

## Management Discussion and Analysis Report

### National Bank of Fujairah PJSC

For the year ended 31 December 2021

**NBF's resilient and robust performance exhibited a substantial rebound to profitability**

**Strong capital adequacy, ample liquidity and sound improvement in asset quality enabled enhanced returns and strong recovery**

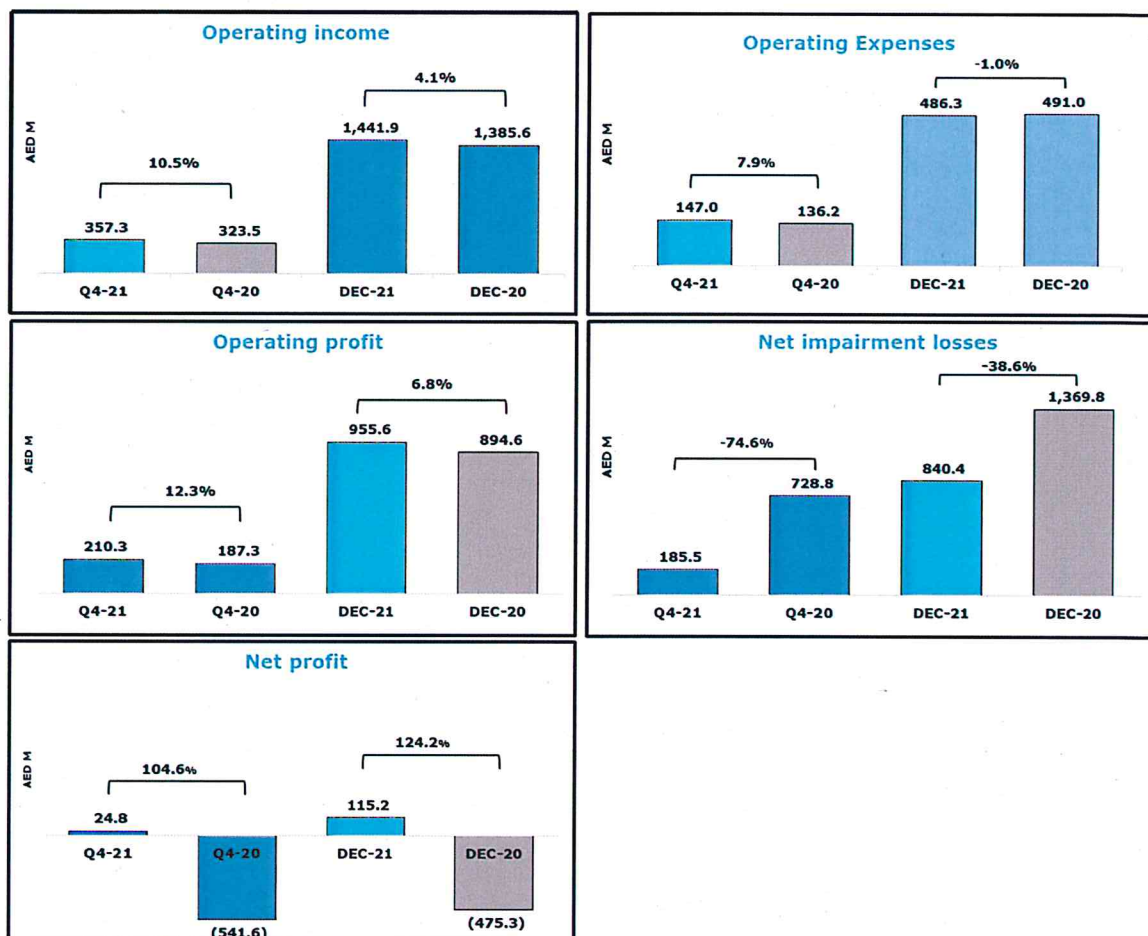
**25 January 2022:** NBF announces its results today for the year ended 31 December 2021 in accordance with the approval received from the Central Bank of the United Arab Emirates (CBUAE).

#### Overview of Results and Operational Performance for the year ended 31 December 2021

NBF achieved a net profit of AED 115.2 million for the year compared to a loss of AED 475.3 million in 2020 representing a growth driven by improving underlying business momentum and marked improvement in respect of impairment losses. The net profit was higher by 104.6% for the three month period ended 31 December 2021 compared to the corresponding period of 2020.

NBF maintained its policy of prudent and transparent recognition of problem accounts. The small number of exceptional group exposures that had been earmarked for resolution are progressing in line with the bank's recovery strategy. Net impairment provisions reduced by 38.6% to AED 840.4 million compared to AED 1.4 billion in 2020. During the year, the bank's impairment reserve reduced by AED 93.8 million to AED 189.7 million compared to AED 283.5 million as at 31 December 2020. Total provision coverage ratio (including impairment reserves) stood at 87.0% compared to 91.8% as at 31 December 2020. The NPL ratio improved to 9.8% compared to 10.1% as at 31 December 2020 and IFRS 9 stage 2 exposure improved to 6.1% from 12.2% as at 31 December 2020. Excluding the few exceptional group exposures, the NPL ratio would reduce to 5.5% (31 December 2020: 7.3%).

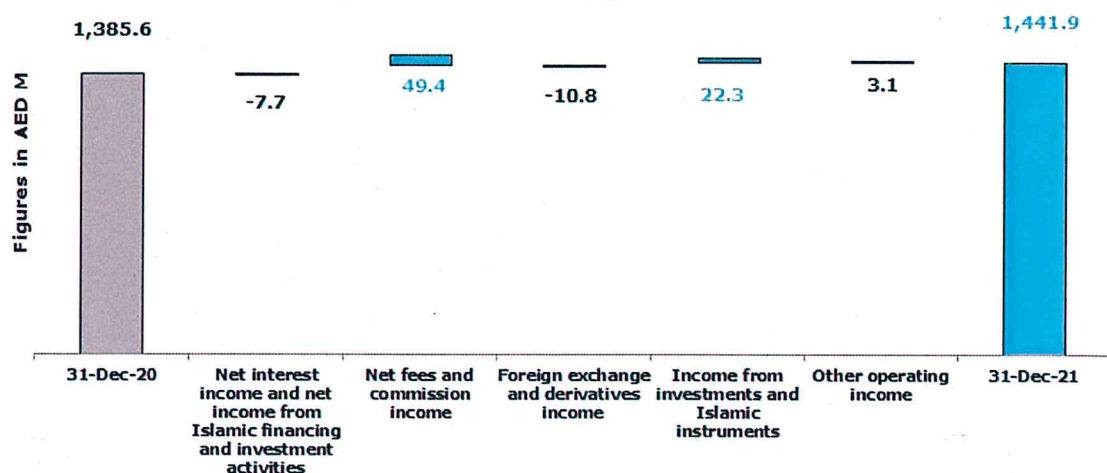
## Summary of profit and loss for the year ended 31 December 2021



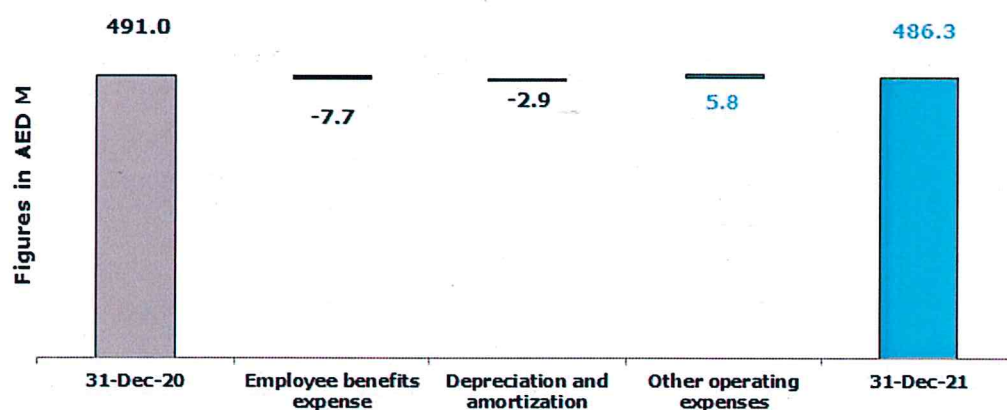
Operating income reached AED 1.4 billion, up 4.1% over 2020 despite the challenging operating conditions impacted by the COVID-19 pandemic globally. The progressive trend is in line with the bank's strategy of prime focus on financial stability and benefitting from digitally enabled services.

Net interest income and net income from Islamic financing and investment activities stood at AED 941.1 million compared to AED 948.9 million in 2020. Net fees, commission and other income rose 18.0% to AED 344.3 million compared to AED 291.7 million in 2020. Foreign exchange and derivatives income reached AED 114.2 million compared to AED 125.0 million in 2020. Income from investments and Islamic instruments marked a significant improvement to AED 42.3 million compared to AED 20.0 million in 2020. Unrealised gain on fair value through other comprehensive income (FVOCI) investments stood at AED 44.0 million.

### Movement in Operating Income



### Movement in Operating Expense



Operating expenses reduced by 1.0% to AED 486.3 million compared to AED 491.0 million in 2020, demonstrating the measures adopted in line with the changing market conditions. Cost-to-income ratio improved to 33.7% compared to 35.4% in 2020 reflecting the compound effect of the savings in cost base and growth in operating income.



## Summary of financial position as at 31 December 2021

Figures in AED M

	DEC-2021	DEC-2020	Change %	DEC-21	SEP-21	Change %
Total Assets	42,946	39,872	7.7%	42,946	40,743	5.4%
Loans and Advances and Islamic Financing Recievables	25,615	24,844	3.1%	25,615	25,432	0.7%
Customer Deposits and Islamic Customer Deposits	32,199	29,766	8.2%	32,199	29,550	9.0%
Investments and Islamic instruments	4,374	5,187	-15.7%	4,374	4,581	-4.5%
Total Equity	5,676	5,672	0.1%	5,676	5,699	-0.4%

- Loans and advances and Islamic financing receivables rose by 3.1% to reach AED 25.6 billion compared to AED 24.8 billion at 2020 year-end.
- Investments and Islamic instruments stood at AED 4.4 billion compared to AED 5.2 billion at 2020 year-end.
- Customer deposits and Islamic customer deposits increased by 8.2% to reach AED 32.2 billion compared to AED 29.8 billion at 2020 year-end. Current and Saving Accounts (CASA) deposits increased by AED 4.1 billion from 2020 year-end, a 36.3% increase to AED 15.4 billion as at 31 December 2021. CASA deposits improved to record 47.9% of total customer deposits compared to 38.0% as at 31 December 2020, cushioning the impact from the lower interest rates.
- Total assets rose by 7.7% to reach AED 42.9 billion compared to AED 39.9 billion at 2020 year-end.

## Summary of the cash flows and capital expenditure during the year ended 31 December 2021

For the year ended 31 December 2021, the bank's cash and cash equivalents increased by AED 1.2 billion compared to December 2020. This reflects the bank's prudent liquidity and credit risk management.

## Key Performance Indicators

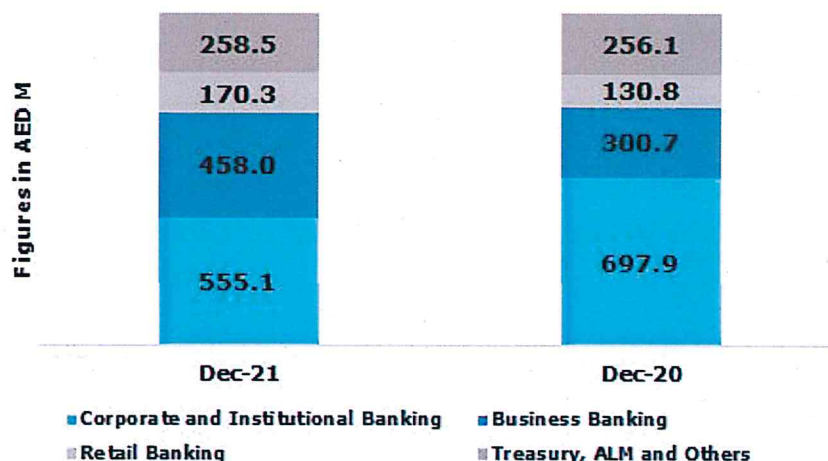
- Ample liquidity has been maintained with lending to stable resources ratios at 76.5% (2020: 82.1%) and eligible liquid assets ratio (ELAR) at 26.2% (2020: 20.8%), well ahead of all CBUAE minimum requirements.
- The capital adequacy ratio (CAR) stood at 19.1% (Tier 1 ratio of 18.0% and CET 1 ratio of 13.8%) compared to 19.2% (Tier 1 ratio of 18.1% and CET 1 ratio of 14.0%) at 2020 year-end and is being maintained at this level to support the bank's ability to ride out any challenges arising out of the rapidly evolving operating landscape.
- Return on average assets improved to 0.3%, up from -1.1% in 2020.
- Return on average equity improved to 2.0%, up from -7.9% in 2020.

## Our Segmented Focus

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

The operating income from Corporate and Institutional banking customers (including business banking) for the year ended 31 December 2021 was AED 1,013.1 million, an increase of 1.4% compared to the corresponding year. Operating income from Retail Banking increased by 30.2%, and Treasury, ALM & others have increased by 1.0% compared to the corresponding year.

## Segments' contribution to Operating Income



NBF Islamic recorded an operating income of AED 129.3 million for the year compared to AED 93.2 million in 2020.



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

The COVID-19 pandemic continues to have a profound impact globally, causing mass disruptions to business and economic activities. However, the current economic outlook depicts signs of a return to growth on the back of UAE government measures against the aftermath of COVID-19. The UAE Central bank, monetary authorities and governments across the world have announced various support measures and deployed multiple vaccines to counter the possible adverse implications. The prospects of economic recovery are firmer now and the UAE's economy has proven to be resilient in the face of adversity.

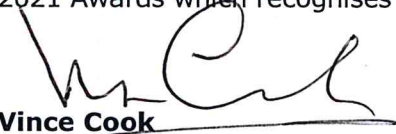
NBF has been closely monitoring the situation and has successfully implemented remote working and use of digital solutions to ensure continuity of customer services and precautionary measures to ensure health and safety of all stakeholders. NBF has been proactively managing its liquidity and further strengthened its position to navigate through uncertainty and complexity with poise. As at 31 December 2021, NBF's advances to deposits ratio stood at 79.6% (31 December 2020: 83.5%), net stable funding ratio (NSFR) at 113.7% (31 December 2020: 106.6%), and liquidity coverage ratio (LCR) at 336.6% (31 December 2020: 366.5%).

NBF is confident that the fundamental strength of Bank's franchise remains strong despite the immediate challenges to profitability. The bank's strong capital and liquidity position enables it to proactively deal with the situation and will allow it to emerge stronger than ever.


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 15 (of which 1 is an electronic banking service unit) across the UAE.

### Awards and Accolades

NBF won the "Best SME Bank" and "Best Trade Finance Provider" award at the MEA Finance 2021 Awards which recognises the underlying strength in NBF's key areas of focus.



**Vince Cook**  
Chief Executive Officer



**Adnan Anwar**  
Deputy Chief Executive Officer