

## Management Discussion and Analysis Report National Bank of Fujairah PJSC

For the year ended 31 December 2023

**National Bank of Fujairah PJSC (NBF) – 2023 Results**  
**Net profit surged 113.0% to reach a record AED 725.1 million, from operating income of AED 2.3 billion**

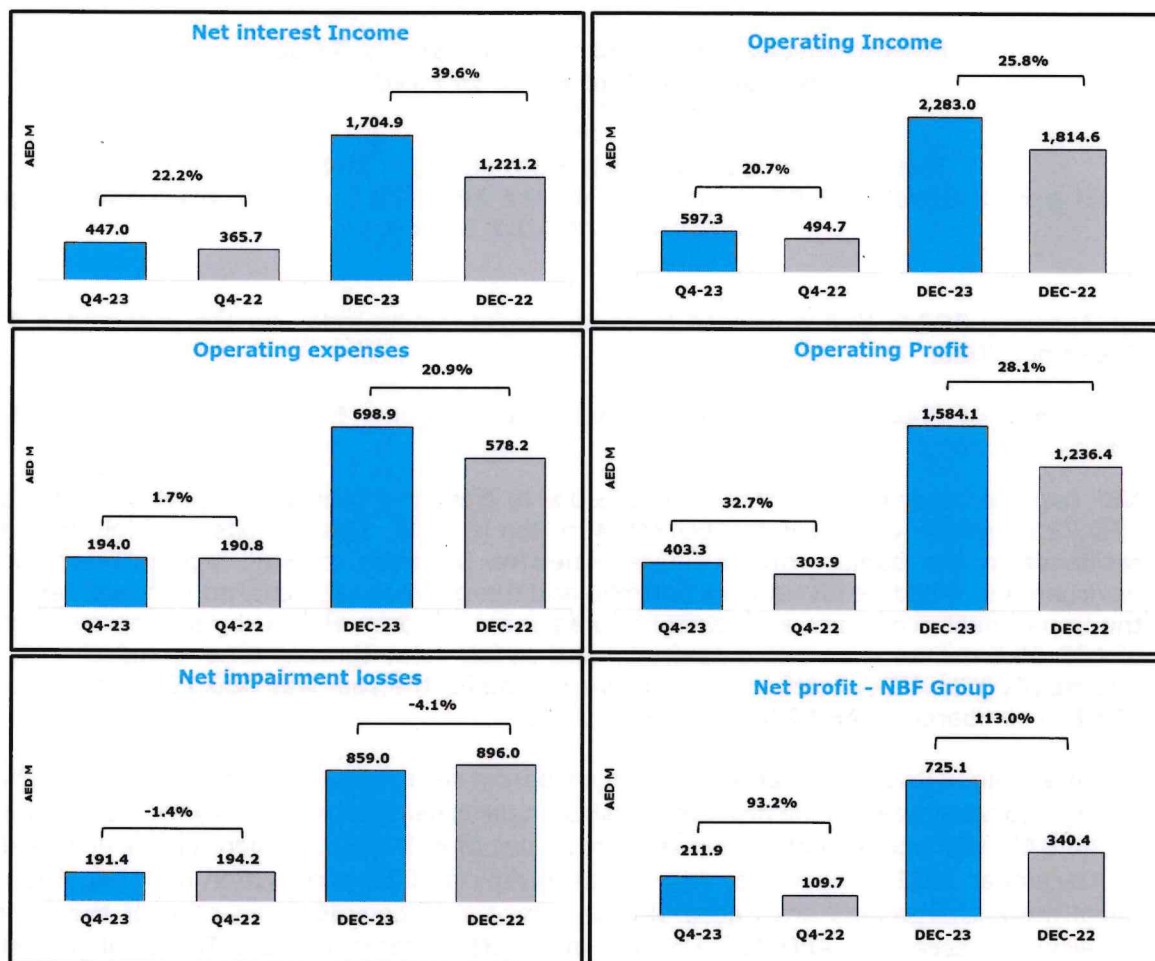
**24 January 2024:** NBF is pleased to announce its results today for the year ended 31 December 2023.

### Overview of Results and Operational Performance for the year ended 31 December 2023

NBF recorded year-on-year growth of 113.0% to close the year at a record net profit of AED 725.1 million compared to AED 340.4 million in 2022. This exhibits the high level of resilience in the bank's core business, selective business growth, high interest rate environment, effective investment portfolio and margin management, an improvement in the impairment provisions and careful management of costs. Helped by an improvement of AED 66.6 million in investments designated as fair value through other comprehensive income (FVOCI), NBF's total comprehensive income for the year was AED 790.4 million up 223.8% compared to AED 244.1 million in 2022.

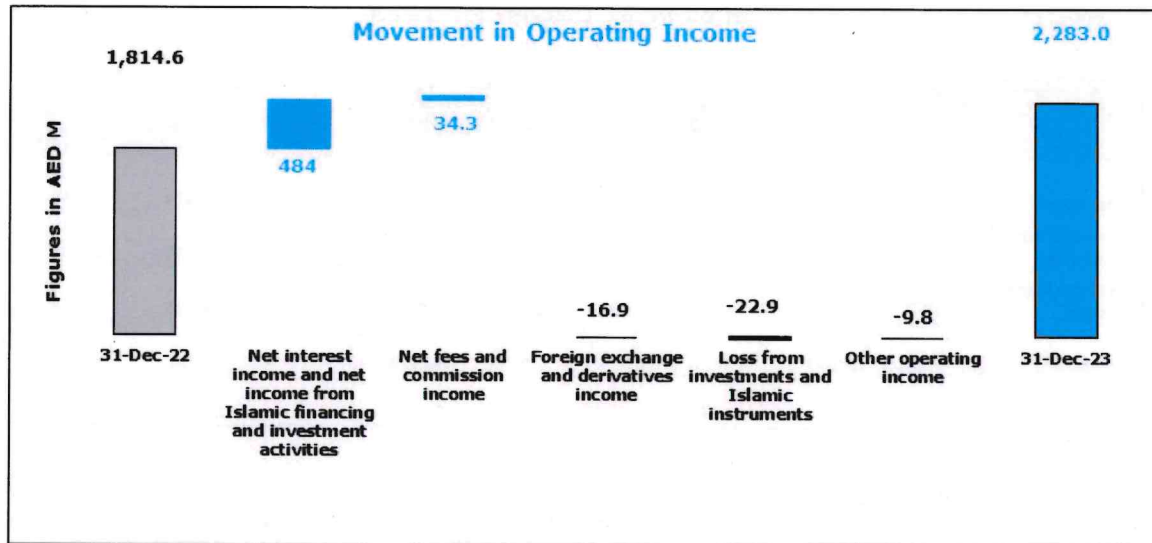
NBF maintained its policy of prudent and transparent recognition of problem accounts whilst taking into consideration the new credit risk standards being introduced by the Central Bank of the UAE. NBF booked net impairment provisions of AED 859.0 million for the year ended 31 December 2023 compared to AED 896.0 million in 2022, a reduction of 4.1%. The net impairment charge was after absorbing the impact of complete recycling of the bank's impairment reserve of AED 168.2 million as at 31 December 2022. The total provision coverage ratio improved to 120.2% compared to 101.5% as at 31 December 2022. The NPL ratio improved to 4.9% compared to 6.9% as at 31 December 2022.

## Summary of profit and loss for the year ended 31 December 2023

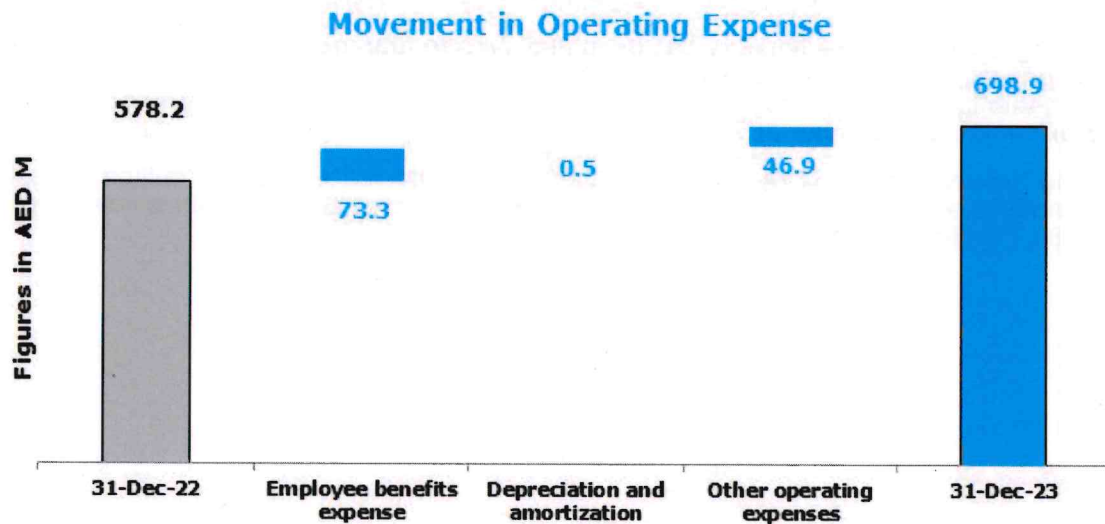


NBF posted its highest ever operating profit of AED 1.6 billion, a rise of 28.1% compared to AED 1.2 billion in 2022 underpinned by higher net interest income and net income from Islamic financing and investment activities and fee income.

NBF recorded its best operating income of AED 2.3 billion, up 25.8% over 2022 reflecting robust core business performance, proactive asset and liability management in a high interest rate environment, enhanced focus on return on capital and the bank's long-standing customer centric approach. Net interest income and net income from Islamic financing and investment activities grew 39.6% to AED 1.7 billion compared to AED 1.2 billion in 2022. Net fees, commission and other income rose 6.2% to AED 417.8 million compared to AED 393.3 million in 2022. Foreign exchange and derivatives income stood at AED 164.5 million compared to AED 181.4 million in 2022.



Operating expenses increased by 20.9%, 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 30.6% compared to 31.9% in 2022, remaining in the mid-industry range and reflecting on-going cost discipline. This provides headroom to continue investing in our technological capabilities and further enhancing future customer experience.





## Summary of financial position as at 31 December 2023

Figures in AED M

	DEC-2023	DEC-2022	Change %	DEC-23	SEP-23	Change %
Total Assets	51,720	47,624	8.6%	51,720	49,974	3.5%
Loans and Advances and Islamic Financing Recievables	27,904	26,915	3.7%	27,904	27,727	0.6%
Customer Deposits and Islamic Customer Deposits	38,572	35,736	7.9%	38,572	37,218	3.6%
Investments and Islamic instruments	8,143	6,350	28.2%	8,143	7,412	9.9%
Total Equity	6,567	5,850	12.2%	6,567	6,322	3.9%

Loans and advances and Islamic financing receivables rose by 3.7% to reach AED 27.9 billion compared to AED 26.9 billion at 2022 year-end. Investments and Islamic instruments increased by 28.2% to reach AED 8.1 billion compared to AED 6.3 billion at 2022 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 7.9% to reach AED 38.6 billion compared to AED 35.7 billion at 2022 year-end. Current and Saving Accounts (CASA) deposits stood at 41.2% of total customer deposits, balancing the impact of increasing rates for fixed term deposit products.

## Summary of the cash flows and capital expenditure during the year ended 31 December 2023

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 2.5 billion compared to AED 4.3 billion in 31 December 2022.

During the year ended 31 December 2023, NBF had incurred AED 106.7 million in capital expenditure relating to the additions of property, equipment and intangibles compared to AED 83.7 million in the previous year.

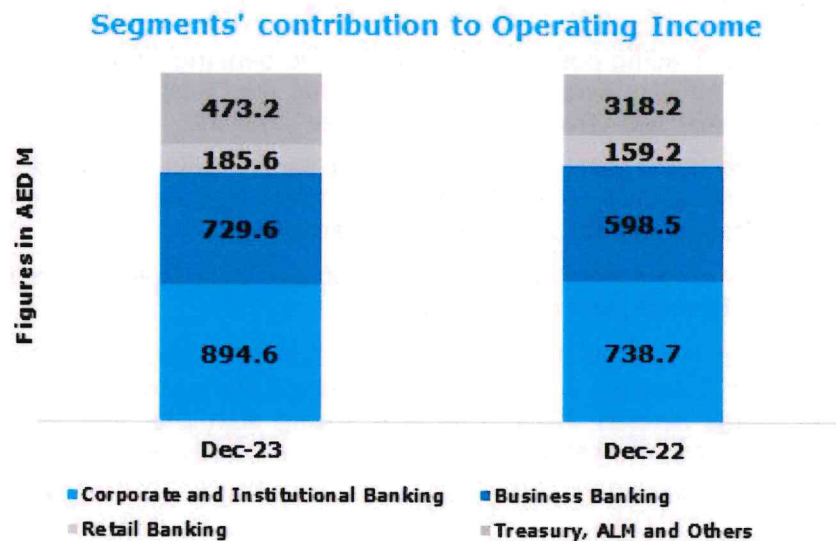
## Key Performance Indicators

- Ample liquidity has been maintained with lending to stable resources ratios at 67.4% (2022: 72.1%) and eligible liquid assets ratio (ELAR) at 28.3% (2022: 24.9%), well ahead of Central Bank of the UAE's minimum requirements.
- The capital adequacy ratio (CAR) stood at 19.0% (Tier 1 ratio of 17.8% and CET 1 ratio of 14.2%) compared to 18.6% (Tier 1 ratio of 17.4% and CET 1 ratio of 13.6%) at 2022 year-end and is being maintained at this level to support the bank's ability to grow and meet any challenges that may arise from the swiftly evolving global economy.
- Return on average equity improved to 11.7%, up from 5.9% in 2022.
- Return on average assets improved to 1.5%, up from 0.8% in 2022.
- Taking into account the 2023 performance, the Board of Directors proposed a distribution of profits of 15.0% (2022: 6.0%) of the paid-up capital in the form of cash dividends of 10.0% (2022: nil) and bonus shares of 5.0% (2022: 6.0%).

## 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 assists in building diversification and maintaining stable growth.

For the year ended 31 December 2023, the operating income from Corporate and Institutional banking customers was AED 894.6 million, an increase of 21.1% compared to the previous year. For Business Banking segment, the operating income rose by 21.9% to 729.6 million. For Retail Banking it increased by 16.6% while Treasury, ALM & others have increased by 48.7% compared to the year 2022.



Further, NBF Islamic recorded operating income of AED 156.6 million for the year ended 31 December 2023 compared to AED 122.9 million in the previous year.



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

"We are immensely proud of the outstanding set of results achieved by NBF in 2023. This praiseworthy performance was facilitated by the UAE's exemplary leadership and progress across its principal foundations, not least its robust economy, attractive investment environment and a position as a safe haven in an uncertain world.

Underpinned by the interest rate environment and the resultant revenue momentum, a healthy balance sheet, robust capital adequacy, sound improvement in asset quality and success in leveraging technology, NBF delivered a strong financial performance in 2023; while operating to the highest standards of international risk management practices.

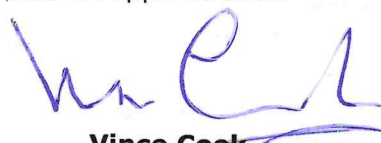
We look forward to another successful year for the Group and remain committed to supporting our customers, making a contribution to the wider communities in which we operate, including supporting the arts and various cultural and environmental activities and performing our role in the progress of UAE's economic and social development."

We were honoured with a number of prestigious industry awards and endorsements throughout 2023, further underscoring NBF's well embedded culture of exceptional service and customer partnership. The Board's strategic focus continues to be on generating long-term sustainable returns and benefitting from the innovative opportunities that are arising from the emerging opportunities in environmental, social and governance [ESG] matters, which will enhance further growth in 2024 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 14 across the UAE.

## Awards and Accolades

- NBF maintained its leading position as the preferred banking partner for businesses at the MEA Finance Industry Awards 2023 by securing the "Best Commercial Bank UAE", "Best SME Bank UAE" and "Trade Finance Provider" awards.
- NBF is increasingly being recognized for its exceptional innovative solutions and has won the "Most Innovative Trading Platform" and "Best Innovation in Trade Finance" awards at MEA Finance Banking Technology Awards 2023.
- NBF Islamic has won the prestigious accolade of the "Best Islamic Window – UAE" at the International Finance Awards 2023.
- NBF won the best "Fraud & Risk Management Solutions Award" at Banking AI and Analytics Summit & Awards 2023 and "Best Change Management Initiative" at CIPD Middle East People Awards 2023. This is a strong sign that NBF has remained in forefront of the latest market developments and is positioned well to exploit future market opportunities.



**Vince Cook**  
Chief Executive Officer



**Adnan Anwar**  
Deputy Chief Executive  
Officer



**Brian Mulholland**  
Chief Financial Officer