

Management Discussion and Analysis Report

National Bank of Fujairah PJSC

For the nine month period ended 30 September 2022

National Bank of Fujairah PJSC (NBF) – 2022 Interim Results

NBF's nine months net profit surges 155.1%

Resilient performance supported by strong capital adequacy, sound improvement in asset quality and robust balance sheet management

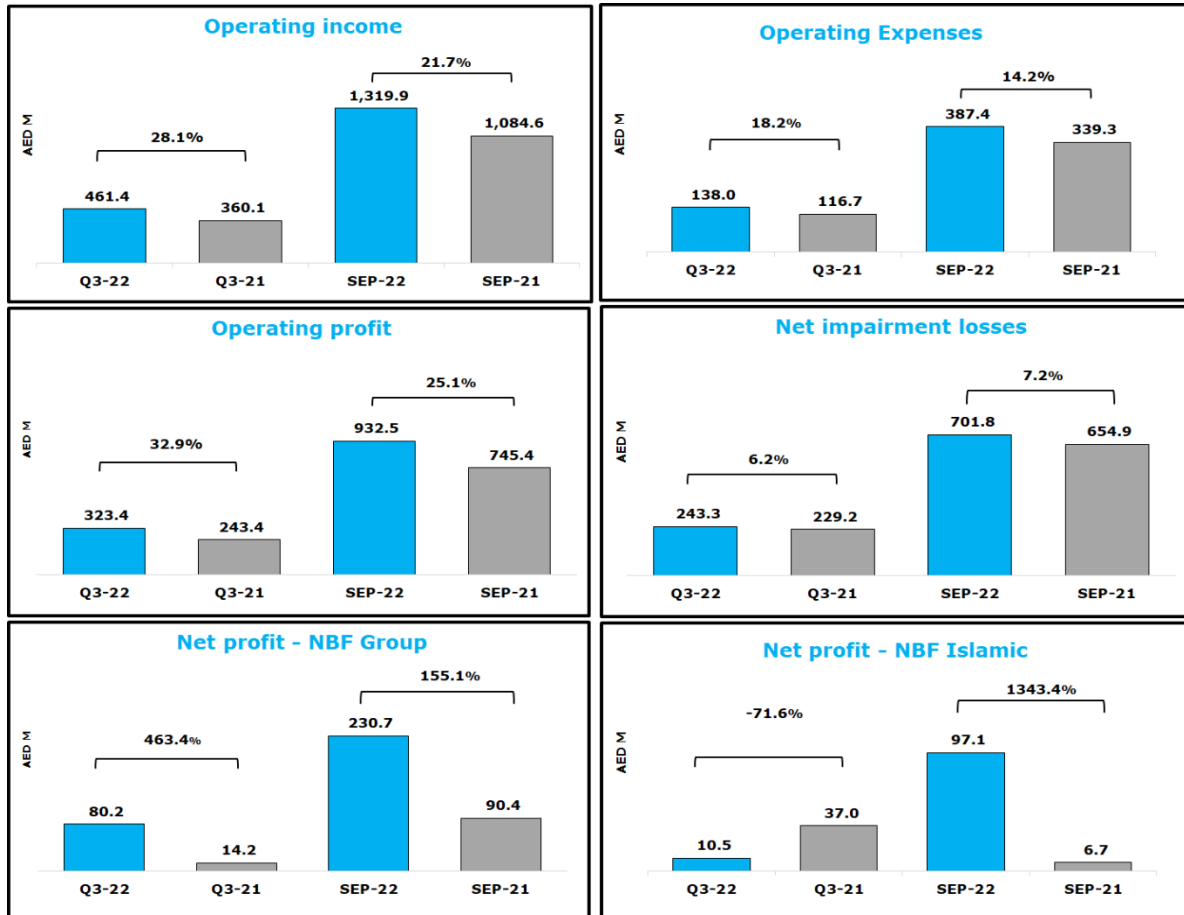
26 October 2022: NBF is pleased to announce its results today for the nine month period ended 30 September 2022.

Overview of Results and Operational Performance for the nine month period ended 30 September 2022

NBF recorded year-on-year growth of 155.1% to close the nine month period at a net profit of AED 230.7 million compared to AED 90.4 million in the corresponding period, up 463.4% for the three month period ended 30 September 2022 over the corresponding period. This demonstrates NBF's enhanced focus on quality business, its efficient funding base, the broad and continued economic recovery and improving resilience despite the uncertain geopolitical environment.

NBF maintained prudent recognition of problem accounts. The small number of exceptional group exposures that had been earmarked for resolution are progressing well in line with the bank's recovery strategy. NBF secured net impairment provisions of AED 701.8 million for the nine month period ended 30 September 2022 compared to AED 654.9 million in the corresponding period. During the period, the bank's impairment reserve reduced by 11.2% to AED 168.5 million compared to AED 189.7 million as at 31 December 2021. Total provision coverage ratio (including impairment reserves) improved to 113.4% compared to 87.0% as at 31 December 2021. The NPL ratio improved to 7.8% compared to 9.8% as at 31 December 2021 and IFRS 9 stage 2 exposure stood at 7.0% compared to 6.1% as at 31 December 2021. Excluding the few exceptional group exposures, the NPL ratio would reduce to 4.5% (31 December 2021: 5.5%).

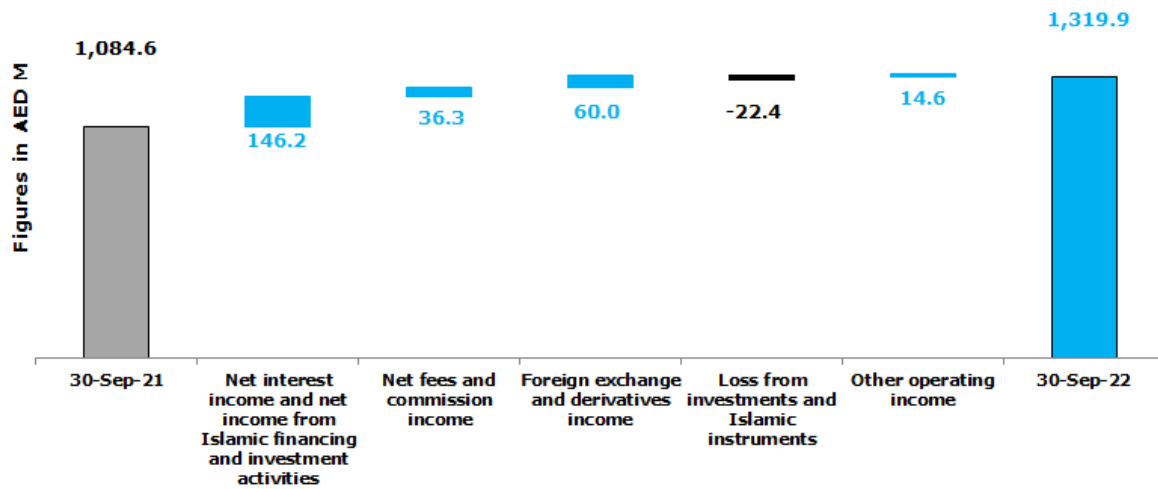
Summary of profit and loss for the nine month period ended 30 September 2022



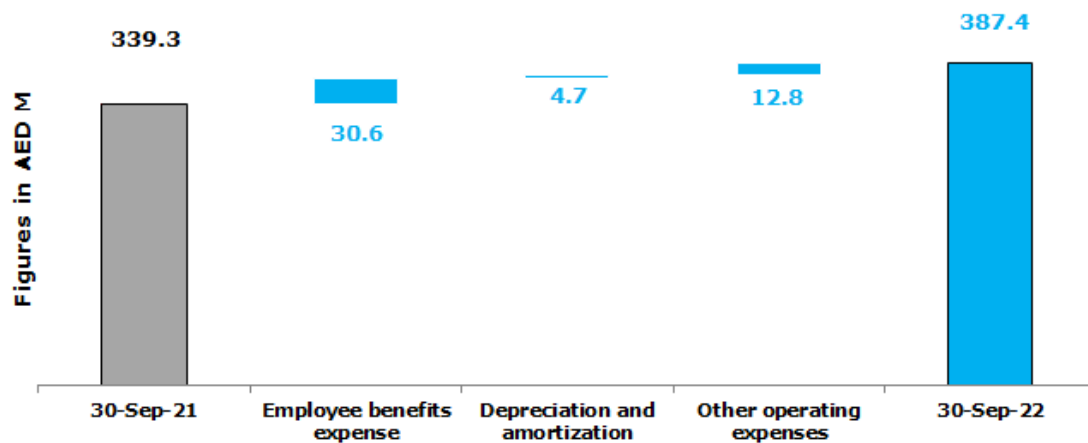
Operating income growth of 28.1% was recorded for the three month period ended 30 September 2022 over the corresponding period; and 3.5% compared to Q2 2022. Operating income reached AED 1.32 billion for the nine month period ended 30 September 2022, up 21.7% compared to AED 1.1 billion in the corresponding period, reflecting the rising interest rate environment and improved fee income in line with the bank's recovery strategy.

Net interest income and net income from Islamic financing and investment activities grew 20.6% to AED 855.4 million for the nine month period ended 30 September 2022 compared to AED 709.3 million in the corresponding period. It was up 39.6% for the three month period ended 30 September 2022 compared to the corresponding period; and up 19.1% compared to Q2 2022. Net fees, commission and other income rose 20.2% to AED 302.7 million for the nine month period ended 30 September 2022 compared to AED 251.8 million in the corresponding period. It was up 3.1% for the three month period ended 30 September 2022 compared to the corresponding period. NBF posted record foreign exchange and derivatives income of AED 142.5 million for the nine month period ended 30 September 2022, with an exceptional growth of 73.9% compared to AED 82.0 million in the corresponding period. It was up 45.9% for the three month period ended 30 September 2022 compared to the corresponding period. Income from investments and Islamic instruments stood at AED 19.2 million compared to AED 41.6 million in the corresponding period.

Movement in Operating Income



Movement in Operating Expense



Operating expenses increased by 14.2%, reflecting NBF's investments in its businesses, systems, infrastructure and people. These investments include a set of digitalisation initiatives to enhance our focus on exceptional customer service through digital channels and customer driven innovation. NBF's cost-to-income ratio improved to 29.4% compared to 31.3% in the corresponding period, after achieving further productivity improvements. This provides ample headroom to continue investing in our technological capabilities and enhancing customer experience.

Summary of financial position as at 30 September 2022

Figures in AED M

	SEP-2022	DEC-2021	Change %	SEP-22	SEP-21	Change %
Total Assets	44,374	42,946	3.3%	44,374	40,743	8.9%
Loans and Advances and Islamic Financing Recievables	27,592	25,615	7.7%	27,592	25,432	8.5%
Customer Deposits and Islamic Customer Deposits	32,699	32,199	1.6%	32,699	29,550	10.7%
Investments and Islamic instruments	5,919	4,374	35.3%	5,919	4,581	29.2%
Total Equity	5,778	5,676	1.8%	5,778	5,699	1.4%

Current and Saving Accounts (CASA) deposits increased by AED 265.0 million from 2021 year-end, a 1.7% increase to AED 15.7 billion as at 30 September 2022 and up 16.7% from 30 September 2021. CASA deposits accounted for 47.9% of total customer deposits as at 30 September 2022.

Summary of the cash flows and capital expenditure during the nine month period ended 30 September 2022

During the period, surplus liquidity has been deployed to fund quality loans and investment book growth, while balances remain well above the bank's risk appetite and regulatory requirements. Cash and cash equivalents amounted to AED 1.1 billion compared to AED 2.3 billion in 30 September 2021.

During the nine month period ended 30 September 2022, NBF had incurred AED 58.6 million in capital expenditure relating to the additions of property and equipment and capital work-in-progress compared to AED 33.1 million in the corresponding period.

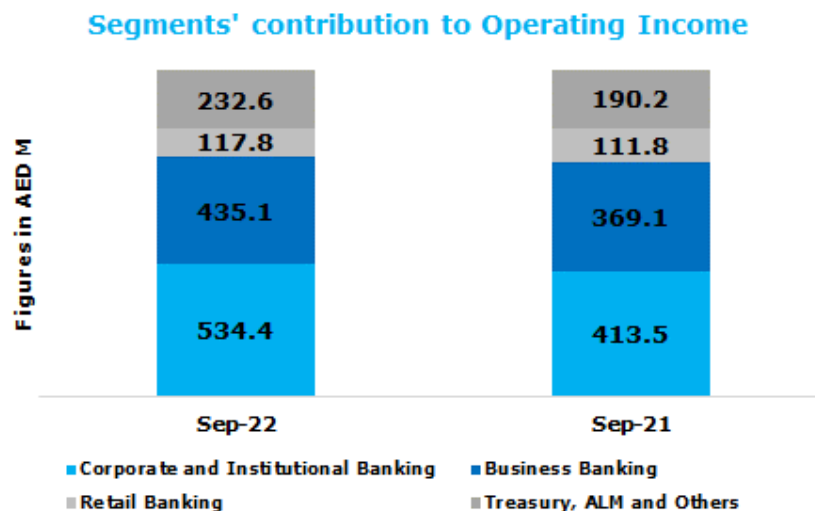
Key Performance Indicators

- Ample liquidity has been maintained with advances to deposits ratio stood at 84.4% (31 December 2021: 79.6%), lending to stable resources ratios (LSRR) at 78.8% (2021: 76.5%) and eligible liquid assets ratio (ELAR) at 16.0% (2021: 26.2%), well ahead of Central Bank of the UAE's minimum requirements.
- The capital adequacy ratio (CAR) stood at 18.0% (Tier 1 ratio of 16.8% and CET 1 ratio of 13.1%) compared to 19.1% (Tier 1 ratio of 18.0% and CET 1 ratio of 13.8%) at 2021 year-end and is being maintained 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 0.7%, up from 0.3% for the corresponding period.
- Return on average equity improved to 5.4%, up from 2.1% 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.

The operating income from Corporate and Institutional banking customers (including business banking) for the period ended 30 September 2022 was AED 969.5 million, an increase of 23.9% compared to the corresponding period. Operating income from Retail Banking increased by 5.3%, and Treasury, ALM & others have increased by 22.3% compared to the corresponding period.



Further, NBF Islamic recorded operating income of AED 99.6 million for the nine month period ended 30 September 2022 compared to AED 97.1 million in the corresponding period.

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

Propelled by a strong upswing in business activities, buoyancy in the property sector and a rebounding hospitality sector in the wake of the easing of travel restrictions, the UAE is consolidating its progress to achieve its fastest annual economic growth in over a decade in 2022. Gaining from this positive market momentum, NBF is geared up and well placed to benefit in its business growth.

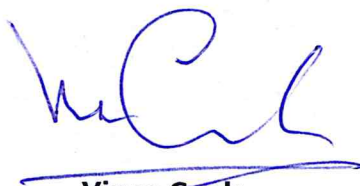
The Group maintained a robust capital position and healthy balance sheet to confidently navigate the changing operating environment for enhanced long-term sustainable returns. NBF will continue to maintain the highest standards of compliance and risk management practices commensurate with the new regulatory changes, digitalization initiatives and information and cyber security requirements.

Looking ahead, NBF will continue to tap new quality business opportunities keeping in view the booming oil sector which will drive the economic growth acceleration of the UAE in 2022; while a strong non-oil sector will add further impetus thanks to the government's reform programme. In addition, the bank is continuing to progress a number of significant initiatives and is enhancing its focus on environmental, social and governance [ESG] activities which remain fundamental to the NBF franchise for a sustainable future.

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 information security and IT security teams achieved the "Best Cyber Assurance and Resiliency Capabilities" at the Wealth & Investment Summit 2022 organized by MEA Finance reinforcing its enhanced focus on IT, information and data security in line with its digitalisation and customer experience strategy.



Vince Cook
Chief Executive Officer



Adnan Anwar
Deputy Chief Executive Officer



Brian Mulholland
Chief Financial Officer