

Management Discussion and Analysis Report

For the year ended 31 December 2017

National Bank of Fujairah PJSC (NBF) – 2017 operating profit up 5.5% underpinned by stable business growth and robust balance sheet management

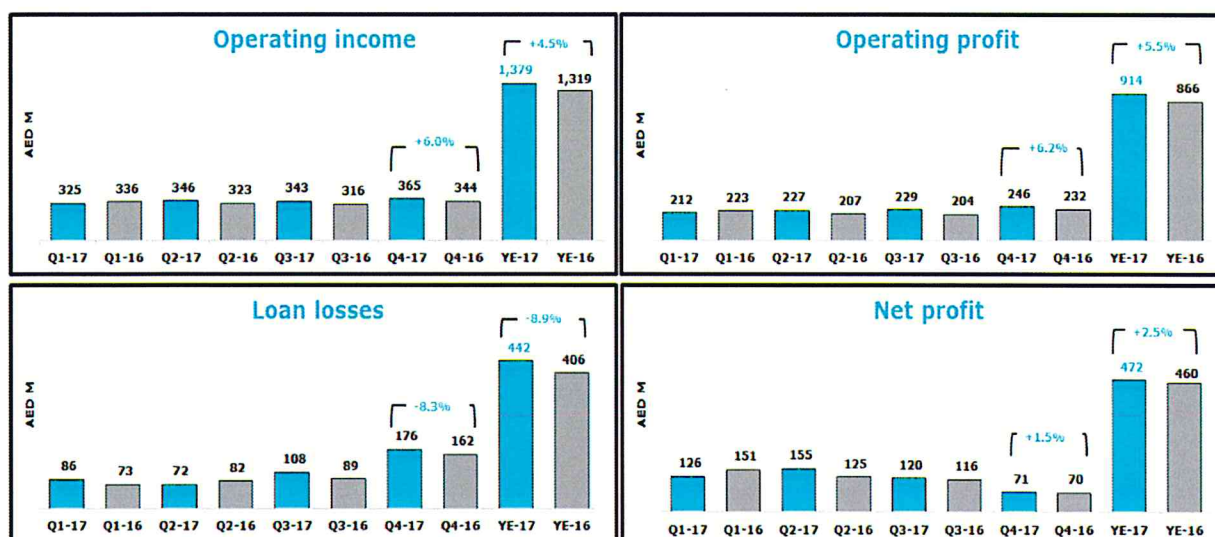
5 February 2018: National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the year ended 31 December 2017 in accordance with the approval received from the Central Bank of the United Arab Emirates (CBUAE).

INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") posted an operating profit of AED 913.6 million, a growth of 5.5% compared to AED 866.0 million in 2016. This reflects a high level of resilience in the bank's core business and enhanced balance sheet management in a rising interest rate environment.

NBF's strong operating profit enabled it to absorb elevated level of impairment losses and record a growth in net profit of 2.5%. NBF reported net profit of AED 471.9 million compared to AED 460.4 million in 2016.

Net Profit Progression

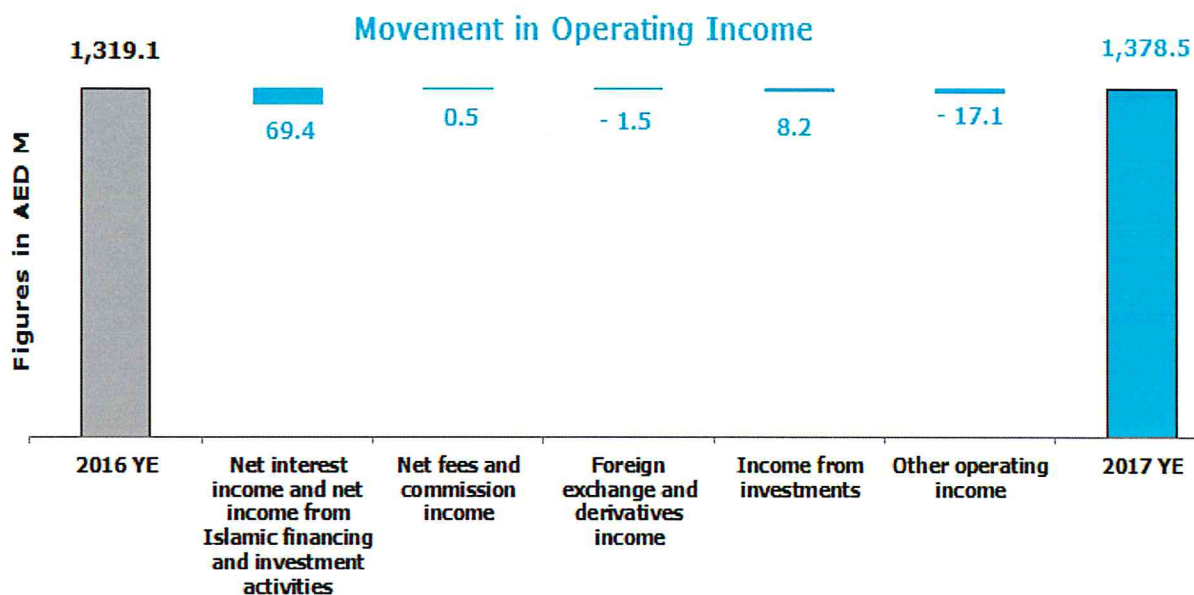


Performance Highlights

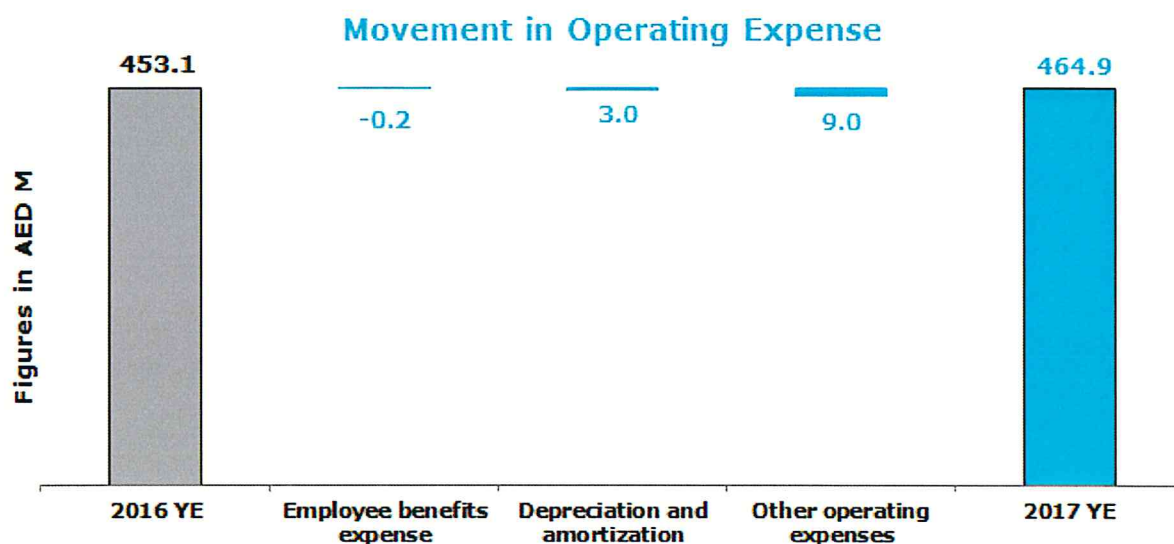
- Operating income at AED 1.4 billion saw a growth of 4.5% compared to 2016. Income from investments and Islamic instruments increased to AED 19.3 million compared to AED 11.1 million in 2016, a growth of 73.6%.
- Net interest income and net income from Islamic financing and investment activities for the year grew by 8.2% to AED 917.6 million compared to 2016.

Figures in AED M

	Dec-17	Dec-16	YoY Change%	Q4'17	Q3'17	Q4'16	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	918	848	8.2%	244	242	218	1.0%	12.1%
Net non-interest income and net income from Islamic financing and investment activities	461	471	-2.1%	121	101	126	19.3%	-4.5%
Operating income	1,379	1,319	4.5%	365	343	344	6.4%	6.0%
Operating expense	-465	-453	-2.6%	-119	-114	-112	-4.0%	-5.5%
Operating profit	914	866	5.5%	246	229	232	7.6%	6.2%
Provisions	-442	-406	-8.9%	-176	-108	-162	-62.1%	-8.3%
Net profit for the period	472	460	2.5%	71	120	70	-41.4%	1.5%



- Operating profit was AED 913.6 million compared to AED 866.0 million in 2016; a growth of 5.5%, reflecting core business growth and improvement in margins.



- Operating expenses increased by 2.6%, reflecting NBF's disciplined cost management, prudent investments in our businesses, systems and infrastructure, including a set of digital initiatives to enhance our future offerings and customer service. Cost-to-income ratio stood at 33.7% compared to 34.4% in 2016.
- NBF's prudent loan loss provisioning policy resulted in net impairment losses of AED 441.7 million compared to AED 405.5 million in 2016. The NPL ratio was 5.53% compared to 4.95% as at 31 December 2016. Total provision coverage ratio stood at 89.5% compared to 101.3% as at 31 December 2016.

STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

	Dec-17	Dec-16	Change %	Dec-'17	Sep-'17	Dec-'16	QoQ
Total Assets	36,656	35,668	2.8%	36,656	35,224	35,668	4.1%
Loans and Advances and Islamic Financing Recievables	24,066	22,818	5.5%	24,066	23,643	22,818	1.8%
Customer Deposits and Islamic Customer Deposits	27,865	25,938	7.4%	27,865	26,098	25,938	6.8%
Total Shareholders' Equity	4,891	4,579	6.8%	4,891	4,825	4,579	1.4%

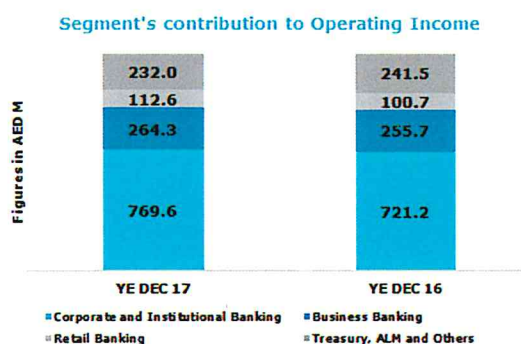
- NBF's total assets amounted to AED 36.7 billion as at 31 December 2017 (31 December 2016: AED 35.7 billion), which represents an increase of 2.9% from 31 December 2016.

- Loans and advances and Islamic financing receivables rose 5.5% from AED 22.8 billion at 2016 year end to AED 24.1 billion.
- Customer deposits and Islamic customer deposits increased by 7.4% from AED 25.9 billion at 2016 year end to AED 27.9 billion.
- Investments and Islamic instruments were up 7.3% representing 5.2% of total assets.
- Shareholders' equity of AED 4.9 billion showed an increase of 6.8% from the 2016 year end.

KEY PERFORMANCE INDICATORS

- Strong capital adequacy and lending to stable resources ratios were maintained at 17.5% (Tier 1 ratio of 15.1%) and 86.9% respectively, well ahead of Central Bank's minimum requirements. The bank continues to maintain a high eligible liquid assets ratio at 24.0% (2016: 23.2%) and its Basel III net stable funding ratio stood at 107.1% compared to 103% in 2016, while its liquidity coverage ratio was 270.0% up from 182% in 2016.
- Return on average assets was 1.3% (31 December 2016: 1.4%) and return on average equity was 10.0% (31 December 2016: 10.4%).
- The lending to stable resources ratio (LSRR) of 86.9% remained well below the UAE Central Bank ceiling of 100%. The Bank holds an investment portfolio aggregating to AED 1.92 billion.
- Taking into account the 2017 performance, a distribution of profits of 15% (2016: 15%) has been recommended in the form of cash dividends of 7.5% (2016: 7.5%) and bonus shares of 7.5% (2016: 7.5%) of the paid-up capital.

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 year ended 31 December 2017 was AED 1,033.9 million, up 5.8% compared to the corresponding period of 2016. Operating income from retail banking has grown 11.8%: while Treasury, ALM & others have reduced by 3.9% compared to 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

- NBF sponsored the roadshows hosted by the Fujairah Adventure Centre, in the Bronze category, to commemorate the 46th National Day. NBF also celebrated its first Corporate Social Responsibility (CSR) Day to build awareness of the key community building activities, partnering with Enable to involve employees in 'Adopt a plant' initiative.
- NBF concluded its landmark transaction of gold financing under new Sharia' gold standard, the first of its kind in the UAE.
- NBF's Emiratisation ratio stood at 42.4% compared to 41.7% as at 31 December 2016 in compliance with the regulations. The Bank significantly exceeded the Emiratisation targets emanating from the new scoring system introduced and has been acknowledged by CBUAE for its efforts and commitment in this respect.
- NBF partnered with Thomson Reuters' to offer tailored funding solutions to SMEs in the UAE through the Thomson Reuters Accelerate SME platform. This is a strategic tie up that will help the Bank to connect directly with SME community and demonstrate our commitment to further engage and assist them with access to the capital that they need to finance their business growth.

AWARDS AND ACCOLADES

- NBF Islamic has won the "Best Islamic Window – UAE" award at the Islamic Business and Finance Awards 2017, proving NBF as the preferred Islamic banking partner for customers in the UAE.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer