

Management Discussion and Analysis Report

For the period ended 30 September 2016

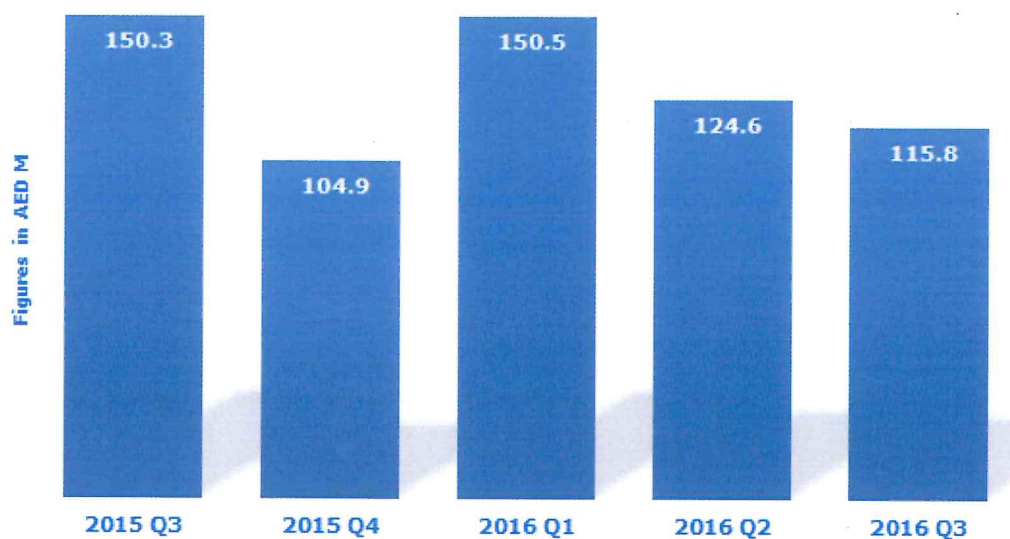
National Bank of Fujairah PJSC (NBF) operating profit jumps 8.2%, reflecting continued focus on quality core business growth and agile operating platform

26 October 2016: National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the nine month period ended 30 September 2016.

INCOME STATEMENT HIGHLIGHTS

National Bank of Fujairah PJSC ("NBF") saw an operating profit growth of 8.2% to AED 634.2 million for the period ended 30 September 2016. Compared to 30 September 2015, customer financing was up by 12.8% and customer deposits and Islamic customer deposits increased by 14.2% reflecting the underlying strength to achieve the balanced growth. 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 390.9 million compared to AED 453.8 million in the corresponding period of 2015, depicting a decline of 13.9% year-on-year against an exceptionally strong nine months of 2015 and to secure prudent provisions in view of the credit stress in the market. During Q3 2016, NBF secured collective provision of AED 76.3 million.

Net Profit Progression



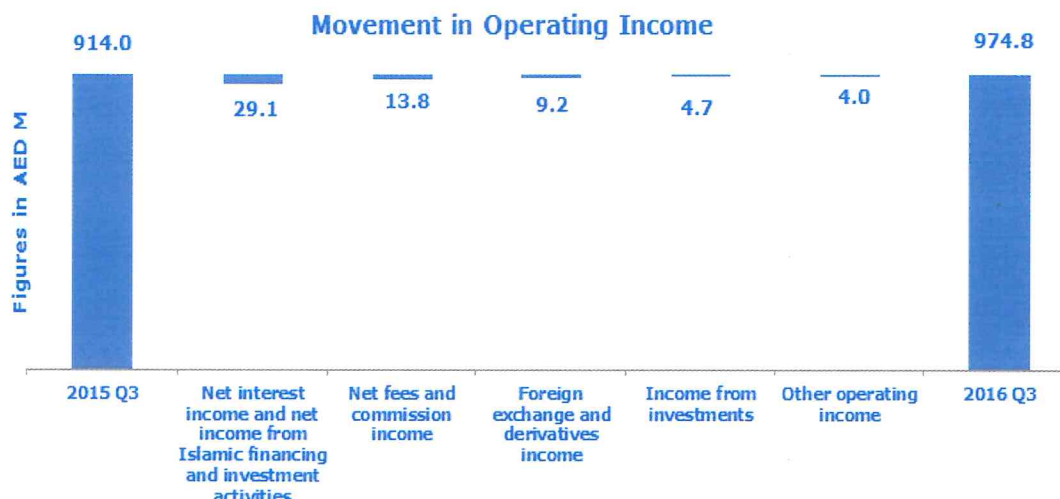
Performance Highlights

Figures in AED M

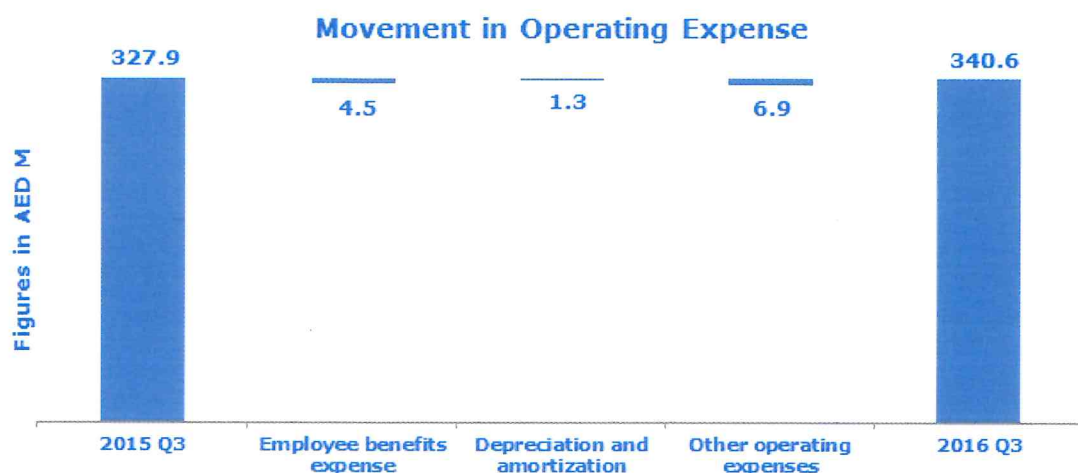
	Sep-16	Sep-15	YoY Change%	Q3'16	Q2'16	Q3'15	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	630	601	4.8%	217	205	211	5.6%	3.0%
Net non-interest income and net income from Islamic financing and investment activities	345	313	10.1%	99	117	96	-15.5%	2.8%
Operating income	975	914	6.7%	316	323	307	-2.1%	2.9%
Operating expense	-341	-328	-3.9%	-111	-116	-111	3.8%	-0.2%
Operating profit	634	586	8.2%	204	207	196	-1.1%	4.5%
Provisions	-243	-132	-83.9%	-89	-82	-45	-7.8%	-95.4%
Net profit for the period	391	454	-13.9%	116	125	150	-7.0%	-22.9%

Operating income experienced good growth of 6.7% and the principal drivers were:

- Net interest income and net income from Islamic financing and investment activities grew by 4.8% 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 10.1% 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 13.7% compared to the corresponding period of 2015.
- Income from investments was AED 7.1 million, an increase of 195% in fair value gain compared to the corresponding period of 2015.



- Operating profit was AED 634.2 million compared to AED 586.1 million in the corresponding period of 2015; a rise of 8.2%. Fee to income ratio improved to 35.4% compared to 34.2% in the corresponding period of 2015.
- Cost-to-income ratio improved to 35.0% against 30 September 2015 ratio of 36.0% on the back of operational and cost efficiencies. Operating expenses increased by 3.9% 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 243.2 million compared to AED 132.3 million in the corresponding period of 2015.

STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

	Sep-16	Sep-15	Change %	Sep-'16	Jun-'16	Sep-'15	QoQ	YTD
Total Assets	32,996	28,633	15.2%	32,996	32,332	28,633	2.1%	15.2%
Loans and Advances and Islamic Financing Recievables	21,898	19,417	12.8%	21,898	21,122	19,417	3.7%	12.8%
Customer Deposits and Islamic Customer Deposits	23,117	20,234	14.2%	23,117	22,624	20,234	2.2%	14.2%
Total Shareholders' Equity	4,524	4,179	8.3%	4,524	4,442	4,179	1.9%	8.3%

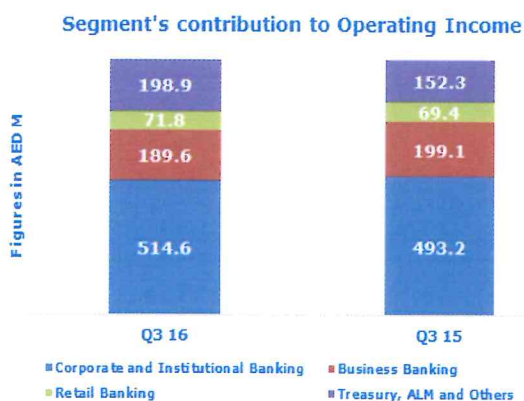
- NBF's total assets amounted to AED 33.0 billion as of 30 September 2016, which represents an increase of 9.9% over 2015 year end and 15.2% over 30 September 2015.
- Loans and advances and Islamic financing receivables of AED 21.9 billion were up by 11.2% from AED 19.7 billion at 2015 year end, and up by 12.8% from 30 September 2015.
- Customer deposits and Islamic customer deposits of AED 23.1 billion were up by 7.0% from AED 21.6 billion at 2015 year end, and up by 14.2% from 30 September 2015. Customer deposits and Islamic customer deposits funded 70.1% of total assets and loans to deposit ratio was 94.7%.
- Shareholders' equity of AED 4.5 billion was up by 5.7% from 2015 year end, and up by 8.3% from 30 September 2015.

KEY PERFORMANCE INDICATORS

- At NBF, long term success is measured through our profitability levels, and this focus is evident from our ratios. The strong operating performance amid difficult operating environment helped the Bank to secure prudent provision levels and maintain its profitability ratios at competitive 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 18.03% and 15.48%, 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 1.7% and return on average equity was 11.8%.

- Net impairment losses were AED 243.2 million compared to AED 132.3 million in the corresponding period of 2015. The NPL ratio was 4.77% compared to 4.72% as at 31 December 2015. Specific provision coverage ratio, however, improved to 67.5% from 63.8% in the year end of 2015. Total provision coverage ratio also improved to 111.6% as at 30 September 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 20.5% 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 88.4% 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 704.2 million, up 1.7% over same period last year. Operating income for Retail has increased by 3.5% while Treasury, ALM & others have grown by 30.6% against same the period last year.

OPERATIONAL HIGHLIGHTS

- NBF has been re-confirmed with a rating of 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.
- IFRS 9, the new accounting standard on 'Financial Instruments' implementation is in progress. KPMG has been engaged to review and support NBF in carrying out the impact assessment as required by Central Bank.

NBF continued to deliver strong operating results despite the challenging operating environment. Resilient performance is attributed to core business focus, prudent growth strategy and efficient operating model; while maintaining robust capital and liquidity positions. We are confident that the Bank is well positioned to continue its growth journey in the coming years and emerge much stronger from the current market conditions.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer