

Management Discussion and Analysis Report

For the nine month period ended 30 September 2017

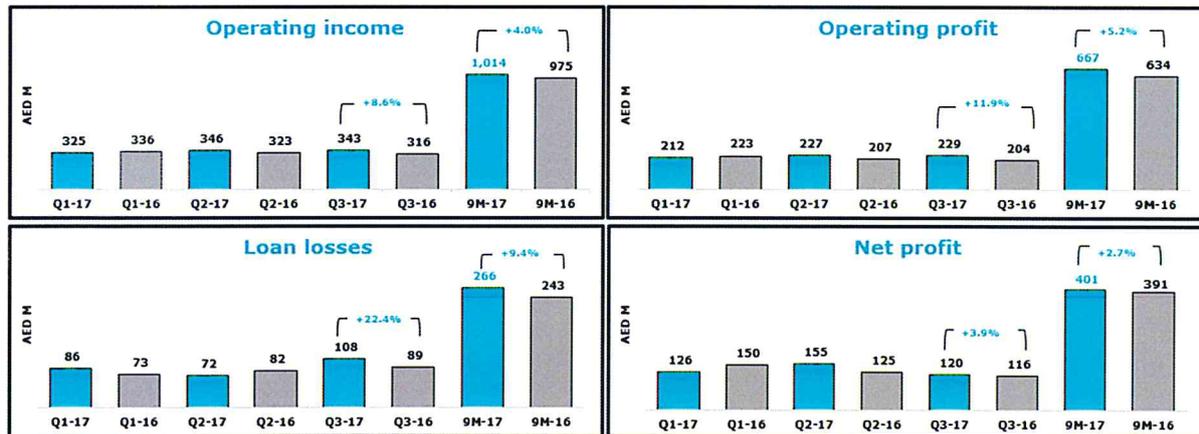
National Bank of Fujairah PJSC (NBF) – Q3 2017 operating profit grows 11.9% reflecting continued focus on quality core business

22 October 2017: National Bank of Fujairah PJSC (NBF) is pleased to announce its results for the nine month period ended 30 September 2017.

INCOME STATEMENT HIGHLIGHTS

- National Bank of Fujairah PJSC ("NBF") posted an operating profit of AED 228.7 million in the third quarter of 2017, a rise of 11.9% quarter-on-quarter, and an increase of 5.2% for the nine month period compared to 2016. This reflects a high level of resilience in the bank's core business and robust asset and liability management. NBF reported a net profit of AED 401.4 million for the nine month period ended 30 September 2017 up 2.7% over the corresponding period of 2016.

Net Profit Progression



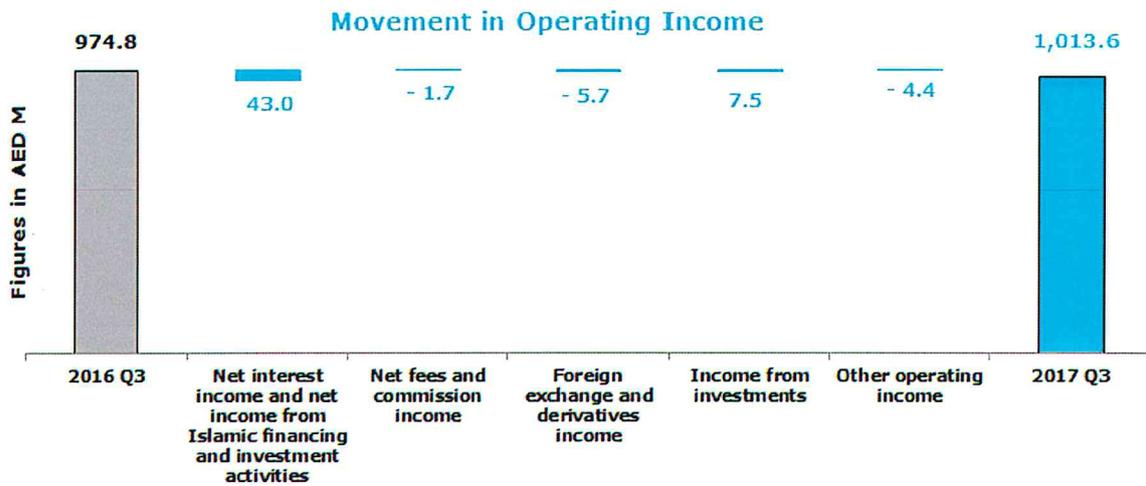
Performance Highlights

- Operating income for the quarter experienced a growth of 8.6% and 4.0% for the nine month period compared to 2016. Income from investments and Islamic instruments doubled to AED 14.7 million compared to the corresponding period of 2016.
- Net interest income and net income from Islamic financing and investment activities for the quarter grew by 11.5%, and 6.8% for the nine month period compared with 2016.



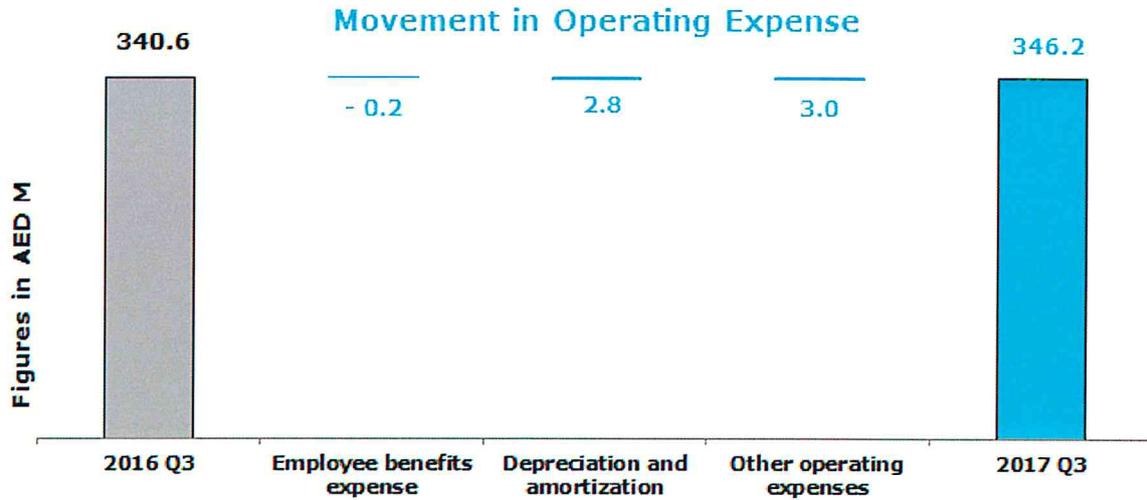
Figures in AED M

	Sep-17	Sep-16	YoY Change%	Q3'17	Q2'17	Q3'16	QoQ	YoY
Net interest income and net income from Islamic financing and investment activities	673	630	6.8%	242	224	217	7.9%	11.5%
Net non-interest income and net income from Islamic financing and investment activities	340	345	-1.2%	101	122	99	-17.1%	2.1%
Operating income	1014	975	4.0%	343	346	316	-0.9%	8.6%
Operating expense	-346	-341	-1.6%	-114	-119	-111	4.4%	-2.4%
Operating profit	667	634	5.2%	229	227	204	0.9%	11.9%
Provisions	-266	-243	-9.4%	-108	-89	-89	-22.4%	-22.4%
Net profit for the period	401	391	2.7%	120	116	116	3.9%	3.9%



- Operating profit was AED 667.4 million compared to AED 634.1 million in the corresponding period of 2016; a growth of 5.2%, reflecting enhanced balance sheet management in a rising interest rate environment and core business growth.





- Operating expenses increased marginally by 1.6%, reflecting NBF's disciplined cost management, prudent investments in our businesses, systems and infrastructure, including a set of digital initiatives to enhance our offerings and customer service. Cost-to-income ratio stood at 34.2% compared to 34.9% in the corresponding period of 2016.
- NBF continued with its prudent and transparent approach towards proactively recognising and providing for problem accounts. Net impairment charge was AED 266.0 million compared to AED 243.2 million in the corresponding period of 2016. The NPL ratio was 5.57% compared to 4.95% as at 31 December 2016. Total provision coverage ratio was 95.2% compared to 101.3% as at 31 December 2016. Total provision coverage including collaterals improves to 106.6%.

STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

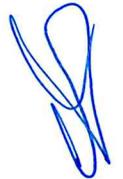
	Sep-17	Sep-16	Change %	Jun-'17	QoQ
Total Assets	35,224	32,996	6.8%	34,045	3.5%
Loans and Advances and Islamic Financing Recievables	23,643	21,898	8.0%	23,913	-1.1%
Customer Deposits and Islamic Customer Deposits	26,098	23,117	12.9%	25,284	3.2%
Total Shareholders' Equity	4,825	4,524	6.7%	4,734	1.9%



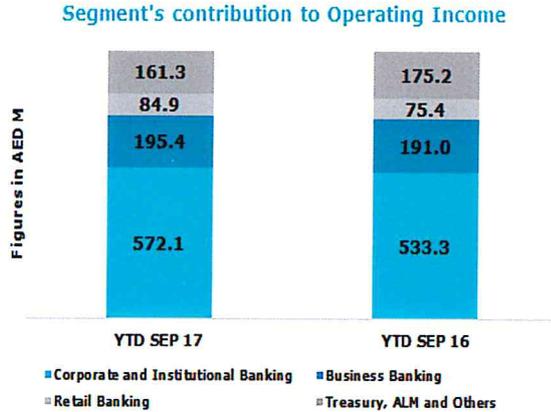
- NBF's total assets amounted to AED 35.2 billion as at 30 September 2017 (31 December 2016: AED 35.7 billion), which represents an increase of 6.8% from 30 September 2016.
- Loans and advances and Islamic financing receivables rose 3.6% from AED 22.8 billion at 2016 year end to AED 23.6 billion, and up by 8.0% from 30 September 2016. The growth compares well relative to the marginal decline in credit growth at the industry level, reported in August 2017 in the UAE Central Bank's statistics report.
- Customer deposits and Islamic customer deposits increased marginally by 0.6% from AED 25.9 billion at 2016 year end to AED 26.1 billion, and up by 12.9% from 30 September 2016.
- Shareholders' equity of AED 4.8 billion exceeded the 2016 year end level by 5.4%, an increase of 6.7% from 30 September 2016.

KEY PERFORMANCE INDICATORS

- Strong capital adequacy and liquidity levels are maintained, well ahead of Central Bank's minimum requirements. Capital adequacy ratio was 17.95%, lending to stable resources ratio stood at 87.8% and eligible liquid assets ratio (ELAR) remains as one of the highest at the industry level at 20.8%.
- Return on average assets was 1.5% (31 December 2016: 1.4%) and return on average equity was 11.4% (31 December 2016: 10.4%).
- Based on new liquidity guidelines from the UAE Central Bank, NBF's Eligible Liquid Assets Ratio (ELAR) stood at 20.8% well above the requirement of 10%. The Bank is also in a comfortable position to abide by the new Basel III liquidity standards / ratios which are calculated and tracked on a daily basis.
- The lending to stable resources ratio (LSRR) of 87.8% remained well below the UAE Central Bank ceiling of 100%. The Bank holds an investment portfolio aggregating to AED 2.02 billion.



OUR SEGMENTED FOCUS



NBF'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 (including business banking) for the nine month period ended 30 September 2017 was AED 767.5 million, up 6.0% compared to the corresponding period of 2016. Operating income from retail banking has grown 12.6%; while Treasury, ALM & others have reduced by 7.9% compared to the corresponding period of 2016. The overall growth reflects the Group's strategy of reliably supporting its quality customers and at the same time diversifying its sources of business.

OPERATIONAL HIGHLIGHTS

- NBF has opened its doors to its customers of its first electronic banking service unit at Al Reef Community, Abu Dhabi.
- NBF's Emiratisation ratio stood at 41.6% compared to 41.7% as at 31 December 2016 in compliance with the regulations. The Bank significantly exceeds the Emiratisation targets emanating from the new scoring system introduced and has been acknowledged for its efforts and commitment in this respect.
- NBF's long term credit rating was re-affirmed at A- by Capital Intelligence, with a stable outlook, highlighting the bank's underlying strength, prudent risk management and resilience.



AWARDS AND ACCOLADES

- NBF was ranked in the Top 5 of Trends magazine's Top CEO Awards this year, one of the most credible award platforms in the region.
- NBF continued its success at the Banker Middle East Awards 2017 bagging the following major awards: 'Best Customer Service – Corporate and Investment Banking', 'Best Treasury Management', 'Best SME Internet Banking Service', 'Best SME Trade Finance Offering', 'Best Corporate Bank UAE', 'Best Commercial Bank UAE' and 'Best Corporate Advisory Service' for NBF Capital. These awards evidence our commitment to building a sustainable business and long term relationships with our customers regardless of the short term environmental pressures.
- NBF won the 'Best HR Team' award at the Gulf Employee Experience Awards, the second time in a row, being acknowledged as one of the best in the region. NBF also recently bagged the "Outstanding Employer – Middle East" Awards at the Korn Ferry Employee Engagement Awards 2017, showcasing NBF's commitment to employing and developing the best talent.
- NBF Islamic has been recognized as the best "Sharia'-compliant Window 2017" at the Bankers' Islamic Bank of the Year awards, a clear indication of our emerging position as a leading provider of comprehensive suite of Sharia'-compliant banking solutions.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer