

## Management Discussion and Analysis Report

### National Bank of Fujairah PJSC

For the three month period ended 31 March 2023

## National Bank of Fujairah PJSC (NBF) - Q1 2023 Results

**Net profit surges 151.8% reaching AED 152.0 million**

**NBF's solid financial performance is underpinned by quality core business growth, proactive asset and liability management, improvement in asset quality and strong capital adequacy**

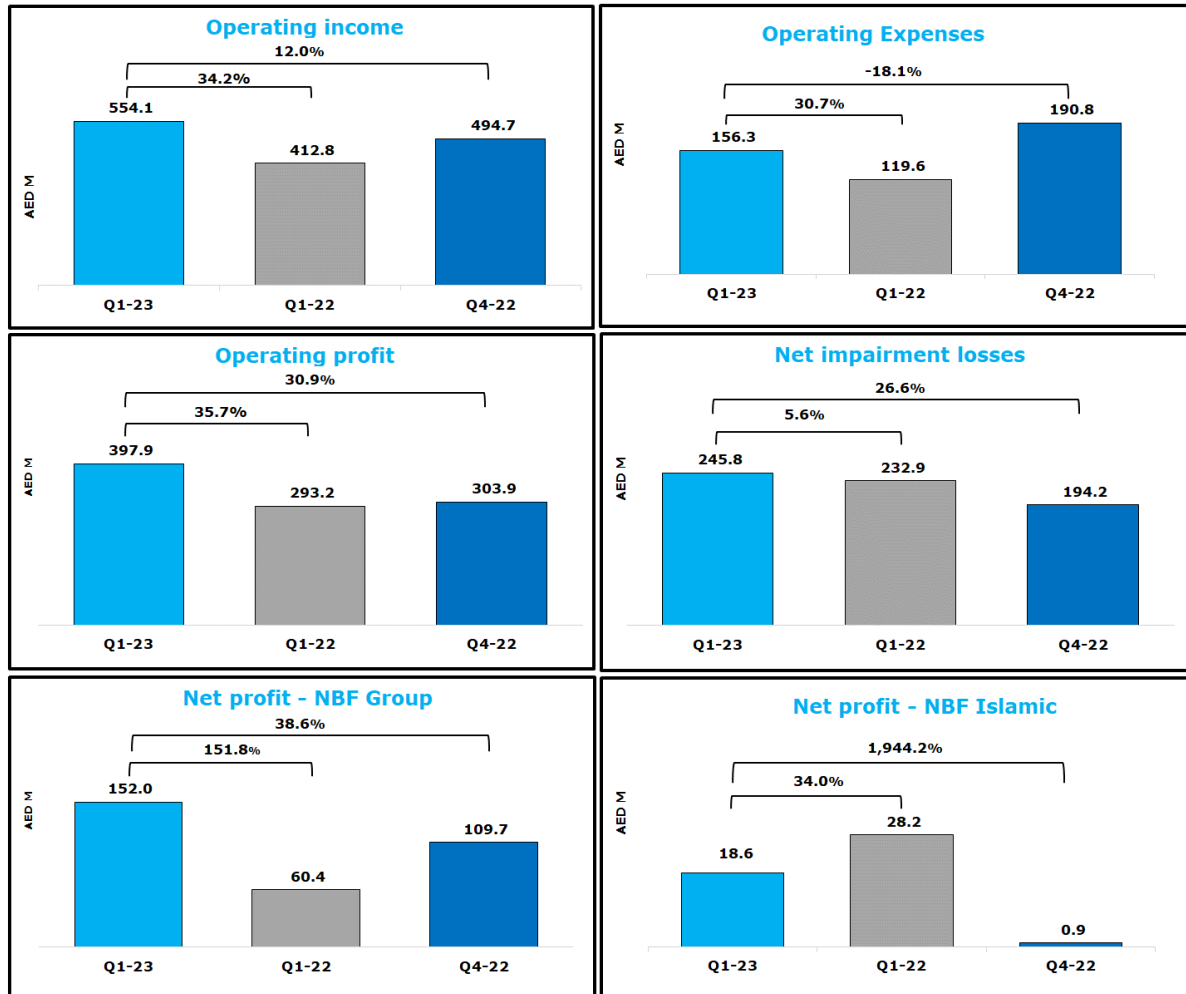
**26 April 2023:** NBF is pleased to announce its results today for the three month period ended 31 March 2023.

### Overview of Results and Operational Performance for the three month period ended 31 March 2023

NBF recorded year-on-year growth of 151.8% to close the three month period with a net profit of AED 152.0 million compared to AED 60.4 million in the corresponding period of 2022. This demonstrates the bank's enhanced focus on quality business, an efficient funding base and improving resilience facilitated by notable local growth despite the uncertain geopolitical conditions and global environment.

NBF maintained its policy of prudent and transparent recognition of problem accounts taking into consideration the new credit risk standards being introduced by the Central Bank of the UAE and the risk of global recession. NBF secured net impairment provisions of AED 245.8 million for the three month period ended 31 March 2023 compared to AED 232.9 million in the corresponding period of 2022. During the period, the bank's impairment reserve reduced by 1.8% to AED 165.1 million compared to AED 168.2 million as at 31 December 2022. Total provision coverage ratio improved to 110.2% compared to 101.5% as at 31 December 2022. The NPL ratio improved to 5.9% compared to 6.9% as at 31 December 2022 reflecting the improving quality of the credit portfolio and the progress made with a small number of exceptional exposures.

## Summary of profit and loss for the three month period ended 31 March 2023.

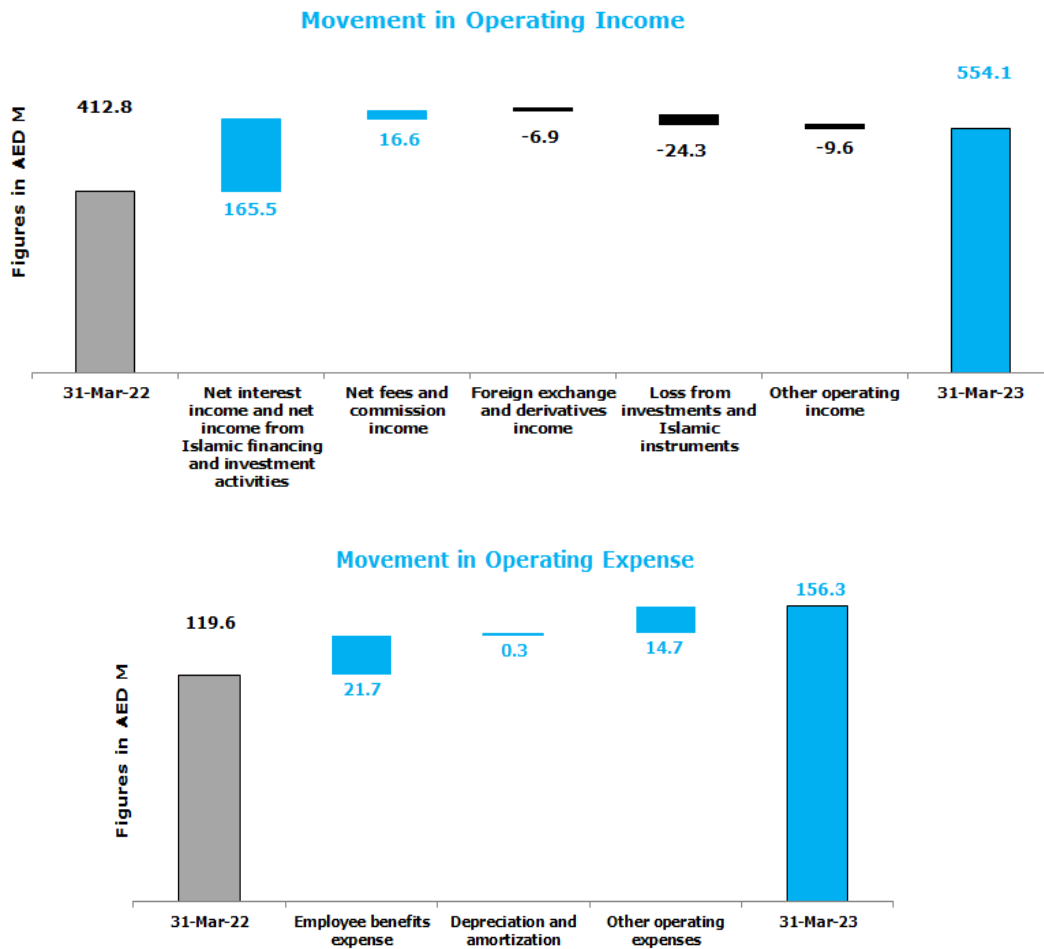


Supported by higher net interest, net income from Islamic financing and investment activities, and fees and commissions, NBF posted an operating profit of AED 397.9 million for the three month period, a rise of 35.7% compared to AED 293.2 million in the corresponding period of 2022 and up 30.9% quarter-on-quarter.

Operating income reached AED 554.1 million, up 34.2% compared to AED 412.8 million in the corresponding period of 2022 and up 12.0% compared to Q4 2022 reflecting the robust core business performance, good levels of activity and enhanced asset and liability management in a rising interest rate environment. Net interest income and net income from Islamic financing and investment activities, up 69.4% and net fees, commission and other income, up 6.6% compared to the corresponding period of 2022, reaching AED 404.1 million and AED 112.8 million respectively; and experienced a growth of 10.5% and 24.5% respectively compared to Q4 2022. Foreign exchange and derivatives income stood at AED 40.1 million compared to AED 47.1 million in the corresponding period of 2022 and up 3.3% compared to Q4 2022.

Loans and advances and Islamic financing receivables rose by 2.3% to reach AED 27.5 billion compared to AED 26.9 billion at 2022 year-end, up by 1.2% from 31 March 2022.

Investments and Islamic instruments increased by 12.7% to reach AED 7.2 billion compared to AED 6.3 billion at 2022 year-end, up by 97.1% from 31 March 2022 evidencing the deployment of a portion of liquidity towards a high-quality investment book offering good risk-to-return as well as access to market liquidity.



Operating expenses increased by 30.7%, reflecting NBF's investments in its businesses, systems, infrastructure and people. These investments include a set of digital initiatives to further enhance our focus on exceptional customer service through digital adoption and innovation. Nevertheless, NBF's cost-to-income ratio improved to 28.2% compared to 29.0% in the corresponding period of 2022. This provides ample headroom to continue investing in our technological capabilities and enhancing the customer experience going forward.

## Summary of financial position as at 31 March 2023

Figures in AED M

	MAR-2023	DEC-2022	Change %	MAR-23	MAR-22	Change %
Total Assets	47,529	47,624	-0.2%	47,529	42,616	11.5%
Loans and Advances and Islamic Financing Recievables	27,521	26,915	2.3%	27,521	27,206	1.2%
Customer Deposits and Islamic Customer Deposits	34,840	35,736	-2.5%	34,840	32,167	8.3%
Investments and Islamic instruments	7,156	6,350	12.7%	7,156	3,632	97.1%
Total Equity	6,017	5,850	2.8%	6,017	5,694	5.7%

Customer deposits and Islamic customer deposits stood at AED 34.8 billion compared to AED 35.7 billion at 2022 year-end, up by 8.3% from 31 March 2022. Current and Saving Accounts (CASA) deposits stood at 43.2% of total customer deposits softening the impact of increasing rates for fixed term products on deposit costs.

## Summary of the cash flows and capital expenditure during the three month ended 31 March 2023

During the period, surplus liquidity has been deployed to fund quality loans and investment book growth, while liquidity 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 3.6 billion in 31 March 2022. The decrease is mainly on account of a planned reduction in deposit balances and the utilization of liquidity through the increase in the investment and loans and advances growth.

During the three month period ended 31 March 2023, NBF had incurred AED 35.2 million in capital expenditure relating to the additions of property, equipment and intangibles compared to AED 21.7 million in the corresponding period.

## Key Performance Indicators

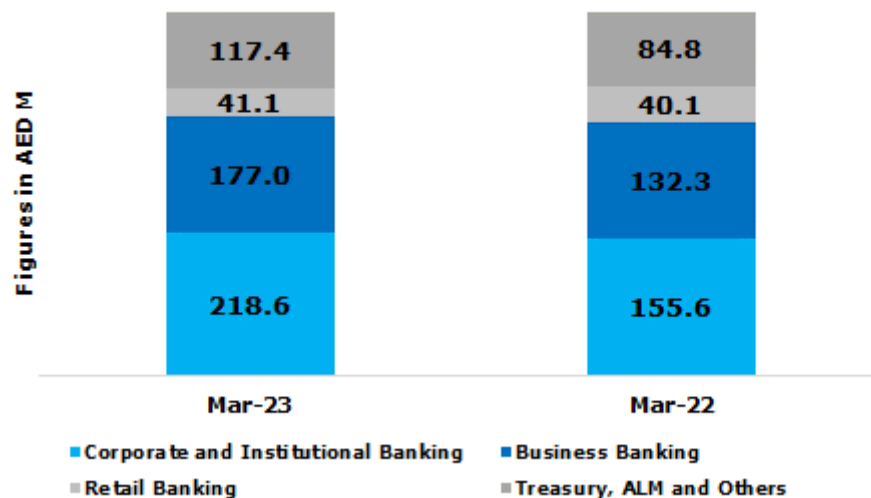
- Total assets remained stable at AED 47.5 billion compared to AED 47.6 billion at 2022 year-end, up by 11.5% from 31 March 2022.
- Ample liquidity has been maintained with lending to stable resources ratios at 75.1% (2022: 72.1%) and eligible liquid assets ratio (ELAR) at 22.8% (2022: 24.9%), well ahead of Central Bank of the UAE's minimum requirements.
- Return on average assets improved to 1.3%, up from 0.6% for the corresponding period.
- Return on average equity improved to 10.2%, up from 4.2% for the corresponding period.

## 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 three month period ended 31 March 2023 was AED 395.7 million, an increase of 37.4% compared to the corresponding period. Operating income from Retail Banking increased by 2.5%, and Treasury, ALM & others have increased by 38.4% compared to the corresponding period.

### Segments' contribution to Operating Income



Further, NBF Islamic recorded operating income of AED 37.7 million for the three month period ended 31 March 2023 compared to AED 32.3 million in the corresponding period.





NBF's performance has been very encouraging with a robust set of results for the first quarter supported by the relatively buoyant business environment and the government's commitment to diversifying the UAE's economy. NBF's staunch focus on quality growth in supporting our customer's business across all principal segments, improvement in asset quality and proactive management of investment portfolio enabled it to achieve a strong overall financial performance.

Despite the uncertain global landscape dominated by significant geopolitical developments, lingering inflationary pressures exacerbating growth concerns and the recent stress seen in the global financial system, the UAE has progressed well on the back of the government's efforts helped by significant hydrocarbon demand. This was evidenced by the UAE achieving an exceptional 7.9 per cent GDP growth in 2022; and it is anticipated to continue growing at a steady pace.

NBF is well positioned to gain from this growth and has built the platform for enhanced value creation aided by its robust capital and liquidity position, digitally enabled bank strategy for better servicing client needs, prudent risk and compliance management standards and a sound balance sheet.

NBF's environmental, social and governance [ESG] approach is in alignment with the sustainability vision of the country and enhanced efforts are being dedicated to benefit from the new opportunities that are arising in this space. We look forward to the NBF franchise continuing to perform with distinction throughout the course of the year and remain confident in its capabilities to navigate the uncertainties with poise and propel future growth.

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.

NBF has been given the Best Fraud & Risk Management Solutions award to recognize its efforts in implementing solutions to tackle online card fraud. The Bank was also recognized by JP Morgan for best-in-class straight through processing and awarded an Elite Quality Recognition Award for the years 2021 and 2022.



Brian M. Ward

**Brian Mulholland**  
**Chief Financial Officer**