

Management Discussion and Analysis Report

For the three month period ended 31 March 2015

National Bank of Fujairah PJSC (NBF) reports Q1 2015 Net Profit of AED 149.5 M, an increase of 29.6% Y-o-Y

INCOME STATEMENT HIGHLIGHTS

NBF posted a record quarterly net profit of AED 149.5 million for Q1 2015. The performance was underpinned by ongoing core business growth, improving asset quality, and disciplined cost management. Compared to Q1 2014, customer financing was up 20.9%, customer deposits were up 16.1%, and shareholders' equity was up 30.8%. Earnings per share for the first three months of 2015 were AED 0.11, up 33.1% when compared to the same period in 2014.



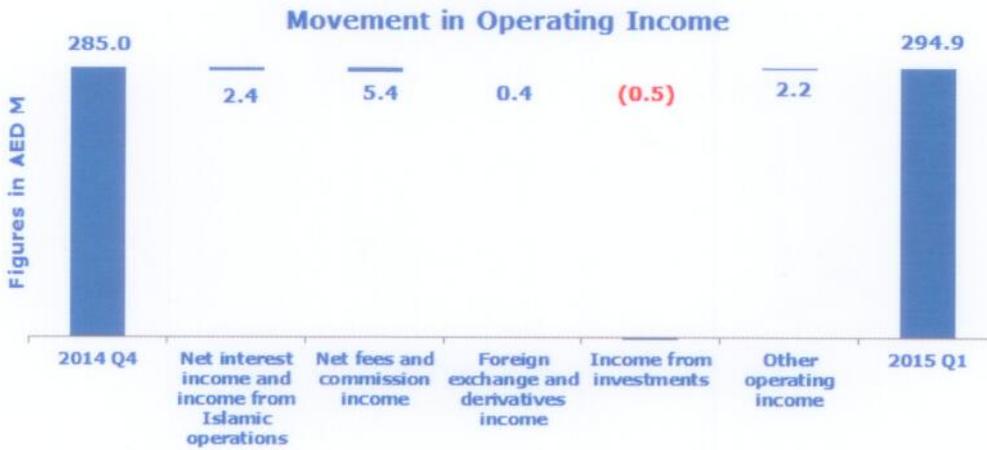
Figures in AED M

	Q1'15	Q1'14	Y-o-Y Growth	Q4'14	Q-o-Q Growth	5 years CAGR
Net interest income and income from Islamic operations	190	160	19.1%	188	1.3%	16.80%
Net Non-interest income	105	80	30.5%	97	7.8%	16.50%
Operating Income	295	240	22.9%	285	3.5%	16.70%
Operating Expense	-107	-88	20.5%	-113	-5.2%	16.20%
Provisions	-39	-36	7.3%	-36	7.2%	-4.00%
Net Income	149	115	29.6%	136	9.7%	31.40%

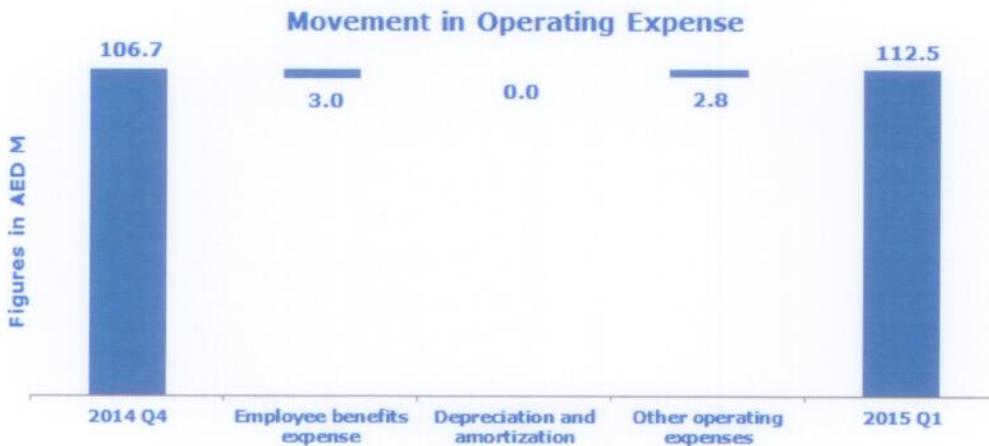


Operating income experienced strong growth at 22.9% and the principal drivers were the following:

- Net interest income and income from Islamic operations grew 19.1% compared to the same period last year, reflecting an increase in business volumes
- Foreign exchange and derivatives income marked a growth of 42.0% compared to the corresponding period of 2014
- Net Fees and Commission income reported 35.0% 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.



Operating expenses increased by 20.5% compared to Q1 2014, reflecting ongoing investment in NBF's business and service platforms. Cost-to-income ratio improved to 36.2% from 36.9% in the corresponding period of 2014 and 37.8% for full year 2014, which reflects the bank's continued focus on productivity enhancement and disciplined cost management.



Net impairment losses were AED 38.8 million compared to AED 36.2 million in the



corresponding period of 2014. The large portion of the charge was represented by the mandatory general provisioning, which was in line with the strong growth in the loan book. The quality of assets continues to improve, as evidenced by the reduction in the NPL ratio from 4.5% to 3.9%.

STATEMENT OF FINANCIAL POSITION - HIGHLIGHTS

Figures in AED M

	Q1'15	Q1'14	Y-o-Y Growth	Q4'14	Q-o-Q Growth	5 years CAGR
Total Assets	26,527	22,689	16.9%	24,586	7.9%	17.40%
Net loans and advances including Islamic financing	17,710	14,651	20.9%	16,328	8.5%	17.00%
Customer deposits including Islamic deposits	18,454	15,896	16.1%	17,932	2.9%	19.00%
Total shareholders' equity	3,915	2,992	30.8%	3,364	16.4%	18.00%

- NBF's total assets amounted to AED 26.5 billion as of 31st March 2015, which represents an increase of 7.9% over 31st Dec 2014.
- The Bank's net loan book, including Islamic financing, increased by AED 1.4 billion compared to the end of the last year. Total Customer Deposits including Islamic deposits stood at AED 18.5 billion, which funded 69.6% of total assets.
- During Q1 2015, NBF successfully issued its second tranche of additional Tier 1 capital of AED 500 million, which was oversubscribed with investors ranging from insurance companies to government entities. Funds raised will be used to fuel the bank's ongoing growth plans and to improve its capital adequacy ratios. The perpetual issue was structured to comply with Basel III standards.

KEY PERFORMANCE INDICATORS

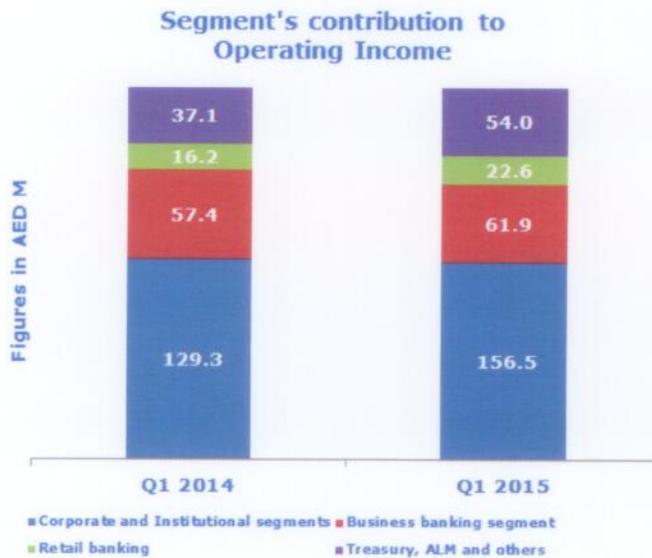
	Q1'15	Q1'14	Y-o-Y change (in bps)	FY'14	Q-o-Q change (in bps)
ROAA	2.3%	2.1%	25	2.2%	14
ROAE	16.4%	15.3%	111	15.8%	62
Cost to Income ratio	36.2%	36.9%	-71	37.8%	-163
NPL ratio	3.9%	4.5%	-64	4.4%	-54
Provision Coverage Ratio	133.1%	121.7%	1146	121.4%	1170
Lending to Stable Resources Ratio	88.3%	86.1%	220	87.0%	130
Liquid Assets Ratio	23.6%	24.6%	-96	24.9%	-123
Tier 1 Ratio	15.6%	14.9%	70	14.6%	100
Capital Adequacy Ratio	18.4%	18.1%	30	17.6%	80



- NBF measures its long term success through its profitability levels, and this focus is evident from the above ratios. The strong financial performance in the first quarter of 2015 further improved the bank's ROAE, ROAA and Cost to Income ratios.
- The bank's strong recovery in Q1 2015 helped bring the NPL ratio below 4% and the coverage ratio improved to 133.1%; among the best at the industry level.
- Following the Bank's bonus share issue and tier 1 note issuance in Q1 2015, the CAR and Tier 1 Ratio improved to 18.4% and 15.6%, respectively, for the period. These continue to be well above the UAE's prescribed minimum threshold for capital adequacy (12%) and for Tier 1 capital (8%).
- NBF continues to maintain a strong liquidity position. The bank maintains a portfolio of liquid assets of around 24%. 15.9% of assets represent high quality liquid assets such as balances with central bank of UAE, as well as other sovereign instruments and PSEs attracting 0% risk weightage (as defined by the UAE Central Bank).

The lending to stable resources ratio (LSRR) of 88.3% remained well below the UAE Central Bank ceiling of 100%. The Bank holds an investment portfolio aggregating to AED 818.9 million, out of which 88.1% is investment grade and above, and 82.7% is classified as AFS.

OUR SEGMENTED FOCUS



The Bank'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 for the period was AED 218.4 million, up 17.0% over same period last year. Retail and Treasury, ALM & Others operating income has grown by 39.6% and 45.4% respectively against same period last year.



OPERATIONAL HIGHLIGHTS

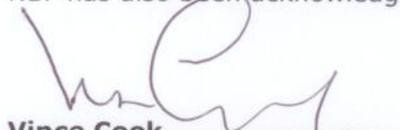
- In March 2015, Moody's Investors Service reaffirmed National Bank of Fujairah (NBF)'s deposit ratings of Baa1/Prime-2 with a BCA (baseline credit assessment) of ba1, reflecting: (1) solid capitalisation metrics underpinned by stable profitability; and (2) solid liquidity and funding metrics despite rapid asset growth. NBF's Baa1 issuer rating incorporates a high three notches of uplift from the bank's BCA, which reflects Moody's assessment of a high likelihood of UAE government support in the event of need.
- NBF continues growing its franchise by diversifying into new business lines and increasing its market share. The bank is extending its longstanding focus on the precious metals and jewellery sectors to include gemstones.
- NBF Capital recently concluded a syndication deal worth AED 1 billion for Pacific Control Systems as its exclusive financial advisor. This transaction followed its "Best Corporate Advisory Service" win at the Banker Middle East UAE Product Awards 2015. Regulated by the Dubai Financial Services Authority and a fully-owned subsidiary of the bank, NBF Capital is fast cultivating a reputation as a bespoke corporate advisory player with sectorial expertise in areas from healthcare and precious metals to services and manufacturing.
- The Bank was a key partner to the Government of Fujairah's (GOF) Tasdeed pre-paid card project, which underscores our strong technical expertise.
- The AGM approved 15% in dividends, of which 7.5% took the form of cash and 7.5% in the form of bonus shares. More than 84% of the 2014 profit was retained for the development of bank's business. Accordingly, the bank's share capital increased from AED 1,100 million to AED 1,182.5 million.

AWARDS AND ACCOLADES

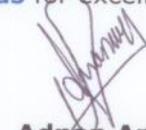
NBF won five awards at the "Banker Middle East (BME) Product Awards 2015", which not only acknowledged the Bank's splendid efforts in regards to core business growth, but reiterated its strong focus on customer service. This is the highest number of accolades that the bank has received from BME since it started participating in the event four years ago.

- Best Corporate Advisory Service
- Best SME Customer Service
- Best SME Trade Finance Offering
- Best SME Internet Banking Service
- Best Treasury Management

NBF has also been acknowledged at the **2015 CIO 100 Awards** for excellence in IT.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer