

Management Discussion and Analysis Report

For the three month period ended 31 March 2018

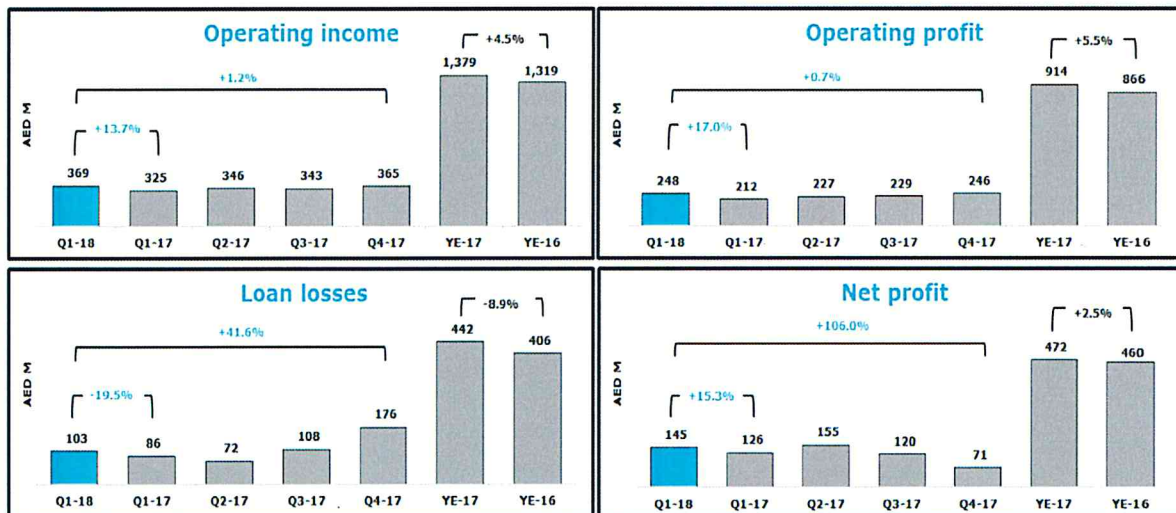
National Bank of Fujairah PJSC (NBF) – net profit jumps 15.3%, reflecting solid core business growth and proactive asset and liability management

25 April 2018: National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the three month period ended 31 March 2018.

INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") recorded a year on year growth of 15.3% to close the three month period at a net profit of AED 145.4 million compared to AED 126.1 million in the corresponding period of 2017. Compared to December 2017, customer financing was up 4.8% reflecting the strength of the 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 Progression



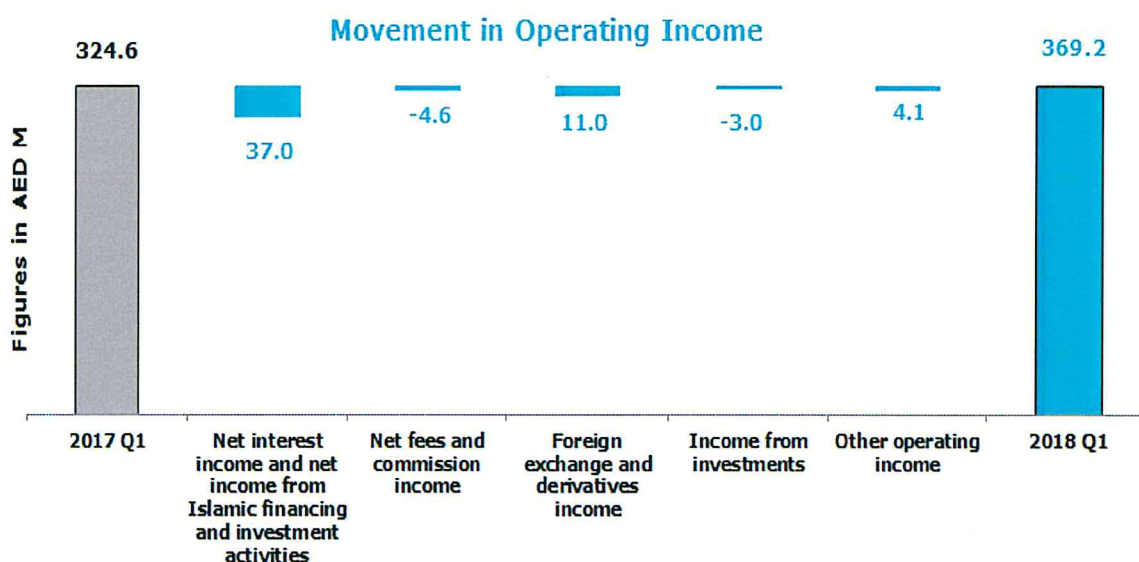
Performance Highlights

- Operating income at AED 369.2 million saw a growth of 13.7% compared to corresponding period of 2017 to mark the record quarterly operating income for the Bank. This was achieved by continuing growth in core business and enhanced balance sheet management in a rising interest rate environment, efficient management of liquidity and effective pricing strategies that helped in improving margins and return on capital.
- Foreign exchange and derivatives income experienced a remarkable growth of 43.6% at AED 36.3 million for the three month period compared with AED 25.2 million in 2017.

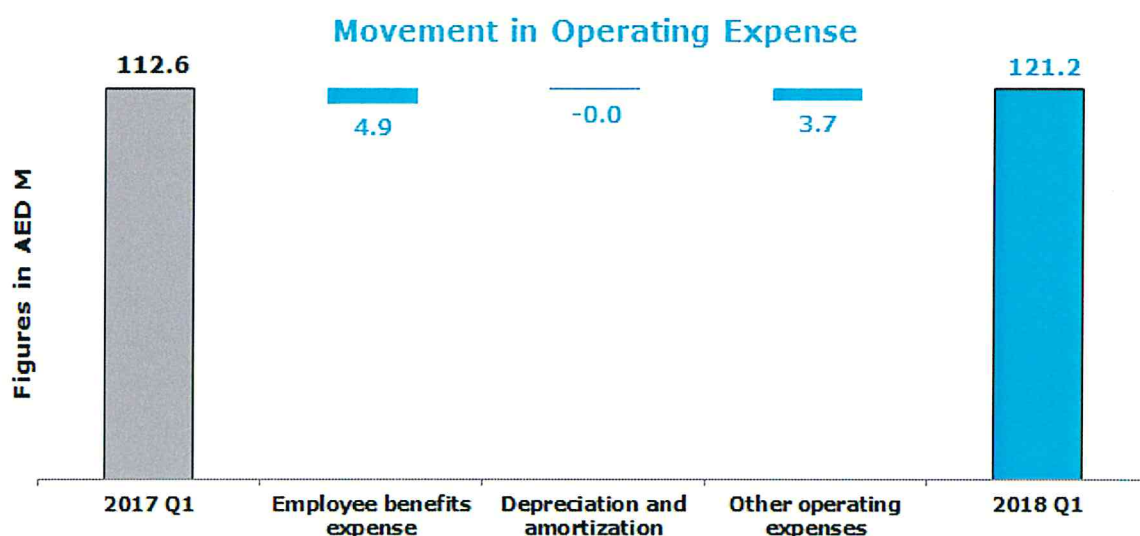
- Net interest income and net income from Islamic financing and investment activities for the first quarter grew by 17.8% to AED 244.3 million compared to Q1 2017.

Figures in AED M

	MAR-18	MAR-17	YoY Change%	Q1'18	Q4'17	Q1'17	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	244	207	17.8%	244	244	207	0.0%	17.8%
Net non-interest income and net income from Islamic financing and investment activities	125	117	6.5%	125	121	117	3.5%	6.5%
Operating income	369	325	13.7%	369	365	325	1.2%	13.7%
Operating expense	-121	-113	-7.6%	-121	-119	-113	-2.1%	-7.6%
Operating profit	248	212	17.0%	248	246	212	0.7%	17.0%
Provisions	-103	-86	-19.5%	-103	-176	-86	41.6%	-19.5%
Net profit for the period	145	126	15.3%	145	71	126	106.0%	15.3%



- Operating profit was AED 248.0 million for the three month period compared to AED 212.0 million in the corresponding period of 2017; a rise of 17.0% demonstrating its continued focus on quality core business growth and profitability.



- Operating expenses increased by 7.6%, reflecting NBF's disciplined cost management, prudent investments in our businesses, systems and infrastructure, including a set of digital initiatives to enhance our future offerings and customer service. Cost-to-income ratio stood at 32.8% compared to 34.7% in the corresponding period of 2017.
- NBF's prudent provisioning policy resulted in net impairment losses of AED 102.6 million for the three month period compared to AED 85.9 million in the corresponding period of 2017. Net impairment losses include AED 72.6 million of specific provisions and AED 30 million of collective provisions. The NPL ratio was 5.50% compared to 5.53% as at 31 December 2017. Total provision coverage ratio (including credit risk reserve) stood at 96.2% from 89.5% as at 31 December 2017.

STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

	MAR-18	MAR-17	Change %	MAR-'18	DEC-'17	MAR-'17	QoQ
Total Assets	36,605	35,801	2.2%	36,605	36,656	35,801	-0.1%
Loans and Advances and Islamic Financing Receivables	25,210	23,183	8.7%	25,210	24,066	23,183	4.8%
Customer Deposits and Islamic Customer Deposits	27,789	26,507	4.8%	27,789	27,865	26,507	-0.3%
Total Shareholders' Equity	4,705	4,579	2.8%	4,705	4,891	4,579	-3.8%

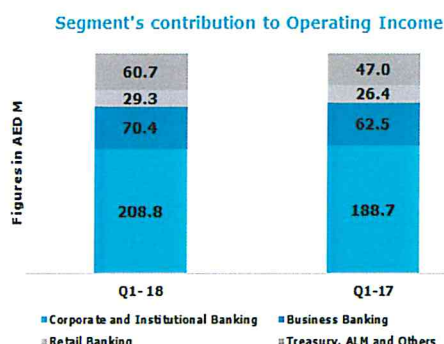
- NBF's total assets amounted to AED 36.6 billion as at 31 March 2018 (31 December 2017: AED 36.7 billion), a slight decrease from 31 December 2017.

- Loans and advances and Islamic financing receivables rose 4.8% from AED 24.1 billion at 2017 year end to AED 25.2 billion, and up by 8.7% from 31 March 2017. The growth compares well relative to the marginal increase in credit growth at the industry level, reported in December 2017 in the UAE Central Bank's statistics report.
- Customer deposits and Islamic customer deposits stood at AED 27.8 billion compared to AED 27.9 billion at 2017 year end, and up by 4.8% from 31 March 2017.
- Investments and Islamic instruments were up 23.6% compared to 2017 year end, representing 6.5% of total assets.
- Shareholders' equity stood at AED 4.7 billion compared to AED 4.9 billion at 2017 year end. The reduction from year end is on account of dividend and one-off IFRS 9 initial adoption adjustment offset by the profit for the quarter.

KEY PERFORMANCE INDICATORS

- Strong capital adequacy and lending to stable resources ratios were maintained at 16.7% (Tier 1 ratio of 14.3%) and 90.0% respectively, well ahead of Central Bank's minimum requirements. The Bank continues to maintain one of the highest eligible liquid assets ratio in the industry level at 19.9% (2017: 24.0%) and its Basel III net stable funding ratio stood at 103.4% compared to 107.1% in 31 December 2017, while its liquidity coverage ratio was 273.4% up from 270.0% in 31 December 2017.
- At the NBF's Annual General Meeting held on 18 March 2018, shareholders approved the conversion of additional tier 1 capital notes of AED 500 million into ordinary shares at a conversion factor of AED 2.85 per note and authorized the Board of Directors to seek all requisite regulatory approvals and execute the conversion. The regulatory approvals are in progress and the conversion would further augment the common equity tier 1 (CET 1) ratio. The shareholders also approved the increase in the ceiling of additional tier 1 capital by USD 500 million for planning the capital in line with the Bank's growth strategy.
- Return on average assets improved to 1.6% from 1.4% for the corresponding period in 2017 and return on average equity improved to 12.1% from 11.0% for the corresponding period in 2017.
- The lending to stable resources ratio (LSRR) of 90.0% remained well below the UAE Central Bank ceiling of 100%. The Bank holds an investment portfolio aggregating to AED 2.4 billion.

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 three months ended 31 March 2018 was AED 279.2 million, up 11.1% compared to the corresponding period of 2017. Operating income from retail banking has grown 11.0%, while Treasury, ALM & others have increased by 29.2% compared to the first quarter of 2017. The overall growth reflects the Group's strategy of reliably supporting its quality customers and at the same time diversifying its sources of business.

OPERATIONAL HIGHLIGHTS

- NBF secured good locations to relocate its Abu Dhabi and Musaffah branches which will be completed by Q2/ Q3 2018.
- NBF's 7th batch of qualified Emirati colleagues graduated the Career Advance Programme (CAP) have been promoted into their targeted roles.
- NBF also celebrated its first Corporate Social Responsibility (CSR) Day to build awareness of the key community building activities, partnering with Enable to involve employees in 'Adopt a plant' initiative.
- NBF concluded its landmark transaction of gold financing under new Sharia' gold standard, the first of its kind in the UAE.
- NBF's Emiratisation ratio stood at 41.7% compared to 42.4% as at 31 December 2017 in compliance with the regulations. The Bank significantly exceeded the Emiratisation targets emanating from the new scoring system introduced and has been acknowledged by CBUAE for its efforts and commitment in this respect.

AWARDS AND ACCOLADES

- NBF continues its winning momentum, claiming five accolades at the Bankers Middle East Awards 2018:
 - Best Customer Service - Corporate and Investment Banking
 - Best Treasury Management
 - Best SME Trade Finance Offering
 - Best Priority Banking Service
 - Best Emirati Ladies Proposition
- NBF has won the following awards at the HR Recognition Awards 2018, being acknowledged as one of the best in the region.
 - Winner of HR Team of the Year Award
 - Winner of Best Nationalization Program Award
 - Winner of Best Employee Experience Award



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer