coverage ratio and net stable funding ratio was 182% and 103% respectively).
- The lending to stable resources ratio (LSRR) of 84.8% remained well below the UAE Central Bank ceiling of 100%. The Bank holds an investment portfolio aggregating to AED 1.84 billion.

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 period was AED 251.2 million, down 0.5% from 31 March 2016. Operating income for retail has grown 1.1%; while Treasury, ALM & others have reduced by 20.3% compared to the corresponding period of 2016.

OPERATIONAL HIGHLIGHTS

- NBF's rating was re-affirmed at Baa1/Prime-2 for deposits and A3 for counterparty risk assessment by Moody's, with a stable outlook, highlighting the bank's underlying strength, prudent risk management and resilience.
- NBF is in the final stages to go live with the phase 1 of the new treasury front end system in April 2017, broadening the spectrum of products offered, allowing greater efficiency and control to the business teams.
- Following the Annual General Assembly Meeting (AGAM) approval, the dividend for 2016 will be distributed in April 2017.
- Central Bank has issued its capital adequacy regulations effective from 01 February 2017 demonstrating CBUAE's commitment to bring the capital adequacy regulatory framework in the UAE in line with the revised capital standards set out by the Basel Committee on Banking Supervision – Basel III.

Under the new regulations, the requirement for 2017 is being changed to 7.0% for common equity Tier 1 (CET1), 8.5% for Tier 1 capital ratio and 10.5% for total regulatory capital (net of regulatory adjustments). Additionally, banks must maintain a Capital Conservation Buffer (CCB) of 2.5% of RWAs in the form of CET1 capital. The UAE Central Bank may also require banks to implement Countercyclical Buffer (CCyB) to protect the banks from periods of excess aggregate credit growth. CCyB must be met by using CET1 capital and the level may vary between 0 - 2.5% of RWAs. NBF has assessed these new capital adequacy requirements and is well positioned in adhering to these based on current capital levels and prudent dividend policy.

- Our Emiratization ratio improved to 42.5% from 41.7% as at 31 December 2016.

AWARDS AND ACCOLADES

- NBF has just been ranked in the Top 5 of Trends magazine's Top CEO Awards this year. The top 100 CEOs and their respective companies were selected from more than 700 publicly-listed organisations in the GCC, with the rankings determined from an analysis of factors ranging from the companies' financial statements to their corporate governance and disclosure practices. Given that the Insead Business School and the Hawkamah Institute for Corporate Governance are involved in the ranking process, and the results are independently audited, the Top CEO Awards may very well be one of the most credible award platforms in the region.
- NBF met with yet another unprecedented success at the Banker ME UAE Product Awards 2017 bagging five major awards, 'Best Customer Service – Corporate and Investment Banking', 'Best Treasury Management', 'Best SME Internet Banking Service', 'Best SME Trade Finance Offering', and 'Best Corporate Advisory Service' for NBF Capital. This win marks the sixth consecutive time, the Bank is recognised for its core business areas and service excellence.

- NBF won the 'Best HR Team' award at the recent Gulf Employee Experience Awards, the second time in a row, being acknowledged as one of the best in the region.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer