

Management Discussion and Analysis Report

For the three month period ended 31 March 2019

National Bank of Fujairah PJSC (NBF) Q1 2019 net profit jumps 15% reaching AED 167.6 million

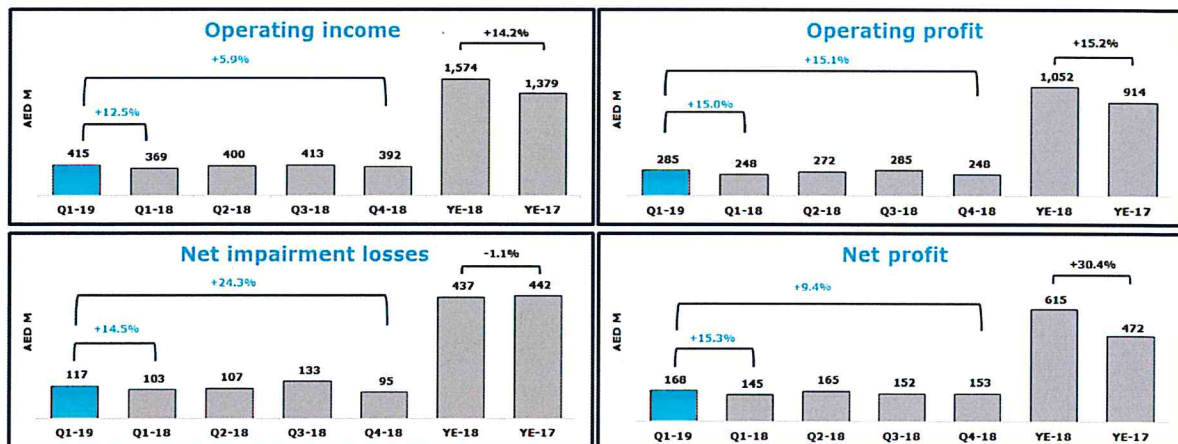
Underpinned by robust quality business growth and margins improvement, NBF's operating profit rose 15% to reach AED 285.1 million

01 May 2019: NBF is pleased to announce its results for the three month period ended 31 March 2019.

INCOME STATEMENT HIGHLIGHTS

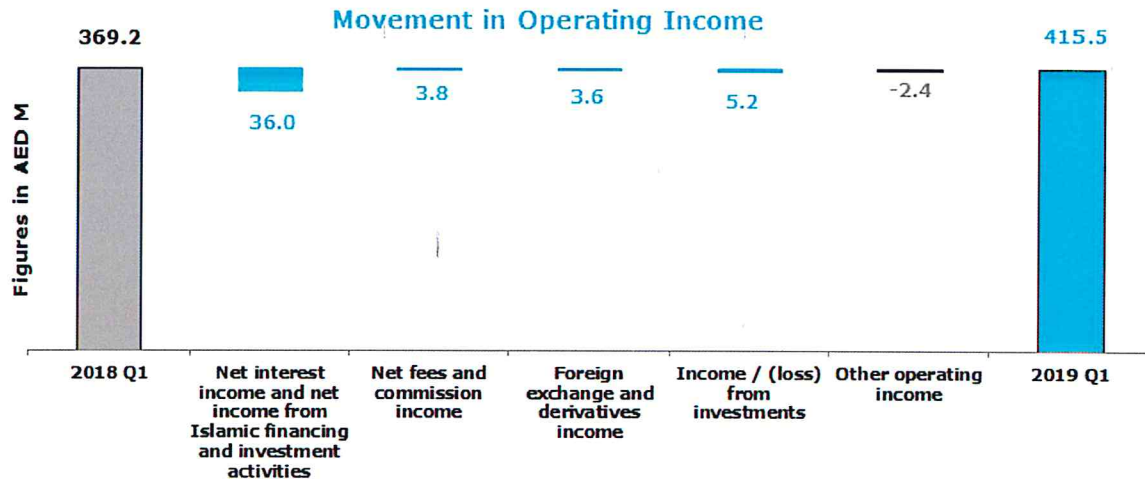
NBF recorded a year-on-year growth of 15.3% to close the three month period at a net profit of AED 167.6 million compared to AED 145.4 million in the corresponding period of 2018. This reflects a high level of resilience in the bank's core business and enhanced balance sheet management with the bank's focus on exceptional customer service.

Operating profit was AED 285.1 million for the three month period compared with AED 248.0 million in 2018; a rise of 15.0% demonstrating its continued focus on quality core business growth and profitability. The Bank's strong performance was also supported by disciplined cost management.

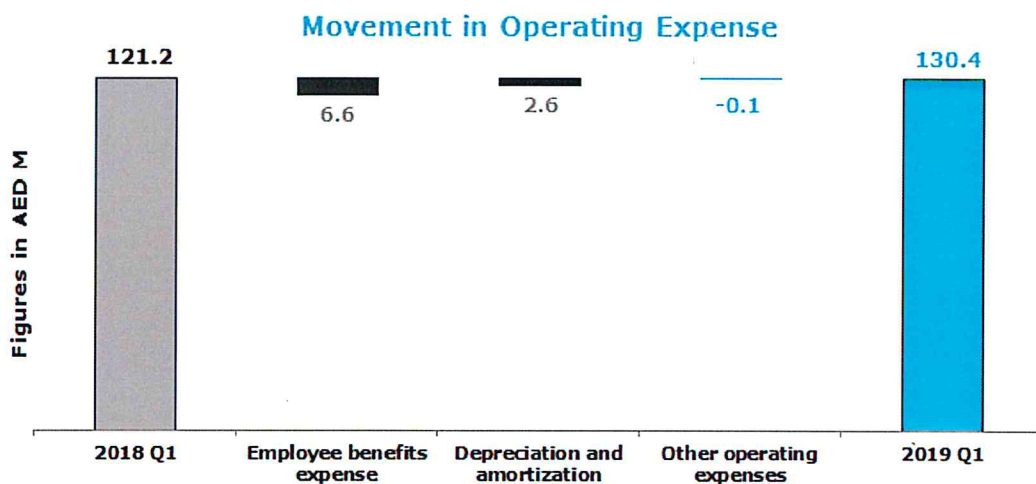


Performance Highlights

- Operating income at AED 415.5 million saw a growth of 12.5% compared to the corresponding period of 2018. Net interest income and net income from Islamic financing and investment activities experienced a growth of 14.7%.



- Net fees and commission income rose by 3.8 million compared to the corresponding period of 2018.
- Foreign exchange and derivatives income experienced a growth of 10.0% reaching AED 40.0 million for the three month period compared with AED 36.3 million in 2018.
- Income from investments and Islamic instruments marked a significant bounce back achieving 4.6 million income compared to the 0.6 million loss in corresponding period of 2018.



- Operating expenses increased by 7.6% while operating income increased by 12.5% improving cost-to-income ratio to 31.4% compared to 32.8% in the corresponding period of 2018.
- NBF recorded net impairment provisions of AED 117.5 million for the three month period compared to AED 102.6 million in 2018. Total provision coverage ratio (including impairment reserves) stood at 101.6% compared to 102.0% as at 31 December 2018. The NPL ratio was 5.17% compared to 5.13% as at 31 December 2018. Total

impairment reserves under the equity reduced from AED 266.4 million at 31 December 2018 to AED 221.8 million at 31 March 2019 and retained profit increased by AED 44.6 million, reducing the overall impact of impairment to equity to AED 72.8 million for the quarter.

STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

	MAR-19	DEC-18	Change %	MAR-'19	MAR-'18	QoQ
Total Assets	40,043	39,783	0.7%	40,043	36,605	9.4%
Loans and Advances and Islamic Financing Recievables	26,206	26,202	0.0%	26,206	25,210	4.0%
Customer Deposits and Islamic Customer Deposits	30,220	30,472	-0.8%	30,220	27,789	8.7%
Total Shareholders' Equity	5,176	5,122	1.1%	5,176	4,705	10.0%

- Loans and advances and Islamic financing receivables sustained at the year-end 2018 level of AED 26.2 billion, and up by 4.0% from 31 March 2018. This reflects bank's prudent balance sheet and credit risk management in the face of low economic activity in the market.
- Customer deposits and Islamic customer deposits stood at AED 30.2 billion compared to AED 30.5 billion at 2018 year end, and up by 8.7% from 31 March 2018.
- Assets touched AED 40.0 billion; a rise of 0.7% from AED 39.8 billion at 2018 year-end, and up by 9.4% from 31 March 2018.

KEY PERFORMANCE INDICATORS

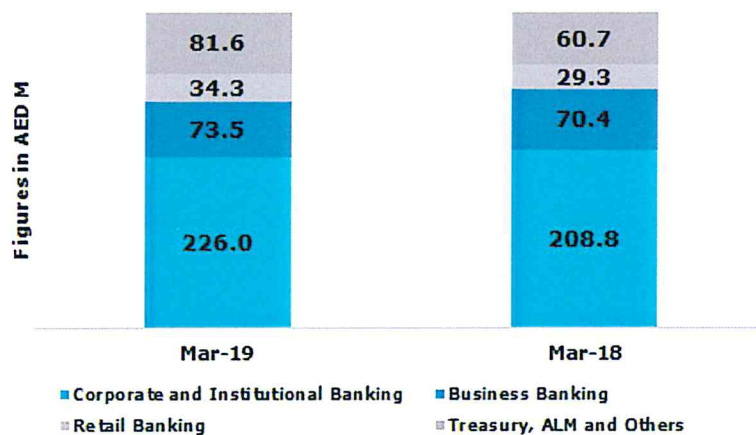
- Strong capital adequacy and lending to stable resources ratios were maintained at 15.9% (Tier 1 ratio of 14.7% and CET 1 ratio of 13.3%) and 87.1% respectively, well ahead of CBUAE minimum requirements. Further, eligible liquid assets ratio (ELAR) remains strong at 19.8%.
- Return on average assets improved to 1.7% from 1.6% in 2018 and cost to income ratio improved to 31.4 % from 32.8 % in 31 March 2018 while return on average equity rose to 13.0% from 12.1% in 2018.
- NBF rating was maintained at 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, highlighting the bank's underlying strength, resilience and prudent risk management.

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 three month period ended 31 March 2019 was AED 299.5 million, up 7.3% compared to the corresponding period of 2018. Operating income from retail banking has grown by 17.0%, while Treasury, ALM & others have increased by 34.4% compared to 31 March 2018. The overall growth reflects the Group's strategy of reliably supporting its quality customers and at the same time diversifying its sources of business.

Segment's contribution to Operating Income



AWARDS AND ACCOLADES

NBF swept multiple accolades at the Gulf Customer Experience Awards 2018 - Employee Engagement & Happiness, Employee Insights & HR Metrics, Overall Experience Award and Employee Empowerment (runner-up), awarded the 'Most Improved Branches Award' by Ethos Integrated Solutions based on their analysis of 2018 Customer Experience Benchmarking Index. NBF was also awarded at the Emirati Women's Conference organised by The Emirates Intellectual Property Society, for our commitment to empowering and supporting the success journeys of Emirati businesswomen through our Elham business segment, as the first bank in the UAE to dedicate such a focused partnership with Emirati women.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer