

Management Discussion and Analysis Report

For the period ended 31 March 2016

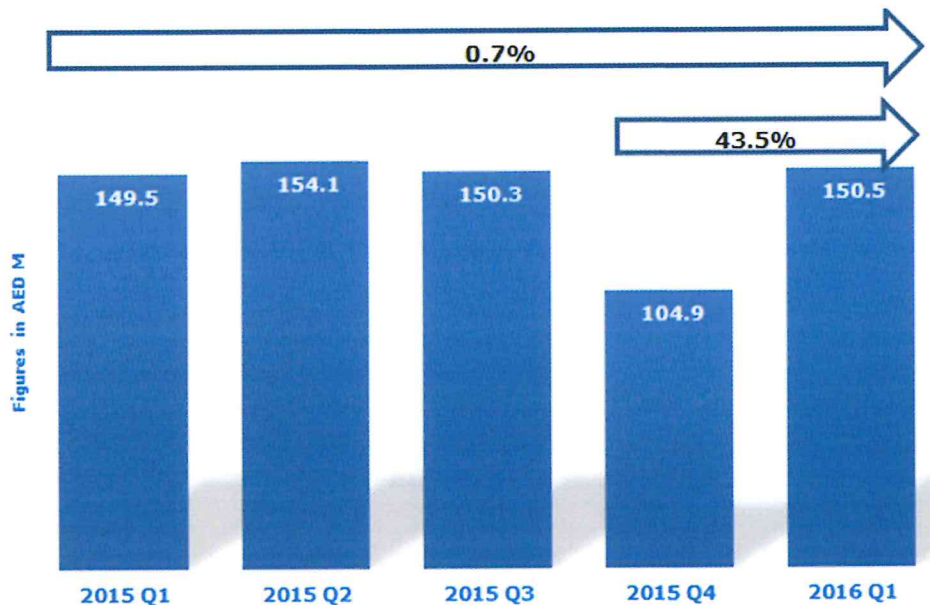
National Bank of Fujairah PJSC (NBF) operating profit jumps 18.5%, reflecting solid business growth and proactive asset and liability management.
Q1 2016 net profit 43.5% higher than Q4 2015, depicting a sound operating performance

27 April 2016: National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the three month period ended 31 March 2016.

INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") saw a strong operating profit growth of 18.5% to AED 223.1 million for the period ended 31 March 2016. Compared to 31 December 2015, customer financing was up 5.9% and customer deposits grew by 7.1% reflecting strength of core business and a robust financial position. The Bank's performance reflects the continuing focus on core business growth, proactive asset and liability management and disciplined cost management. Net profit was AED 150.5 million compared to AED 149.5 million in the corresponding period of 2015, depicting a growth of 0.7% year on year against an exceptionally strong Q1 in 2015 and significantly higher than the AED 104.9 million reported in Q4 2015.

Net Profit Progression



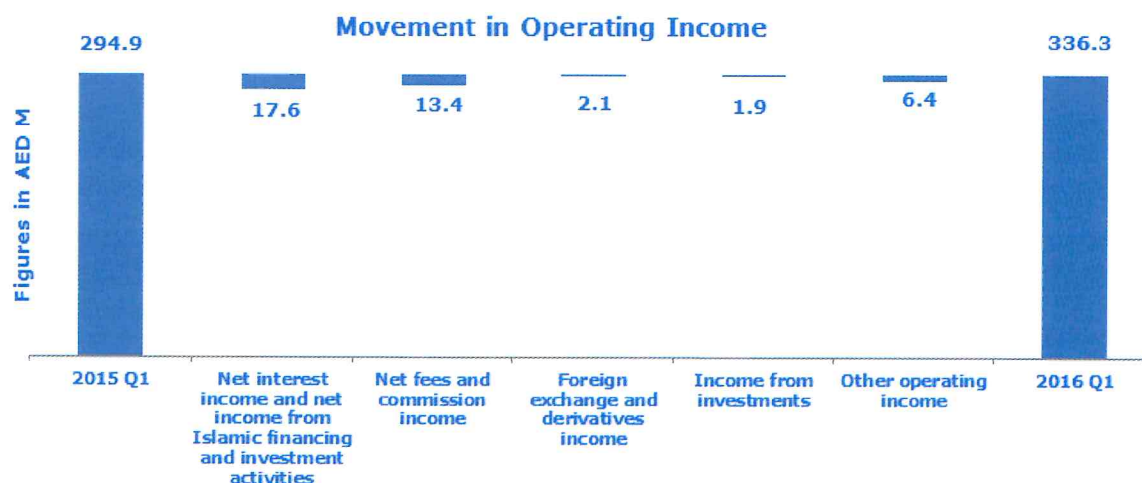
Performance Highlights

Figures in AED M

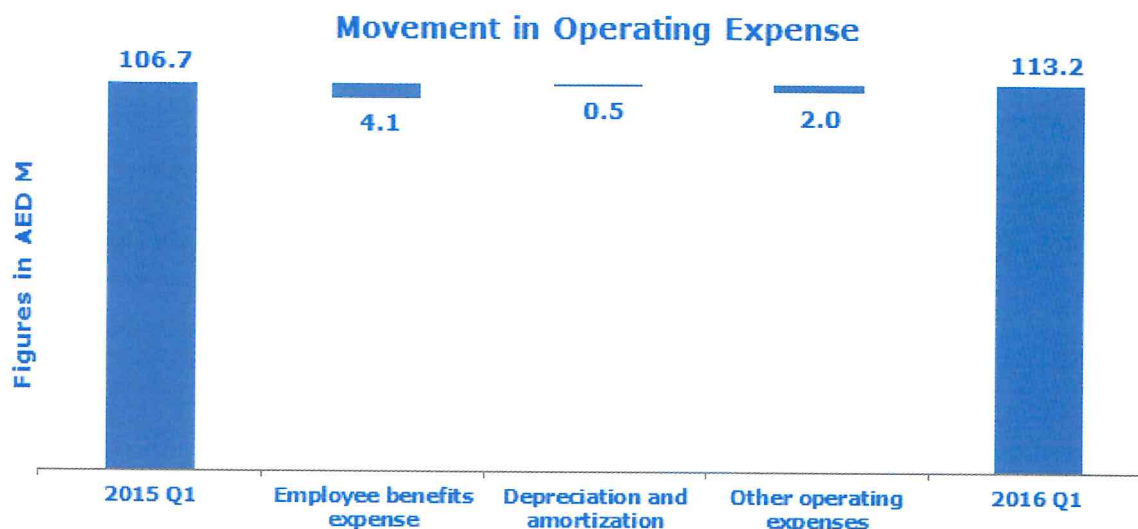
	Mar-16	Mar-15	YoY Change%	Q1'16	Q4'15	Q1'15	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	208	190	9.2%	208	200	190	3.9%	9.2%
Net non-interest income and net income from Islamic financing and investment activities	128	105	22.7%	128	99	105	29.8%	22.7%
Operating Income	336	295	14.0%	336	299	295	12.4%	14.0%
Operating Expense	-113	-107	6.2%	-113	-118	-107	-4.3%	6.2%
Operating Profit	223	188	18.5%	223	181	188	23.4%	18.5%
Provisions	-73	-39	86.9%	-73	-76	-39	-4.3%	86.9%
Net Profit for the Period	151	149	0.7%	151	105	149	43.5%	0.7%

Operating income experienced strong growth at 14.0% and the principal drivers were:

- Net interest income and net income from Islamic financing and investment activities grew by 9.2% compared to the same period last year, reflecting an increase in business volumes.
- Net non-interest income and net income from Islamic financing and investment activities reported 22.7% growth over the corresponding period last year. The growth in this space reaffirms the Bank's ongoing focus on the trade finance and advisory business. Foreign exchange and derivatives income marked a robust growth of 10.2% compared to the corresponding period of 2015.
- Income from investments was AED 2.6 million, an increase of 281.8% in fair value gain compared to the corresponding period of 2015.



- Operating profit was AED 223.1 million compared to AED 188.3 million in the corresponding period of 2015; a rise of 18.5%. Fee to income ratio improved to 38.2% compared to 35.5% in the corresponding period of 2015.
- Cost-to-income ratio improved to 33.7% from 36.2% (March 2015) in 2016 on the back of operational efficiencies and disciplined cost management. Operating expenses increased by 6.2%, reflecting on-going investment in NBF's business and service platforms and disciplined cost management.



- NBF continued with its prudent and transparent approach towards loan loss provisions. Net impairment losses were AED 72.6 million compared to AED 38.8 million in the corresponding period of 2015 and AED 75.8 million in Q4 2015.

STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS

Figures in AED M

	Mar-16	Mar-15	Change %	Mar-'16	Dec-'15	Mar-'15	QoQ	YTD
Total Assets	32,123	26,527	21.1%	32,123	30,033	26,527	7.0%	21.1%
Loans and Advances and Islamic Financing Receivables	20,846	17,710	17.7%	20,846	19,688	17,710	5.9%	17.7%
Customer Deposits and Islamic Customer Deposits	23,148	18,454	25.4%	23,148	21,613	18,454	7.1%	25.4%
Total Shareholders' Equity	4,309	3,915	10.1%	4,309	4,280	3,915	0.7%	10.1%

- NBF's total assets amounted to AED 32.1 billion as of 31 March 2016, which represents an increase of 7.0% over 31 December 2015.
- The Bank's net loan book increased by AED 1.2 billion compared to the end of the last year. Loans and advances and Islamic financing receivables of AED 20.8 billion were up by 5.9% from AED 19.7 billion at 2015 year end.

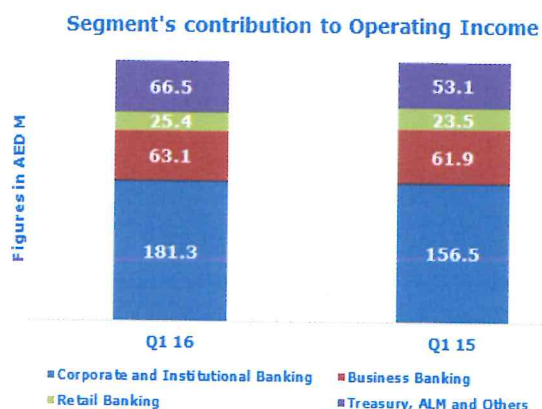
- Customer deposits and Islamic customer deposits of AED 23.1 billion were up by 7.1% from AED 21.6 billion at 2015 year end. Customer deposits and Islamic customer deposits funded 72.1% of total assets and loans to deposit ratio was 90.1%.
- Shareholders' equity went up by 0.7% to AED 4.30 billion compared to AED 4.28 billion at 2015 year end. The Board of Directors proposed bonus shares of 7.5% of share capital for the year ended 31 December 2015. This was approved by the shareholders at the Annual General Assembly Meeting held in March 2016.

KEY PERFORMANCE INDICATORS

- At NBF, long term success is measured through our profitability levels, and this focus is evident from the below ratios. The strong financial performance amid difficult operating environment helped the Bank to maintain its profitability ratios at healthy levels and further retained its ROAE, ROAA and Cost to Income ratios relative to industry levels.
- Following our bonus share issue, the CAR and Tier 1 Ratio are at healthy levels of 17.9% and 15.4%, respectively, for the period. These continue to be well above the UAE's prescribed minimum threshold for capital adequacy (12%) and Tier 1 capital (8%).
- Return on average assets was 1.9% and return on average equity was 14.0%.
- The NPL ratio was 4.8% compared to 4.7% as at 31 December 2015. Specific provision coverage ratio, however, improved to 64.5% from 59.7% in the corresponding period of 2015. Total provision coverage ratio was maintained at 107.3% as at 31 March 2016 compared to 107.7% as at 31 December 2015.
- Based on new liquidity guidelines from UAE Central Bank, our Eligible Liquid Assets Ratio (ELAR) stands at 22.0% above the requirement of 10%. The Bank is also in a comfortable position to abide by the new Basel III liquidity standard which are calculated and tracked on a daily basis to comply with regulations as they become applicable progressively.
- The lending to stable resources ratio (LSRR) of 85.7% remained well below the UAE Central Bank ceiling of 100%. The bank holds a high quality investment portfolio aggregating to AED 1.58 billion.

	Mar-16	Mar-15	Change (bps)	Mar-'16	Dec-'15	Mar-'15	QoQ Change (bps)	YTD Change (bps)
Return on Average Assets	1.9%	2.3%	-40	1.9%	2.1%	2.3%	-16	-40
Return on Average Equity	14.0%	16.4%	-241	14.0%	14.6%	16.4%	-60	-241
Cost to Income ratio	33.7%	36.2%	-250	33.7%	36.8%	36.2%	-312	-250
NPL ratio	4.8%	3.9%	89	4.8%	4.7%	3.9%	4	89
Provision Coverage Ratio	107.3%	133.1%	-2587	107.3%	107.7%	133.1%	-41	-2587
Lending to Stable Resources Ratio	85.7%	88.3%	-255	85.7%	88.7%	88.3%	-293	-255
Liquid Assets Ratio	26.0%	23.7%	234	26.0%	26.5%	23.7%	-48	234
Loans to Deposit Ratio	90.1%	96.0%	-591	90.1%	91.1%	96.0%	-104	-591
Tier 1 Ratio	15.4%	15.6%	-26	15.4%	15.7%	15.6%	-35	-26
Capital Adequacy Ratio	17.9%	18.4%	-46	17.9%	18.4%	18.4%	-43	-46

OUR SEGMENTED FOCUS



NBF's strategy continues to revolve around client relationships, which is reflected in the segmented approach adopted by the Bank to serve its customer needs with a dedicated focus.

This also helps in diversification and maintaining stable growth. The operating income from corporate and institutional banking customers (including Business banking) for the period was AED 244.5 million, up 11.9% over same period last year. Operating income for retail has grown 8.1% while Treasury, ALM & others have grown by 25.3% against same the period last year.

OPERATIONAL HIGHLIGHTS

- Moody's re-affirmed NBF's rating at Baa1 / Prime-2 for deposits and A3 for counterparty risk assessment with a stable outlook, highlighting the Bank's underlying strength, prudent risk management and resilience.
- NBF successfully upgraded its core banking system to further improve its service delivery across multiple channels.
- A whole new banking experience with NBF Direct App, NBF's first ever mobile banking solution, has been launched to customers; the offer of a simple, convenient and secure way to manage their finances.

- NBF website went through a makeover, as part of enhancing online banking channels and brand presence, to a more dynamic looking real-time information portal dedicated to investors.
- NBF made its presence felt at "Tawdheef", the Abu Dhabi career fair, the first of three in UAE this year underscoring the importance the Bank places towards engaging the country's youth and nurturing them for success.
- NBF continued its CSR activities with the International Women's Day celebrations bringing in awareness on the struggles and success of women everywhere and Runners Club growing in popularity.

AWARDS AND ACCOLADES

- NBF was voted "Best Customer Service (Corporate and Investment Banking)", "Best Cash Management", "Best Treasury Management" and "Best Corporate Advisory Service (NBF Capital)". This is the fifth consecutive year that NBF has enjoyed an uninterrupted lead at the BME Awards, with strong performances underlining the Bank's impressive track record in the UAE for innovation and service quality.
- NBF Capital won "Best Customer Experience Team" award at the inaugural Gulf Customer Experience Awards, an event based on the internationally-recognised model implemented by the UK Customer Experience Awards.
- NBF was recognised as the "Best Local Bank – UAE" at the EMEA Finance Middle East Banking Awards 2015.
- On top of the recent accolades, NBF has recently been ranked in the top 50 in Trends magazine's Top CEO Awards this year – another notable validation of the leadership of NBF.

The top 100 CEOs and their respective companies were selected from more than 700 publicly-listed organisations in the GCC, with the rankings determined from an analysis of factors ranging from the companies' financial statements to their corporate governance and disclosure practices.

With the Insead Business School, the Hawkamah Institute for Corporate Governance and Deloitte involved in the ranking process, the Top CEO Awards may very well be one of the most credible award platforms in the region.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer