

Management Discussion and Analysis Report National Bank of Fujairah PJSC

For the nine month period ended 30 September 2021

NBF delivered robust nine month results with profit up 36.4%, reflecting on-going focus on quality core business supported by strong capital adequacy and liquidity position

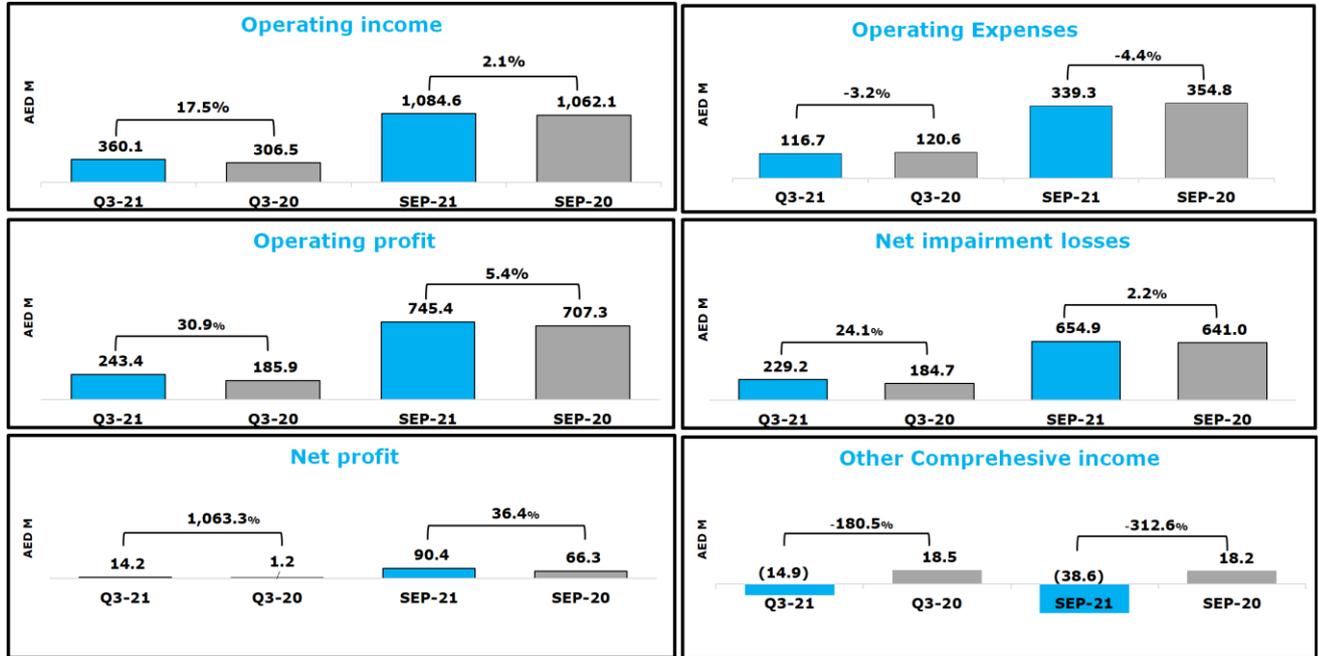
25 October 2021: NBF is pleased to announce its results for the nine month period ended 30 September 2021.

Overview of Results and Operational Performance for the nine month period ended 30 September 2021

NBF achieved a net profit of AED 90.4 million for the nine month period ended 30 September 2021, an increase of 36.4% over the corresponding period driven by improving underlying business momentum and good progress across the bank's digitalization program. The net profit increased tenfold for the three month period ended 30 September 2021 compared to the corresponding period.

NBF maintained its policy of prudent and transparent recognition of problem accounts. NBF secured net impairment provisions of AED 654.9 million for the nine month period ended 30 September 2021 compared to AED 641.0 million in the corresponding period. During the period, the bank's impairment reserve reduced to AED 258.7 million compared to AED 283.5 million as at 31 December 2020. Total provision coverage ratio (including impairment reserves) stood at 83.1% compared to 91.8% as at 31 December 2020. The NPL ratio stood at 10.5% compared to 10.1% as at 31 December 2020. Excluding a few exceptional group exposures, the NPL ratio would reduce to 6.2% (31 December 2020: 7.3%).

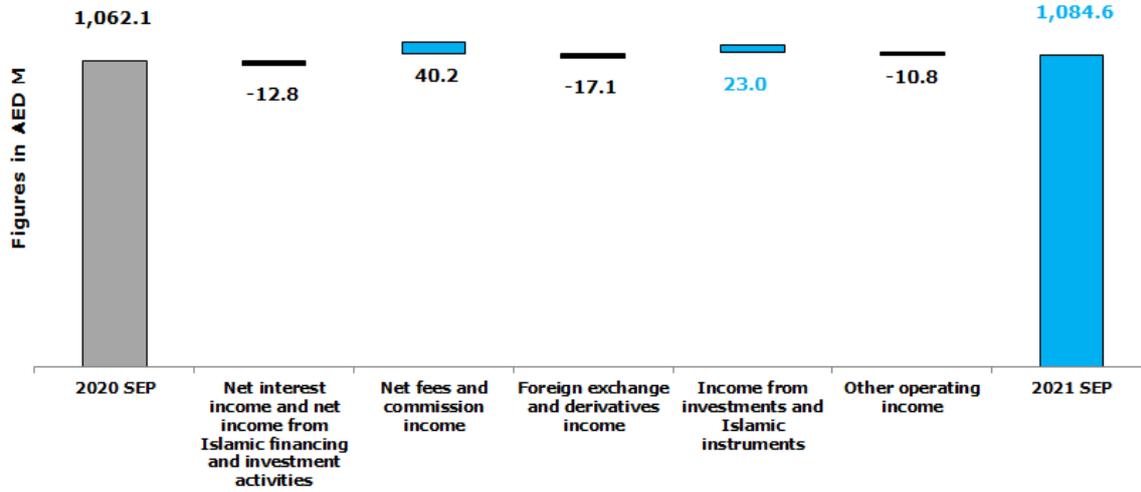
Summary of profit and loss for the nine month period ended 30 September 2021



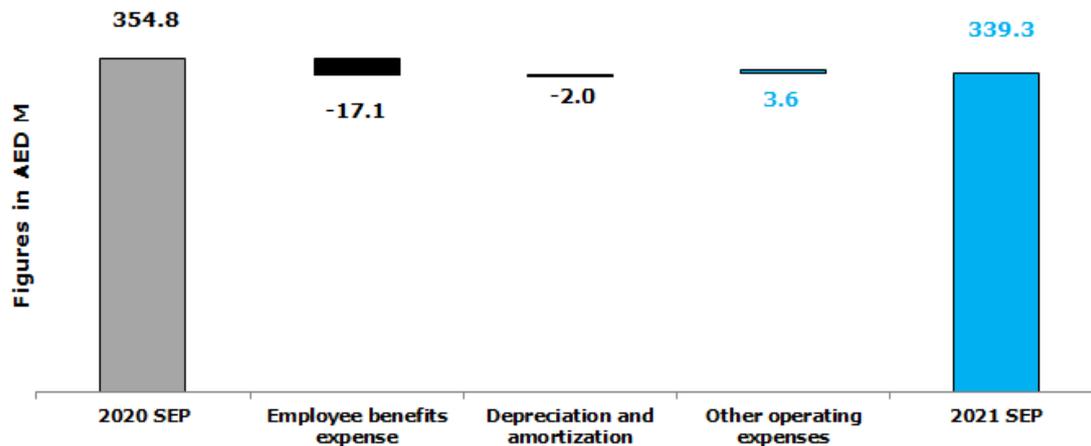
Operating income growth of 17.5% and 2.1% was recorded for the three month and nine month periods ended 30 September 2021 respectively over the corresponding periods. It stood at AED 1.08 billion for the nine month period ended 30 September 2021 compared to AED 1.06 billion in the corresponding period, recuperating from the mass disruptions caused by the COVID-19 pandemic globally.

Net interest income and net income from Islamic financing and investment activities grew 14.3% in the three month period ended 30 September 2021 over the corresponding period. It stood at AED 709.3 million for the nine month period ended 30 September 2021 compared to AED 722.1 million in the corresponding period. Net fees, commission and other income rose 13.2% to AED 251.8 million for the nine month period ended 30 September 2021 compared to AED 222.3 million in the corresponding period. It was up 30.3% for the three month period ended 30 September 2021 compared to the corresponding period. Foreign exchange and derivatives income reached AED 82.0 million for the nine month period ended 30 September 2021 compared to AED 99.1 million in the corresponding period. Income from investments and Islamic instruments marked a substantial improvement to AED 41.6 million during the nine month period ended 30 September 2021 compared to the corresponding period. Unrealised gain on fair value through other comprehensive income (FVOCI) investments stood at AED 54.0 million.

Movement in Operating Income



Movement in Operating Expense



Operating expenses reduced by 4.4% to AED 339.3 million compared to AED 354.8 million in the corresponding period, demonstrating the measures adopted in line with the changing market conditions and our focus on exceptional customer service through digital adoption and innovation. Cost-to-income ratio reduced to 31.3% compared to 33.4% in the corresponding period reflecting the compound effect of the savings in cost base and growth in operating income.

Summary of financial position as at 30 September 2021

Figures in AED M

	Sep-2021	DEC-2020	Change %	Sep-21	Sep-20	Change %
Total Assets	40,743	39,872	2.2%	40,743	41,777	-2.5%
Loans and Advances and Islamic Financing Recievables	25,432	24,844	2.4%	25,432	25,370	0.2%
Customer Deposits and Islamic Customer Deposits	29,550	29,766	-0.7%	29,550	31,204	-5.3%
Investments and Islamic instruments	4,581	5,187	-11.7%	4,581	4,611	-0.7%
Total Equity	5,699	5,672	0.5%	5,699	6,210	-8.2%

- Loans and advances and Islamic financing receivables rose by 2.4% to reach AED 25.4 billion compared to AED 24.8 billion at 2020 year-end; and up 0.2% compared to AED 25.4 billion as at 30 September 2020.
- Customer deposits and Islamic customer deposits stood at AED 29.5 billion compared to AED 29.8 billion at 2020 year-end and AED 31.2 billion as at 30 September 2020. CASA deposits improved to a record high at 45.5% of total customer deposits compared to 38.0% as at 31 December 2020 and 32.2% as at 30 September 2020. Current and Saving Accounts (CASA) deposits increased by AED 2.1 billion to reach AED 13.4 billion compared to AED 11.3 billion as at 31 December 2020, cushioning the impact from the lower interest rates.
- Investments and Islamic instruments stood at the 30 September 2020 level of AED 4.6 billion compared to AED 5.2 billion at 2020 year-end.
- Total assets rose by 2.2% to reach AED 40.7 billion compared to AED 39.9 billion at 2020 year-end and AED 41.8 billion as at 30 September 2020.
- Shareholders' equity stood at the 2020 year-end level of AED 5.7 billion compared to AED 6.2 billion as at 30 September 2020.

Summary of the cash flows and capital expenditure during the nine month period ended 30 September 2021

For the nine month period ended 30 September 2021, the Bank's cash and cash equivalents reduced by AED 2.9 billion compared to September 2020. This reflects the bank's prudent liquidity and credit risk management.

Key Performance Indicators

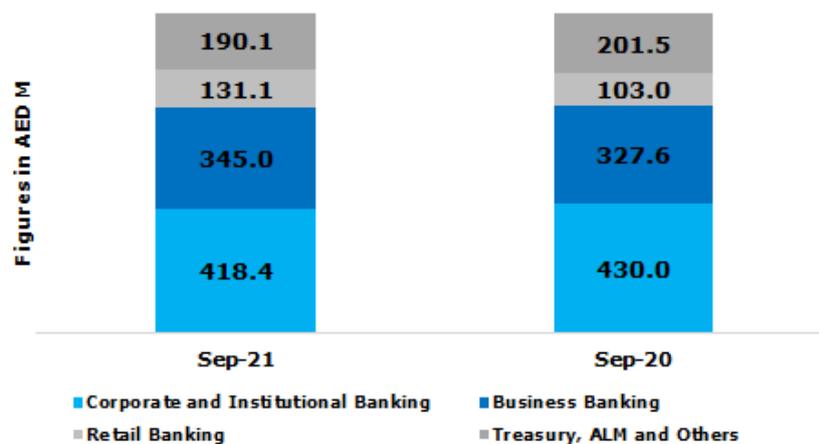
- Ample liquidity was maintained with lending to stable resources ratios at 79.7% (2020: 82.1%) and eligible liquid assets ratio (ELAR) at 20.3% (2020: 20.8%), well ahead of all CBUAE minimum requirements.
- The capital adequacy ratio (CAR) is being kept at a recent high to support the bank's ability to ride out any challenges arising out of the evolving operating landscape. CAR stood at 19.3% (Tier 1 ratio of 18.2% and CET 1 ratio of 13.9%) compared to 19.2% (Tier 1 ratio of 18.1% and CET 1 ratio of 14.0%) at 2020 year-end.
- Return on average assets was 0.3%, up from 0.2% in the corresponding period.
- Return on average equity was 2.1%, up from 1.4% in the corresponding period.
- In line with the requirements of UAE Central Bank pertinent to minimum capital for banks, the bank increased its paid-up capital by way of issuing 85,238,116 bonus shares from retained earnings to reach AED 2 billion.

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 nine month ended 30 September 2021 was AED 763.4 million, an increase of 0.8% compared to the corresponding period. Operating income from Retail Banking increased by 27.3%, and Treasury, ALM & others have decreased by 5.6% compared to the corresponding period.

Segments' contribution to Operating Income



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

The COVID-19 pandemic continues to have a profound impact globally causing disruption to business and economic activities. However, the current economic outlook depicts signs of a return to growth on the back of 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.

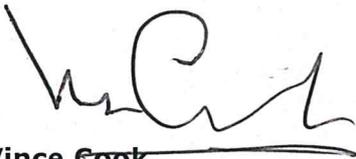
NBF has been closely monitoring the situation and has successfully implemented remote working and use of digital solutions to ensure continuity of customer services and precautionary measures to ensure health and safety of all stakeholders. NBF has been proactively managing its liquidity and further strengthened its position to navigate through uncertainty and complexity with poise. As at 30 September 2021, NBF's advances to deposits ratio stood at 86.1% (2020: 83.5%), net stable funding ratio (NSFR) at 108.2% (2020: 106.6%), and liquidity coverage ratio (LCR) at 361.9% (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 with a negative outlook; and BBB / A-2 by Standard & Poor's 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 has been awarded with ISO certifications for its Occupational Health and Safety Management System and Quality Management System (QMS) that is a reflection of the bank's commitment to excellence.



Vince Cook
Chief Executive Officer



Adnan Anwar
Deputy Chief Executive Officer