

Management Discussion and Analysis Report National Bank of Fujairah PJSC For the nine month period ended 30 September 2023

NBF's nine months net profit surges 122.5% to reach AED 513.2 million

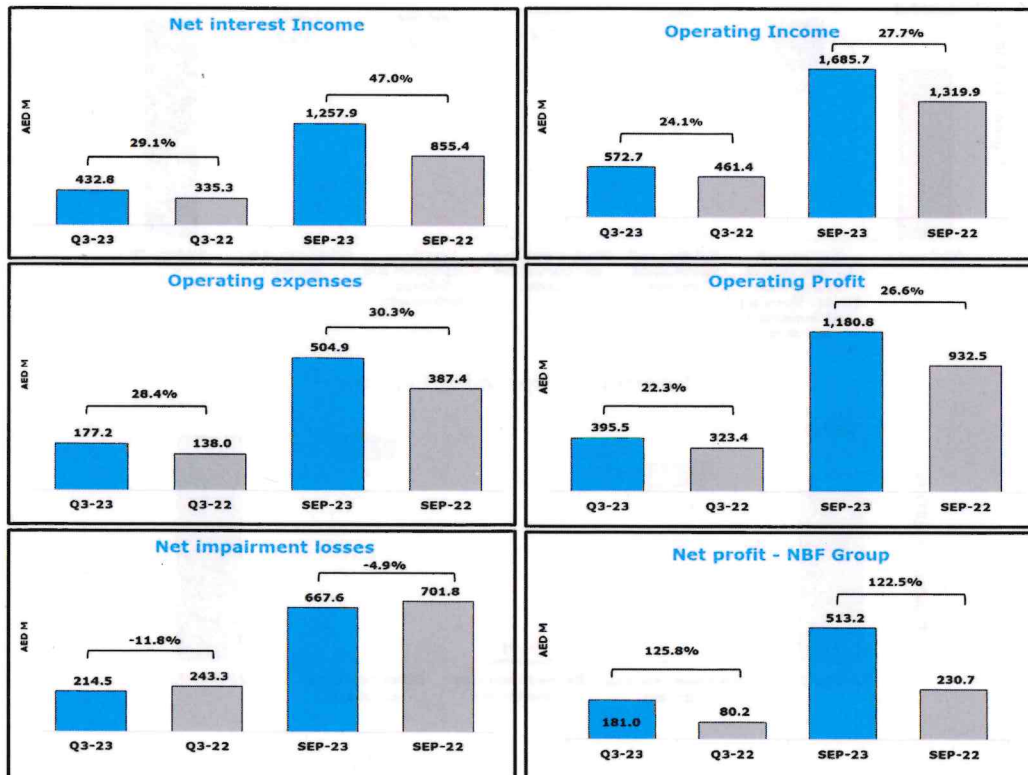
25 October 2023: NBF is pleased to announce its results today for the nine month period ended 30 September 2023.

Overview of Results and Operational Performance for the nine month period ended 30 September 2023

NBF recorded year-on-year growth of 122.5% to close the nine month period with a net profit of AED 513.2 million compared to AED 230.7 million in the corresponding period. On the back of a robust Q3 2023 performance, NBF posted a net profit of AED 181.0 million in the third quarter of 2023, a rise of 125.8% over the corresponding quarter, which reflects the bank's high level of resilience in its core business, an improvement in impairment provisions and the high interest rate environment.

Aided by higher net interest income and net income from Islamic financing and investment activities and fee income, NBF posted an operating profit of AED 1.2 billion for the nine month period, a substantial increase of 26.6% compared to AED 932.5 million in the corresponding period and up 22.3% for the three month period ended 30 September 2023 over the corresponding quarter.

Key profit and loss figures for the nine month period ended 30 September 2023



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سجل تجاري رقم ٦٣. الفرع الرئيسي الفجيرة
Commercial Registration No 63, Head Office Fujairah

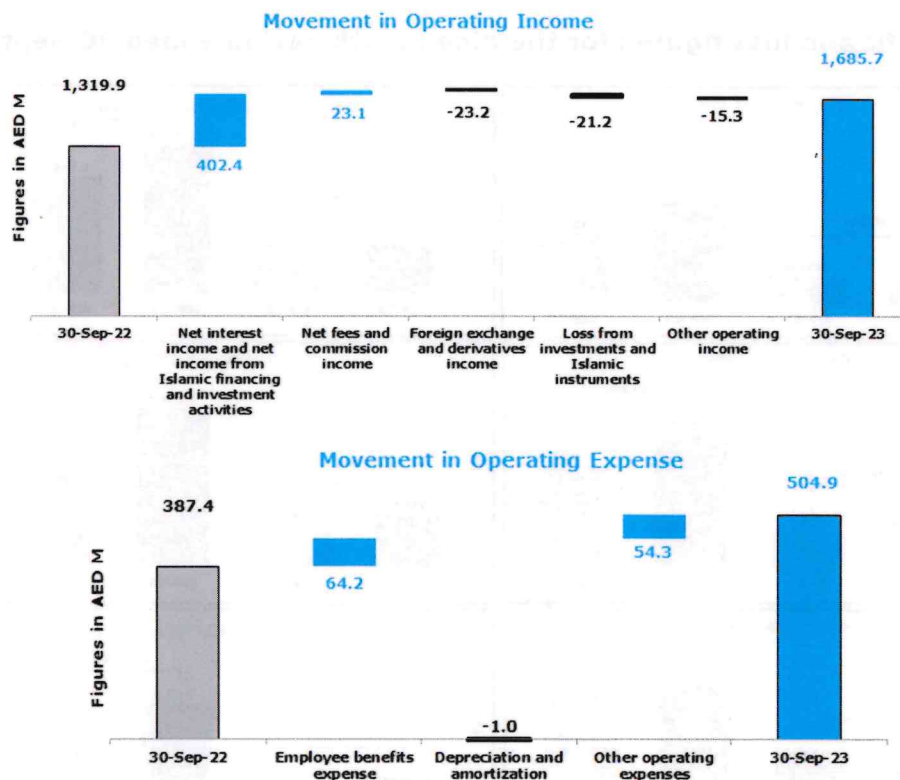
Operating income reached AED 1.7 billion for the nine month period ended 30 September 2023, up 27.7% compared to AED 1.3 billion in the corresponding period, reflecting the benefit from increasing interest rates and enhanced asset and liability management. Operating income growth of 24.1% was recorded for the three month period ended 30 September 2023 over the corresponding quarter.

Net interest income and net income from Islamic financing and investment activities grew 47.0% to AED 1.3 billion for the nine month period ended 30 September 2023 compared to AED 855.4 million in the corresponding period. It was up 29.1% for the three month period ended 30 September 2023 compared to the corresponding quarter.

Net fees, commission and other income grew 2.6% to AED 310.4 million for the nine month period ended 30 September 2023 compared to AED 302.7 million in the corresponding period.

Foreign exchange and derivatives income stood at AED 119.3 million for the nine month period ended 30 September 2023 compared to AED 142.5 million in the corresponding quarter.

Operating expenses increased by 30.3%, reflecting NBF's investments in its businesses, systems, infrastructure and people. These investments include a set of digital initiatives to further enhance the bank's focus on exceptional customer service through digital adoption and innovation. Further, the impact of inflation and growth in resources continued to affect our operating expenses. NBF's cost-to-income ratio stood at 30.0% compared to 29.4% in the corresponding period.



Summary of financial position as at 30 September 2023

Figures in AED M

| | SEP-2023 | DEC-2022 | Change % | SEP-23 | SEP-22 | Change % |
|--|----------|----------|----------|--------|--------|----------|
| Total Assets | 49,974 | 47,624 | 4.9% | 49,974 | 44,374 | 12.6% |
| Loans and Advances and Islamic Financing Receivables | 27,727 | 26,915 | 3.0% | 27,727 | 27,592 | 0.5% |
| Customer Deposits and Islamic Customer Deposits | 37,218 | 35,736 | 4.1% | 37,218 | 32,699 | 13.8% |
| Investments and Islamic instruments | 7,412 | 6,350 | 16.7% | 7,412 | 5,919 | 25.2% |
| Total Equity | 6,322 | 5,850 | 8.1% | 6,322 | 5,778 | 9.4% |

Loans and advances and Islamic financing receivables rose by 3.0% to reach AED 27.7 billion compared to AED 26.9 billion at 2022 year-end.

Customer deposits and Islamic customer deposits increased by 4.1% to reach AED 37.2 billion compared to AED 35.7 billion at 2022 year-end, and were up by 13.8% from 30 September 2022. Current and Saving Accounts (CASA) deposits stood at 40.7% of total customer deposits softening the impact of increasing rates for fixed term products on deposit costs.

Investments and Islamic instruments increased by 16.7% to reach AED 7.4 billion compared to AED 6.3 billion at 2022 year-end, up by 25.2% from 30 September 2022 evidencing the deployment of a portion of liquidity towards a high-quality investment book offering good risk-to-return as well as access to market liquidity.

Summary of the cash flows and capital expenditure during the nine month ended 30 September 2023

During the period, surplus liquidity has been deployed to fund quality loans and investment book growth, while liquidity balances remain well above the bank's risk appetite and regulatory requirements. Cash and cash equivalents amounted to AED 3.1 billion compared to AED 2.3 billion in 30 September 2022. The increase is mainly on account of Balances with the Central Bank of the UAE.

During the nine month period ended 30 September 2023, NBF had incurred AED 87.7 million in capital expenditure relating to the additions of property, equipment and intangibles compared to AED 58.6 million in the corresponding period.

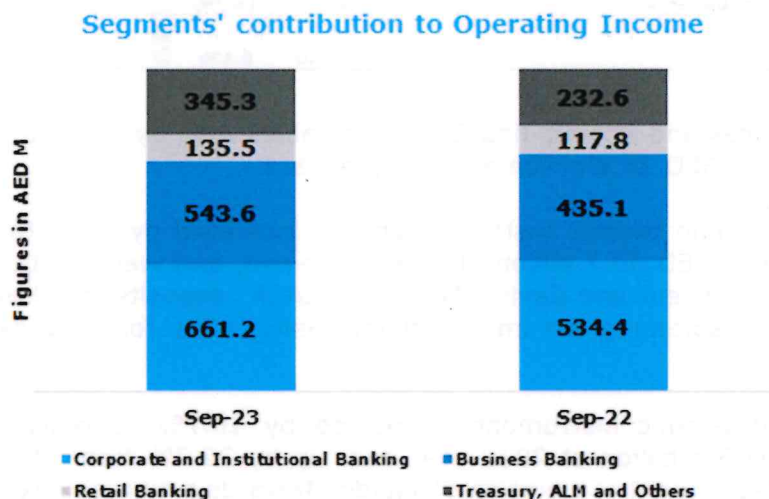
Key Performance Indicators

- Total assets rose by 4.9% to reach AED 50.0 billion compared to AED 47.6 billion at 2022 year-end, up by 12.6% from 30 September 2022.
- Ample liquidity has been maintained with lending to stable resources ratios at 70.4% (2022: 72.1%) and eligible liquid assets ratio (ELAR) at 26.1% (2022: 24.9%), well ahead of Central Bank of the UAE's minimum requirements.
- Return on average assets improved to 1.4%, up from 0.7% for the corresponding period.
- Return on average equity improved to 11.2%, up from 5.4% for the corresponding period.

Our Segmented Focus

NBF's business strategy continues to revolve around client relationships, supported by the segmented approach adopted by the bank to serve its customer needs. This also helps in building diversification and maintaining stable growth.

Operating income from Corporate and Institutional Banking and Business Banking customers for the nine month period ended 30 September 2023 was up by 23.7% and 25.0%, respectively, compared to the corresponding period. Operating income from Retail Banking increased by 15.1%, and Treasury, ALM & others have increased by 48.4% compared to the corresponding period.



Further, NBF Islamic recorded operating income of AED 111.0 million for the nine month period ended 30 September 2023 compared to AED 99.4 million in the corresponding period.

Expectation regarding the economy, sector and its impact on the Bank

NBF has delivered another very encouraging set of results demonstrating the on-going impact of our business strategy, resilience in our core business and sound improvement in asset quality. Good growth across our operating and net performance augurs well for the results of the full year and beyond, despite the numerous challenges in the global economy and the prevailing macroeconomic uncertainty.

Spurred by strong liquidity conditions underpinned by high oil prices, foreign capital inflows and strong growth in oil and non-oil sectors, the UAE's economic growth forecast has been revised for 2023 and 2024 to expand at 3.4 per cent and 3.7 per cent respectively.

Benefitting from this positive economic outlook, NBF is well placed through the strength of its diversified balance sheet for continued growth in the current interest rate cycle.

Looking ahead, NBF will continue to focus on opportunities to enhance value creation, diversify its revenue streams and progress the ongoing digital transformation to deliver exceptional customer service, whilst ensuring its risk management and compliance practices continue to adapt to meet the high expectations of its stakeholders.

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In parallel, the bank is developing its heightened focus on environmental, social and governance [ESG] activities which are vital to ensure the NBF franchise and the communities in which we do business have a sustainable future.

Shareholding and Rating

NBF's key shareholders include the Government of Fujairah, Easa Saleh Al Gurg LLC and Investment Corporation of Dubai. Rated 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. The bank is listed on the Abu Dhabi Securities Exchange under the symbol "NBF". It has a branch network of 14 across the UAE.



Vince Cook
Chief Executive Officer



Adnan Anwar
Deputy Chief Executive Officer



Brian Mulholland
Chief Financial Officer

