

Management Discussion and Analysis Report

National Bank of Fujairah PJSC

For the year ended 31 December 2022

National Bank of Fujairah PJSC (NBF) – 2022 Results

NBF posted record results achieving its best ever operating performance. Operating income reached AED 1.8 billion up 25.8% and operating profit surged 29.4% to reach AED 1.2 billion

NBF's strong performance and record levels of activity delivered a solid turnaround supported by robust capital adequacy and sound improvement in asset quality

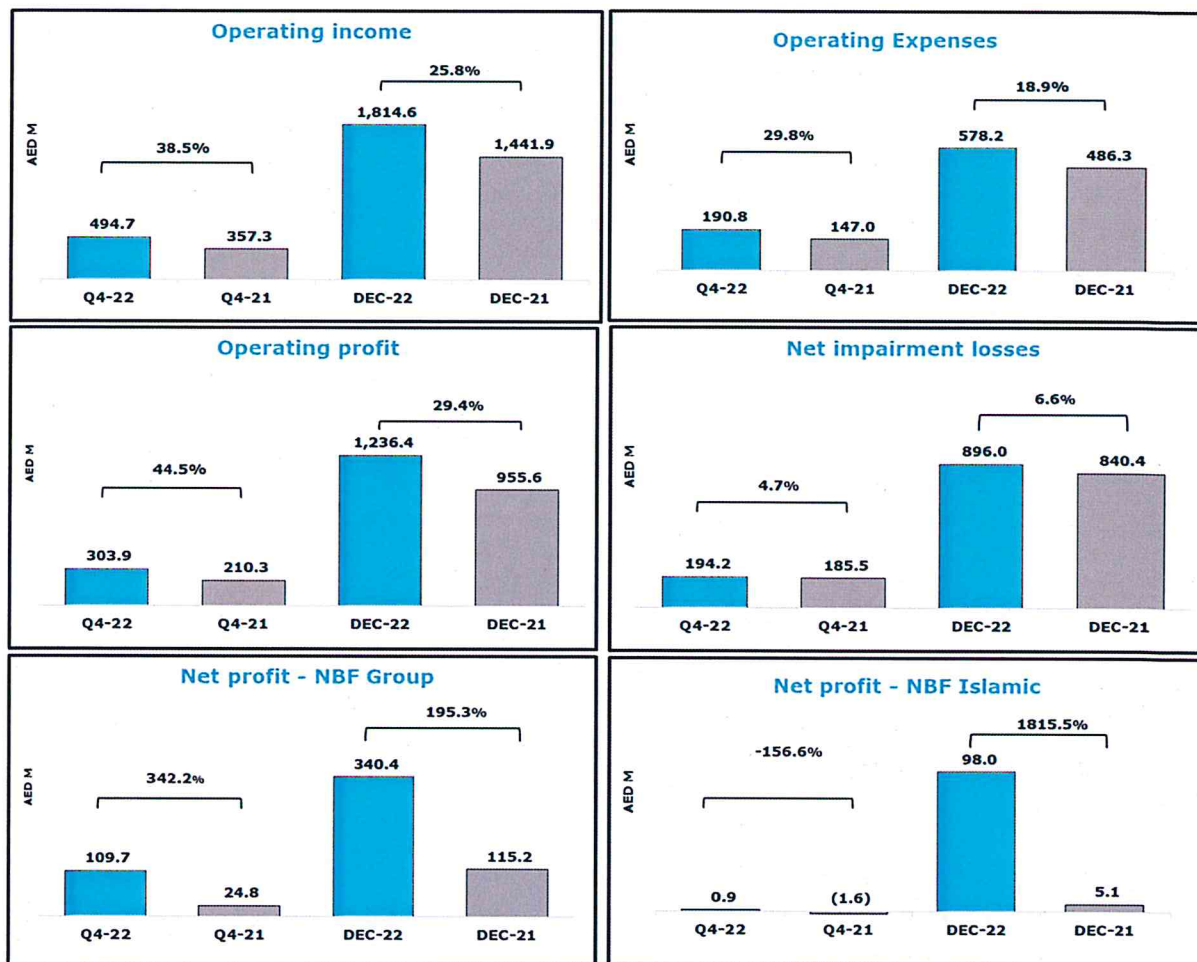
25 January 2023: NBF is pleased to announce its results today for the year ended 31 December 2022.

Overview of Results and Operational Performance for the year ended 31 December 2022

NBF recorded year-on-year growth of 195.3% to close the year at a net profit of AED 340.4 million compared to AED 115.2 million in 2021. This reflects the bank's long-standing customer centric approach, good quality business growth and enhanced balance sheet management supported by the impressive local economic recovery despite an uncertain global geopolitical environment.

NBF maintained its policy of prudent and transparent recognition of problem accounts. The small number of exceptional group exposures that had earlier been earmarked for resolution progressed well in line with the bank's recovery strategy. NBF secured net impairment provisions of AED 896.0 million for the year ended 31 December 2022 compared to AED 840.4 million in 2021. During the year, the bank's impairment reserve reduced by 11.3% to AED 168.2 million compared to AED 189.7 million as at 31 December 2021. Total provision coverage ratio (including impairment reserves) improved to 110.0% compared to 87.0% as at 31 December 2021. The NPL ratio improved to 6.9% compared to 9.8% as at 31 December 2021.

Summary of profit and loss for the year ended 31 December 2022

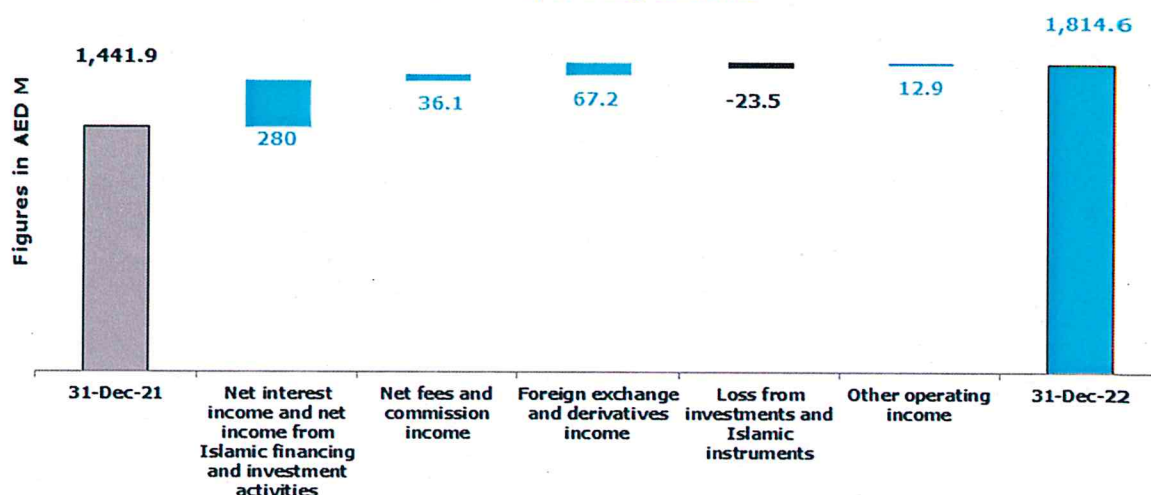


NBF posted its highest ever operating profit of AED 1.2 billion, a rise of 29.4% compared to AED 955.6 million in 2021 underpinned by higher net interest income and net income from Islamic financing and investment activities, and fee and exchange income.

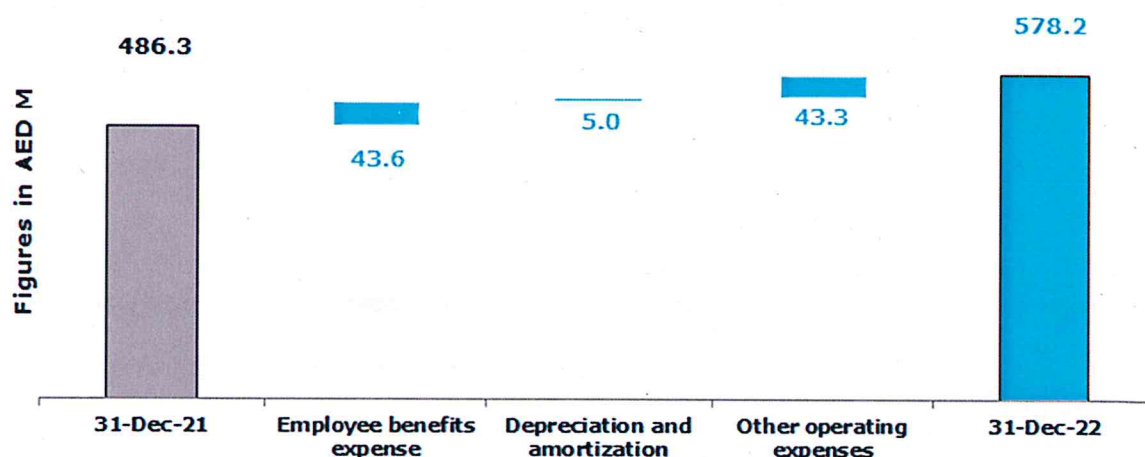
NBF recorded its best ever operating income of AED 1.8 billion, up 25.8% over 2021 reflecting the robust core business performance and asset and liability management in a rising interest rate environment. Net interest income and net income from Islamic financing and investment activities grew 29.8% to AED 1.2 billion compared to AED 941.1 million in 2021. Net fees, commission and other income rose 14.2% to AED 393.3 million compared to AED 344.3 million in 2021. NBF posted record foreign exchange and derivatives income of AED 181.4 million, with a growth of 58.8% compared to AED 114.2 million in 2021. Income from investments and Islamic instruments stood at AED 18.8 million compared to AED 42.3 million in 2021.

Loans and advances and Islamic financing receivables rose by 5.1% to reach AED 26.9 billion compared to AED 25.6 billion at 2021 year-end. Investments and Islamic instruments increased by 45.2% from AED 4.4 billion at 2021 year-end to AED 6.3 billion as at 31 December 2022 evidencing deployment of a portion of excess liquidity towards a high-quality investment book to augment shareholder value.

Movement in Operating Income



Movement in Operating Expense



Operating expenses increased by 18.9%, reflecting NBF's investments in its businesses, systems, infrastructure and people. These investments include a set of digitalisation initiatives to further enhance our focus on exceptional customer service through digital adoption and innovation. NBF's cost-to-income ratio improved to 31.9% compared to 33.7% in 2021, after achieving further improvements. This provides further opportunity to continue investing in our technological capabilities and enhancing the customer experience whilst maintaining a competitive cost base.

Summary of financial position as at 31 December 2022

Figures in AED M

| | DEC-2022 | DEC-2021 | Change % | DEC-22 | SEP-22 | Change % |
|--|----------|----------|----------|--------|--------|----------|
| Total Assets | 47,624 | 42,946 | 10.9% | 47,624 | 44,374 | 7.3% |
| Loans and Advances and Islamic Financing Recievables | 26,915 | 25,620 | 5.1% | 26,915 | 27,592 | -2.5% |
| Customer Deposits and Islamic Customer Deposits | 35,736 | 32,199 | 11.0% | 35,736 | 32,699 | 9.3% |
| Investments and Islamic instruments | 6,350 | 4,374 | 45.2% | 6,350 | 5,919 | 7.3% |
| Total Equity | 5,850 | 5,676 | 3.1% | 5,850 | 5,778 | 1.3% |

Customer deposits and Islamic customer deposits rose by 11.0% to reach AED 35.7 billion compared to AED 32.2 billion at 2021 year-end. Current and Saving Accounts (CASA) deposits increased by AED 760.2 million from 2021 year-end, a 4.9% increase to AED 16.2 billion as at 31 December 2022. CASA deposits improved to 45.3% of total customer deposits as at 31 December 2022 softening the impact of increasing rates for fixed term products on deposit costs.

Summary of the cash flows and capital expenditure during the year ended 31 December 2022

During the year, surplus liquidity has been deployed to fund quality loans and investment book growth, while balances remain well above the bank's risk appetite and regulatory requirements. Cash and cash equivalents amounted to AED 4.3 billion compared to AED 5.5 billion in 31 December 2021.

During the year ended 31 December 2022, NBF had incurred AED 79.4 million in capital expenditure relating to the additions of property, equipment and intangibles compared to AED 50.2 million in the corresponding year.

Key Performance Indicators

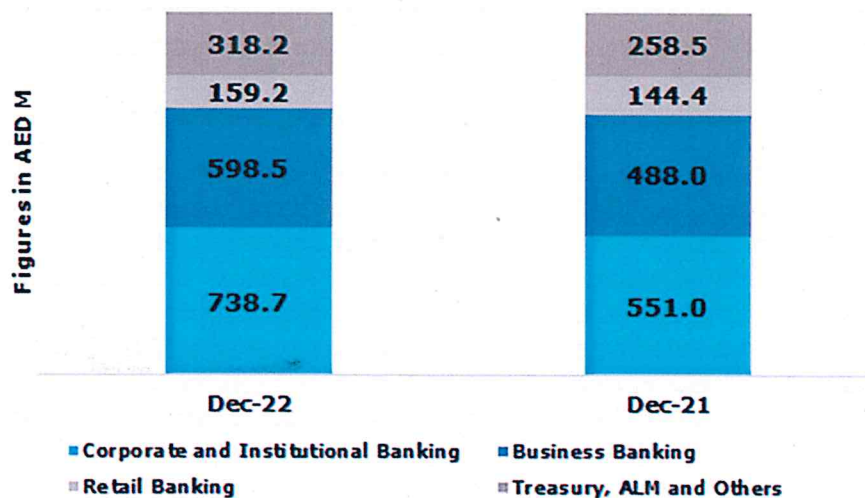
- Ample liquidity has been maintained with lending to stable resources ratios at 72.1% (2021: 76.5%) and eligible liquid assets ratio (ELAR) at 24.9% (2021: 26.2%), well ahead of Central Bank of the UAE's minimum requirements.
- The capital adequacy ratio (CAR) stood at 18.6% (Tier 1 ratio of 17.4% and CET 1 ratio of 13.6%) compared to 19.1% (Tier 1 ratio of 18.0% and CET 1 ratio of 13.8%) at 2021 year-end and is being maintained at this heightened level to support the bank's ability to ride out any challenges arising out of the rapidly evolving operating landscape.
- Return on average assets improved to 0.8%, up from 0.3% in 2021.
- Return on average equity improved to 5.9%, up from 2.0% in 2021.
- Considering the 2022 performance, the Board of Directors proposed a distribution of profits of 6.0% (2021: nil) of the paid-up capital in the form of bonus shares.

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 customer needs. This also helps in building diversification and maintaining stable growth.

The operating income from Corporate and Institutional banking customers (including business banking) for the year ended 31 December 2022 was AED 1,337.2 million, an increase of 28.7% compared to the corresponding year. Operating income from Retail Banking increased by 10.3%, and Treasury, ALM & others have increased by 23.1% compared to the year 2021.

Segments' contribution to Operating Income



Further, NBF Islamic recorded operating income of AED 122.9 million for the year ended 31 December 2022 compared to AED 129.3 million in the corresponding year.

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

NBF performance this year has been strong and praiseworthy facilitated by the pace of economic recovery of the country. NBF progressed well in the execution of its strategic plans supported by a robust capital adequacy, sound improvement in asset quality, success in leveraging technology and a well-diversified balance sheet resulting in a solid turnaround.

The leadership's staunch attention to prudent risk management standards, upholding the highest ethical and corporate governance practices and the drive to deliver a differentiated and exceptional customer service will ensure our growth continues. We look forward to another successful year for the Group and remain committed to performing our role in the progress of the UAE economy.

NBF was honoured with a number of prestigious accolades and endorsements throughout 2022, further underscoring its culture of exceptional service and client partnership. The Board believes in on-going investment in our brand to facilitate future growth, generate long-term sustainable returns, preserve significant capital strength and benefit from the new opportunities that are arising from the developing focus on environmental, social and governance (ESG) matters, which will augment further growth in 2023 and beyond.

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 15 (of which 1 is an electronic banking service unit) across the UAE.

Awards and Accolades

NBF won three awards at the MEA Finance Industry Awards 2022: "Best Commercial Bank – UAE", "Best SME Bank" and "Best Trade Finance Provider", further cementing its reputation as a regional banking leader.



Vince Cook
Chief Executive Officer



Adnan Anwar
Deputy Chief Executive Officer



Brian Mulholland
Chief Financial Officer