

Management Discussion and Analysis Report National Bank of Fujairah PJSC For the six month period ended 30 June 2022

**National Bank of Fujairah PJSC (NBF) posted a solid performance in H1 2022
Net profit reached AED 150.5 million up 97.5% and surged 49.4% quarter-on-
quarter on the back of strong business growth and asset and liability
management**

**Progressive performance underpinned by robust capital adequacy, enhanced
balance sheet management and improvement in asset quality**

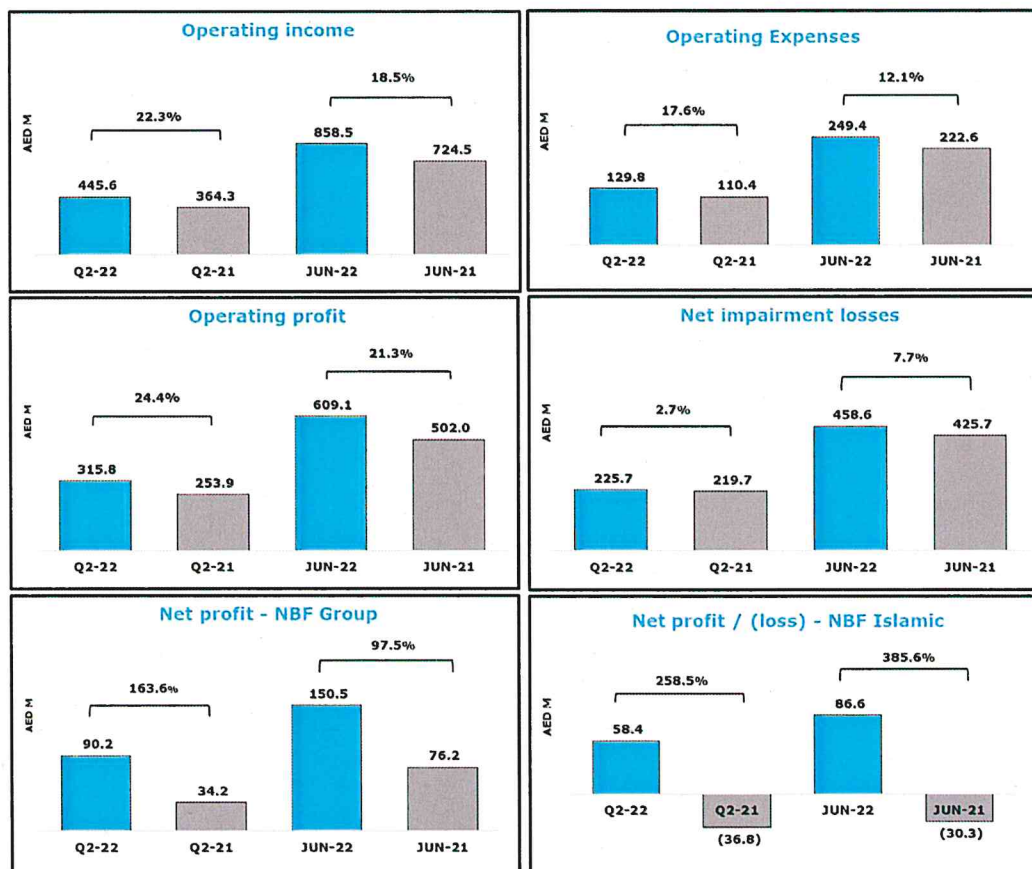
28 July 2022: NBF is pleased to announce its results today for the six month period ended 30 June 2022.

Overview of Results and Operational Performance for the six month period ended 30 June 2022

NBF recorded year-on-year growth of 97.5% to close the six month period at a net profit of AED 150.5 million compared to AED 76.2 million in the corresponding period of 2021, up 49.4% quarter-on-quarter and 163.6% for the three month period ended 30 June 2022 over the corresponding period of 2021. NBF posted an operating profit of AED 609.1 million for the six month period, a significant increase of 21.3% compared to AED 502.0 million in the corresponding period of 2021 and up 7.7% quarter-on-quarter and 24.4% for the three month period ended 30 June 2022 over the corresponding period of 2021. This exhibits the bank's renewed focus on core business growth and improving resilience in spite of the prevailing geopolitical headwinds.

NBF maintained its policy of prudent and transparent recognition of problem accounts. The small number of exceptional group exposures that had been earmarked for resolution are progressing well in line with the bank's recovery strategy. NBF secured net impairment provisions of AED 458.6 million for the six month period ended 30 June 2022 compared to 425.7 million in the corresponding period of 2021. During the period, the bank's impairment reserve reduced by 9.3% to AED 172.0 million compared to AED 189.7 million as at 31 December 2021. Total provision coverage ratio (including impairment reserves) improved to 102.7% compared to 87.0% as at 31 December 2021. The NPL ratio improved to 8.5% compared to 9.8% as at 31 December 2021 and IFRS 9 stage 2 exposure stood at 6.2% compared to 6.1% as at 31 December 2021. Excluding the few exceptional group exposures, the NPL ratio would reduce to 4.6% (31 December 2021: 5.5%).

Summary of profit and loss for the six month period ended 30 June 2022



Operating income growth of 22.3% was recorded for the three month period ended 30 June 2022 over the corresponding period of 2021; and 7.9% compared to Q1 2022. Operating income reached AED 858.5 million for the six month period ended 30 June 2022, up 18.5% compared to AED 724.5 million in the corresponding period of 2021, reflecting the improving business sentiment, UAE economy's sustained upward growth momentum despite challenging times and the bank's recovery strategy.

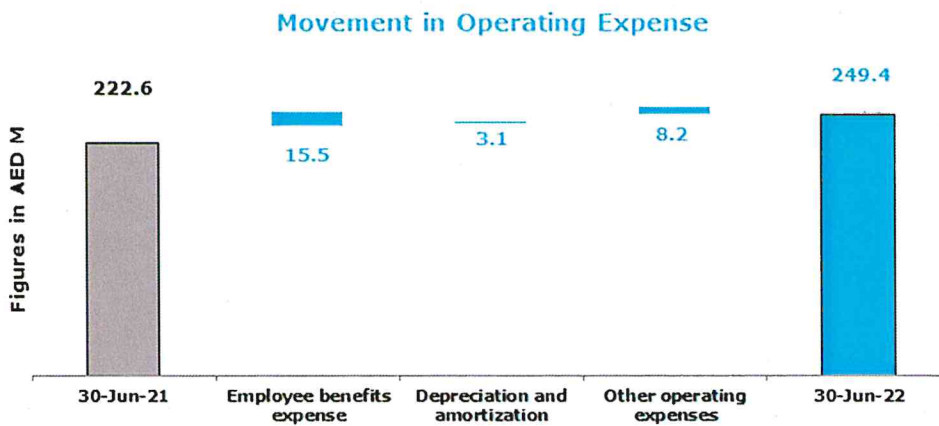
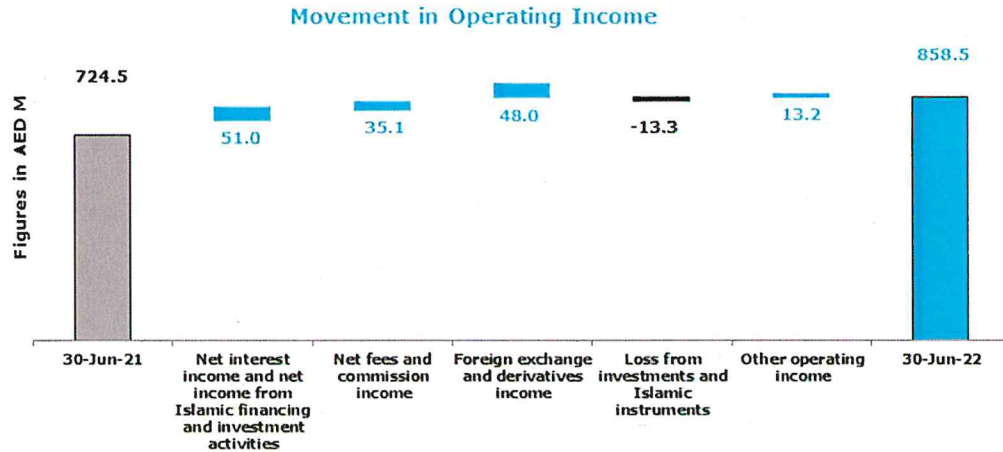
Net interest income and net income from Islamic financing and investment activities grew 10.9% to AED 520.1 million for the six month period ended 30 June 2022 compared to AED 469.1 million in the corresponding period of 2021. It was up 16.6% for the three month period ended 30 June 2022 compared to the corresponding period of 2021; and up 18.0% compared to Q1 2022. Net fees, commission and other income rose 29.0% to AED 214.5 million for the six month period ended 30 June 2022 compared to AED 166.2 million in the corresponding period of 2021. It was up 23.7% for the three month period ended 30 June 2022 compared to the corresponding period of 2021; and up 2.7% compared to Q1 2022. NBF posted record foreign exchange and derivatives income of AED 102.5 million for the six month period ended 30 June 2022, with an exceptional growth of 87.9% compared to AED 54.6 million in the corresponding period of 2021. It was up 134.4% for the three month period ended 30 June 2022 compared to the corresponding period of

بنك الفجيرة الوطني ش.م.ع. ص.ب. الفجيرة، الإمارات العربية المتحدة هاتف: 010001 ٦٠٠ للاتصال من خارج دولة الإمارات: ٨٤٠ ٧٨٩٩٩ +٩٧١ فاكس: ٧٩٩٣ ٩٢٢٢ +٩٧١ nbf.ae

National Bank of Fujairah PJSC PO Box 887, Fujairah, UAE Tel: 600 565551 Outside UAE: +971 450 78499 Fax: +971 9222 7992 nbf.ae

سجل تجاري رقم ٦٣. الفرع الرئيسي الفجيرة
Commercial Registration No 63, Head Office Fujairah

2021; and up 17.9% compared to Q1 2022. Income from investments and Islamic instruments stood at AED 21.3 million compared to AED 34.6 million in the corresponding period of 2021.



Operating expenses increased by 12.1%, reflecting NBF's investments in its businesses, systems, infrastructure and people. These investments include a set of digitalisation initiatives to enhance our focus on exceptional customer service through digital adoption and innovation. NBF's Cost-to-income ratio improved to 29.1% compared to 30.7% in the corresponding period of 2021, after achieving further productivity improvements. This provides ample headroom to continue investing in our technological capabilities.

Figures in AED M

- Loans and advances and Islamic financing receivables rose by 8.2% to reach AED 27.7 billion compared to AED 25.6 billion at 2021 year-end, up by 9.7% from 30 June 2021.
- Investments and Islamic instruments increased by 17.2% from AED 4.4 billion at 2021 year-end to AED 5.1 billion as at 30 June 2022, up by 5.4% from 30 June 2021 evidencing the deployment of a portion of excess liquidity towards the high quality investment book to augment shareholder value.
- Customer deposits and Islamic customer deposits stood at AED 31.8 billion slightly lower compared to AED 32.2 billion at 2021 year-end, while up 6.7% from 30 June 2021. Current and Saving Accounts (CASA) deposits increased by AED 509.5 million from 2021 year-end, a 3.3% increase to AED 15.9 billion as at 30 June 2022. CASA deposits improved to a record 50.0% of total customer deposits compared to 47.9% as at 31 December 2021 and 40.6% as at 30 June 2021 softening the impact pertaining to the cost of deposits.
- Total assets rose by 1.8% to reach AED 43.7 billion compared to AED 42.9 billion at 2021 year-end, up by 6.5% from 30 June 2021.

During the period, the surplus liquidity has been deployed to fund quality loans and investments book growth, while remaining well above the risk appetite and regulatory requirements. Cash and cash equivalents reduced by AED 4.5 billion compared to 30 June 2021, based on original contractual maturity in line with the accounting standards requirements. However, based on residual maturities, cash on hand, balances with the UAE Central Bank and due from banks, net of balances due to banks, are amounting to AED 1,406.5 million maturing within three months from 30 June 2022 (30 June 2021: AED 4,792.6 million maturing within three months from 30 June 2021).

بنك الفجيرة الوطني ش م ع ص ب MW، الفجيرة، الإمارات العربية المتحدة **هاتف:** 010001 7٠٠ للتواصل من خارج دولة الإمارات **فاكس:** +9٧1 8٥-٧٨٩٩ nbfae +9٧1 9٢٢٢ ٧٩٩٢
National Bank of Fujairah PJSC PO Box 887, Fujairah, UAE Tel: 600 565551 Outside UAE: +971 450 78499 Fax: +971 9222 7992 nbfae

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During the six month period ended 30 June 2022, NBF had incurred AED 41.2 million on capital expenditures relating to the additions of property and equipment and capital work-in-progress compared to AED 16.1 million compared to the corresponding period of 2021.

Key Performance Indicators

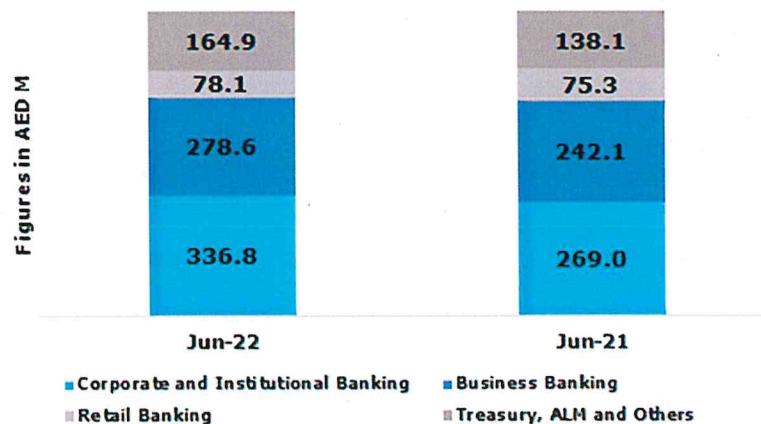
- Ample liquidity has been maintained with lending to stable resources ratios at 81.5% (2021: 76.5%) and eligible liquid assets ratio (ELAR) at 17.2% (2021: 26.2%), well ahead of Central Bank of UAE's minimum requirements.
- The capital adequacy ratio (CAR) stood at 18.3% (Tier 1 ratio of 17.2% and CET 1 ratio of 13.3%) compared to 19.1% (Tier 1 ratio of 18.0% and CET 1 ratio of 13.8%) at 2021 year-end. Capital adequacy 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 0.7%, up from 0.4% for the corresponding period in 2021.
- Return on average equity improved to 5.3%, up from 2.7% for the corresponding period.

Our Segmented Focus

NBF's business strategy continues to revolve around client relationships, which is 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 period ended 30 June 2022 was AED 615.4 million, an increase of 20.4% compared to the corresponding period of 2021. Operating income from Retail Banking increased by 3.8%, and Treasury, ALM & others have increased by 19.4% compared to the corresponding period.

Segments' contribution to Operating Income



NBF Islamic recorded operating income of AED 68.2 million for the period compared to AED 65.5 million in Q2 2021. Net profit reached AED 86.6 million, up by 385.6% compared to net loss AED 30.3 million in the corresponding period.

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

The UAE economy has fared well. This is clearly as a result of the country's overall economic support measures, its achievement in containing the financial and economic challenges resulting from the COVID-19 fall-out, sustainable government spending, positive outlook for credit growth and the progress in business sentiment. NBF is strongly positioned to gain from the quality business opportunities presented through the positive market momentum.

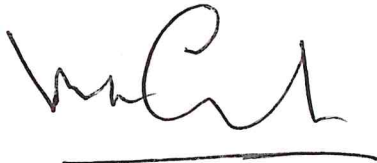
Supported by a sound balance sheet, strong capital adequacy and liquidity, NBF aims to carry this positive momentum for the future quarters of 2022 and beyond with the careful navigation of, carefully navigating the evolving operating environment.

Our aim is for NBF to continue to provide exceptional service levels through a digital enabled approach to its customers, to bring together the provision of personal help and assistance, as and when required, alongside increasing digital provision, invest in talent sustainability and innovation and uphold the highest standards of compliance and internal controls to ensure the effective execution of its business strategy.

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 two awards at the prestigious MEA Finance Banking Technology Awards 2022 for "Best Innovation in Trade Finance" and "Most Innovative Trading Platform" acknowledging the bank's strong trade finance and treasury capabilities.



Vince Cook
Chief Executive Officer



Adnan Anwar
Deputy Chief Executive Officer