

## Management Discussion and Analysis Report

For the period ended 30 June 2016

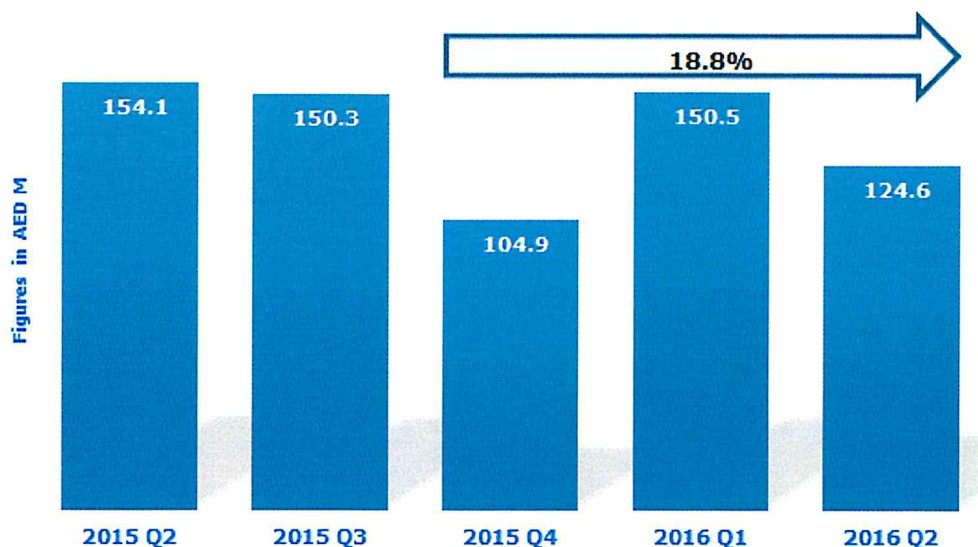
**National Bank of Fujairah PJSC (NBF) operating profit jumps 10.1%, reflecting solid business growth and proactive asset and liability management.**

**20 July 2016:** National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the six month period ended 30 June 2016.

### INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") saw an operating profit growth of 10.1% to AED 429.8 million for the period ended 30 June 2016. Compared to 30 June 2015, customer financing was up by 14.6% and customer deposits and Islamic customer deposits increased by 16.2% reflecting strength of core business. 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 275.1 million compared to AED 303.6 million in the corresponding period of 2015, depicting a decline of 9.4% year-on-year against an exceptionally strong first half of 2015 and to secure prudent provisions in view of the credit stress in the market. During Q2 2016, NBF secured collective provision of AED 63.8 million.

### Net Profit Progression



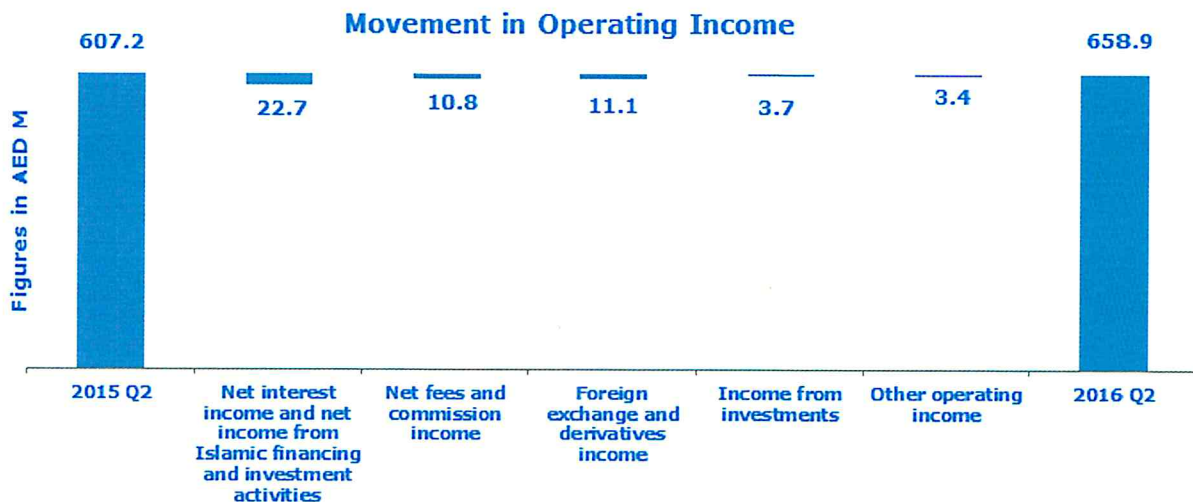
## Performance Highlights

Figures in AED M

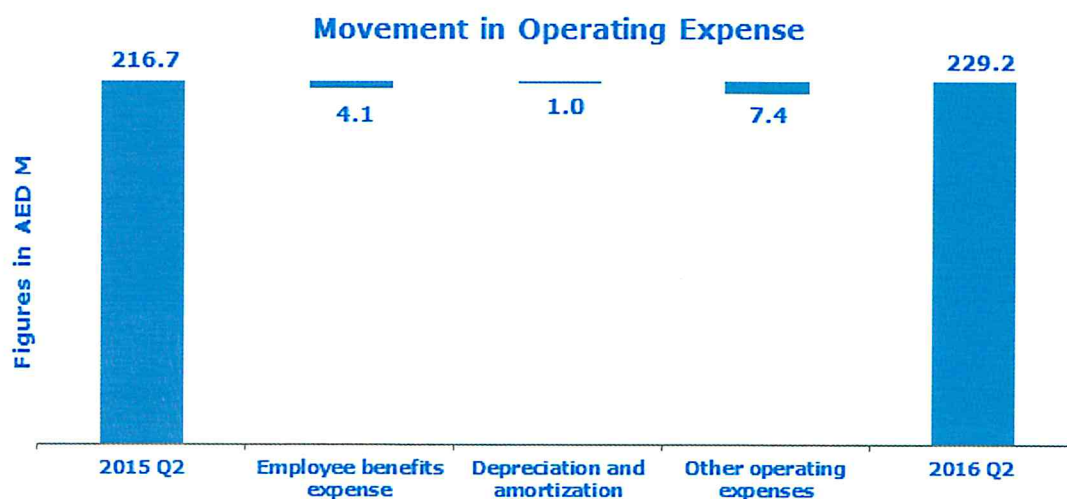
	Jun-16	Jun-15	YoY Change%	Q2'16	Q1'15	Q2'15	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	413	391	5.8%	205	208	200	-1.2%	2.6%
Net non-interest income and net income from Islamic financing and investment activities	246	217	13.4%	117	128	112	-8.7%	4.7%
Operating income	659	607	8.5%	323	336	312	-4.0%	3.3%
Operating expense	-229	-217	-5.8%	-116	-113	-110	-2.4%	-5.4%
Operating profit	430	390	10.1%	207	223	202	-7.3%	2.2%
Provisions	-155	-87	-77.9%	-82	-73	-48	-13.2%	-70.7%
Net profit for the period	275	304	-9.4%	125	151	154	-17.2%	-19.1%

Operating income experienced strong growth at 8.5% and the principal drivers were:

- Net interest income and net income from Islamic financing and investment activities grew by 5.8% 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 13.4% 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 26.7% compared to the corresponding period of 2015.
- Income from investments was AED 5.1 million, an increase of 254.2% in fair value gain compared to the corresponding period of 2015.



- Operating profit was AED 429.8 million compared to AED 390.5 million in the corresponding period of 2015; a rise of 10.1%. Fee to income ratio improved to 37.3% compared to 35.7% in the corresponding period of 2015.
- Cost-to-income ratio improved to 34.8% against 30 June 2015 ratio of 35.7% on the back of operational and cost efficiencies. Operating expenses increased by 5.8% compared to corresponding period in 2015, reflecting on-going investment in NBF's business and service platforms and disciplined cost management.



- NBF continued its prudent and transparent approach towards loan loss provisions in response to a noticeable slowdown in the operating environment and rising levels of credit stress experienced during the period. Net impairment losses were AED 154.7 million compared to AED 86.9 million in the corresponding period of 2015.

## STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS

Figures in AED M

	Jun-16	Jun-15	Change %	Jun-'16	Mar-'16	Jun-'15	QoQ	YTD
Total Assets	32,332	27,837	16.1%	32,332	32,123	27,837	0.7%	16.1%
Loans and Advances and Islamic Financing Recievables	21,122	18,427	14.6%	21,122	20,846	18,427	1.3%	14.6%
Customer Deposits and Islamic Customer Deposits	22,624	19,462	16.2%	22,624	23,148	19,462	-2.3%	16.2%
Total Shareholders' Equity	4,442	4,066	9.2%	4,442	4,309	4,066	3.1%	9.2%

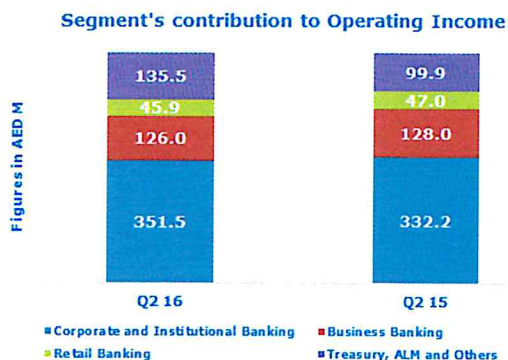
- NBF's total assets amounted to AED 32.3 billion as of 30 June 2016, which represents an increase of 0.7% over 31 March 2016 and 16.2% over 30 June 2015.

- Loans and advances and Islamic financing receivables of AED 21.1 billion were up by 7.3% from AED 19.7 billion at 2015 year end, and up by 14.6% from 30 June 2015 also the Bank's net loan book increased by AED 1.4 billion compared to the end of last year.
- Customer deposits and Islamic customer deposits of AED 22.6 billion were up by 4.7% from AED 21.6 billion at 2015 year end, and up by 16.2% from 30 June 2015. Customer deposits and Islamic customer deposits funded 70% of total assets and loans to deposit ratio was 93.4%.
- Shareholders' equity of AED 4.4 billion was up by 3.8% from 2015 year end, and up by 9.2% from 30 June 2015.

#### 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 operating performance amid difficult operating environment helped the Bank to secure prudent provision levels and maintain its profitability ratios at healthy levels and further retained its ROAE, ROAA and Cost to Income ratios relative to industry levels.
- Following its bonus share issue, the Bank's CAR and Tier 1 ratios 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 1.8% and return on average equity was 12.6%.
- Net impairment losses were AED 154.7 million compared to AED 86.9 million in the corresponding period of 2015. The NPL ratio was 4.76% compared to 4.72% as at 31 December 2015. Specific provision coverage ratio, however, improved to 64.9% from 63.8% in the year end of 2015. Total provision coverage ratio was also improved to 109.1% as at 30 June 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 21.7% 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 86.3% remained well below the UAE Central Bank ceiling of 100%. The bank holds an investment portfolio aggregating to AED 1.70 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 period was AED 477.6 million, up 3.8% over same period last year. Operating income for retail has dropped by 2.3% while Treasury, ALM & others have grown by 35.5% against same the period last year.

## OPERATIONAL HIGHLIGHTS

- 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.
- NBF Corporate Day was enhanced to a Knowledge Event - NBF Knowledge Series 2016 this year. This three-day thought leadership and client networking event wherein industry experts were invited to share insights on a variety of topical issues with our C&IB customers from Abu Dhabi, Dubai and Fujairah, focused on the impact of regulatory developments such as the new Commercial Companies Law and the upcoming implementation of Value Added Tax (VAT) to trending topics such as cyber security and global trade trends.

## AWARDS AND ACCOLADES

- NBF surpassed itself when the Bank was voted "Best Corporate Bank UAE" and "Best Commercial Bank UAE" at this year's Banker Middle East Industry Awards. This latest victory at the BME Awards marks the second year that NBF has retained the best local corporate bank trophy, and more impressively, defended its best domestic commercial bank title for five years in a row. Such market endorsements serve to reaffirm our strategic business focus and the strong support that we are privileged to receive from our clients over the years.
- The Bank is also now ranked among the High Performing Companies of the Korn Ferry Hay Group, ahead of GCC peers, an achievement that only two other businesses across the Middle East can claim.
- NBF won 'HR Team of the Year' award at the MENA HR Excellence Awards 2016, reflecting our commitment to excellence in developing our human capital capabilities.



**Vince Cook**  
Chief Executive Officer



**Adnan Anwar**  
Chief Financial Officer