

Management Discussion and Analysis Report

National Bank of Fujairah PJSC

For the nine-month period ended 30 September 2024

NBF posts a strong 39.3% net profit before tax growth to AED 715 million in the first nine months of 2024; with net profit after tax of AED 650.4 million generated through healthy balance sheet growth of 13.2%

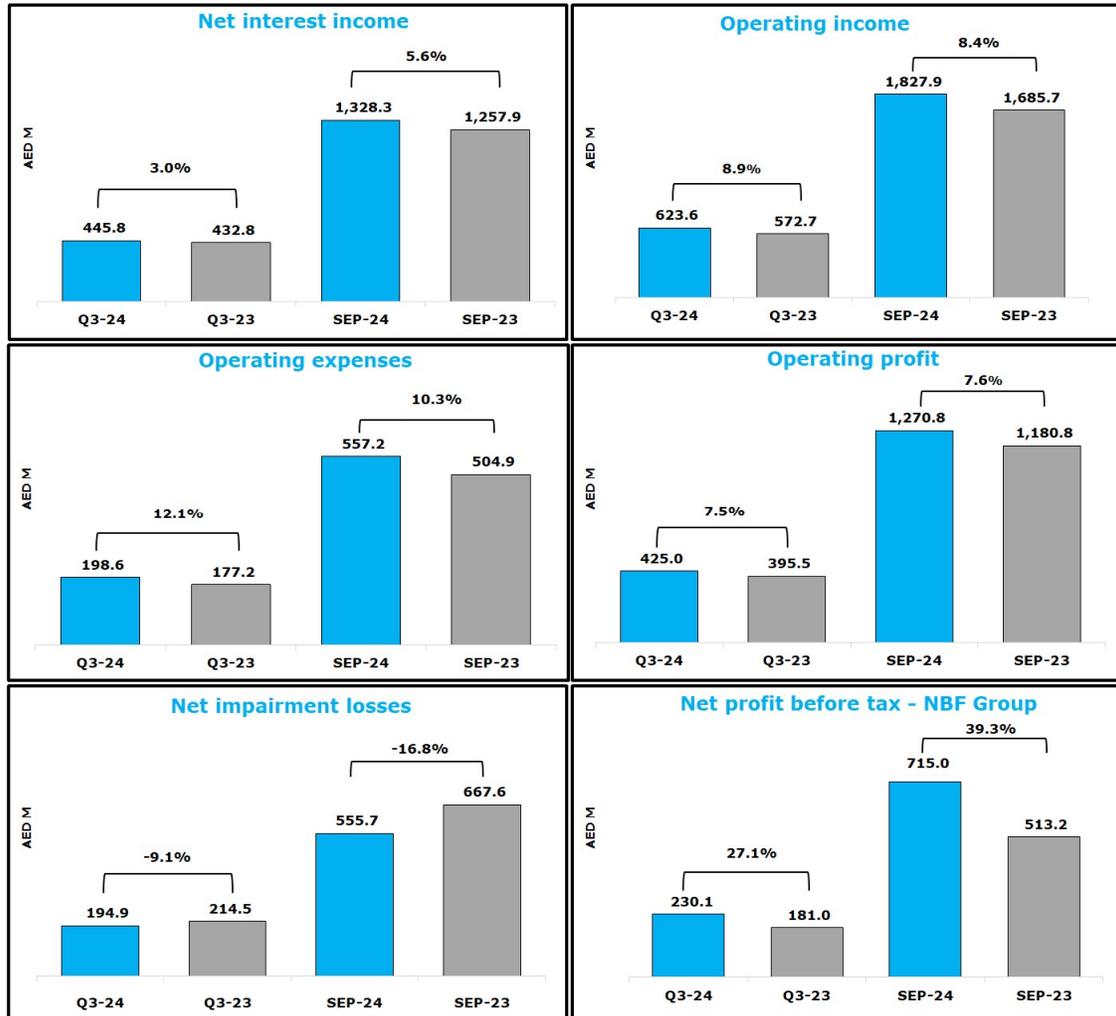
29 October 2024: NBF is pleased to announce its results today for the nine-month period ended 30 September 2024.

Overview of Results and Operational Performance for the nine-month period ended 30 September 2024

NBF recorded year-on-year growth of 39.3% to close the nine-month period at a net profit before tax of AED 715 million compared to AED 513.2 million in the corresponding period of 2023. Further, NBF posted a net profit after tax of AED 650.4 million for the nine-month period with a corporate tax charge of AED 64.6 million. On the back of a strong Q3 2024 performance, NBF posted a net profit before tax of AED 230.1 million in the third quarter of 2024, a rise of 27.1% over the corresponding quarter of 2023. These results demonstrate the bank's continued momentum on selective quality business growth and the ability to initially maintain margins in a falling interest rate environment. Buoyant market conditions supported by UAE government initiatives, improvement in impairment provisions, and careful management of costs, in what continues to be an uncertain global environment exacerbated by geopolitical tensions, all contributed to this robust position.

NBF maintained its policy of prudent and transparent recognition of problem accounts whilst taking into consideration the new credit risk standards being introduced by the Central Bank of the UAE. NBF booked net impairment provisions of AED 555.7 million for the nine-month period ended 30 September 2024 compared to AED 667.6 million in the corresponding period of 2023, a reduction of 16.8%. The total provision coverage ratio stood at 114.6% compared to 120.2% as at 31 December 2023. The NPL ratio stood at 5.3% compared to 4.9% as at 31 December 2023. From an overall improvement of asset quality perspective, the combined IFRS 9 stage 2 and 3 mix reduced to 11.4% compared to 12.2% as at 31 December 2023.

Summary of profit and loss for the nine-month period ended 30 September 2024



Underpinned by the higher revenue generation, NBF posted an operating profit of AED 1.3 billion for the nine-month period, a rise of 7.6% compared to AED 1.2 billion in the corresponding period of 2023; and up 7.5% for the three-month period ended 30 September 2024 over the corresponding period of 2023.

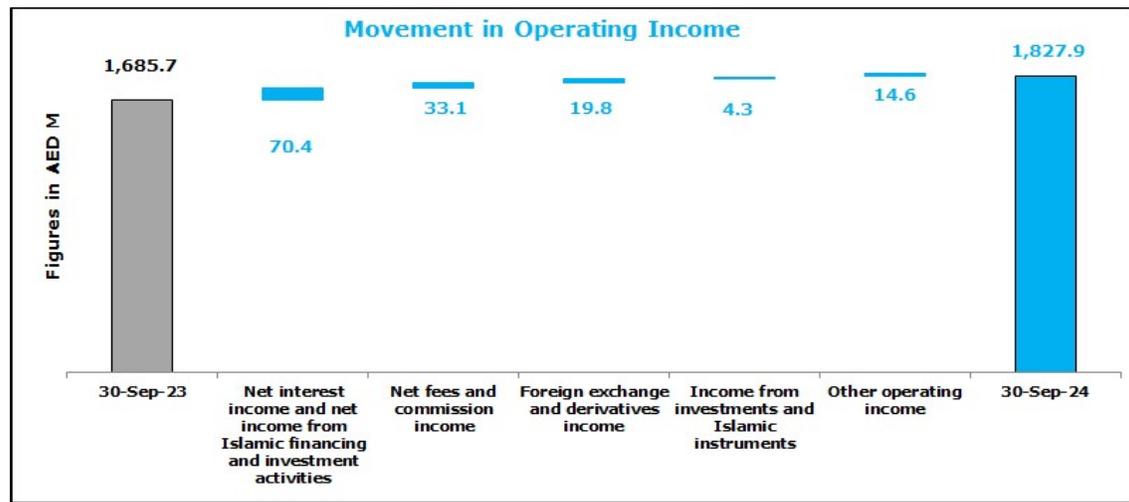
Operating income reached AED 1.8 billion, up 8.4% compared to AED 1.7 billion in the corresponding period of 2023; and up 8.9% for the three-month period ended 30 September 2024 over the corresponding period of 2023 reflecting the focus on key business segment growth and proactive asset and liability management.

Net interest income and net income from Islamic financing and investment activities grew 5.6% to AED 1.33 billion for the nine-month period ended 30 September 2024 compared to AED 1.26 billion in the corresponding period of 2023. It was up 3.0% for the three-month period ended 30 September 2024 compared to the corresponding period of 2023.

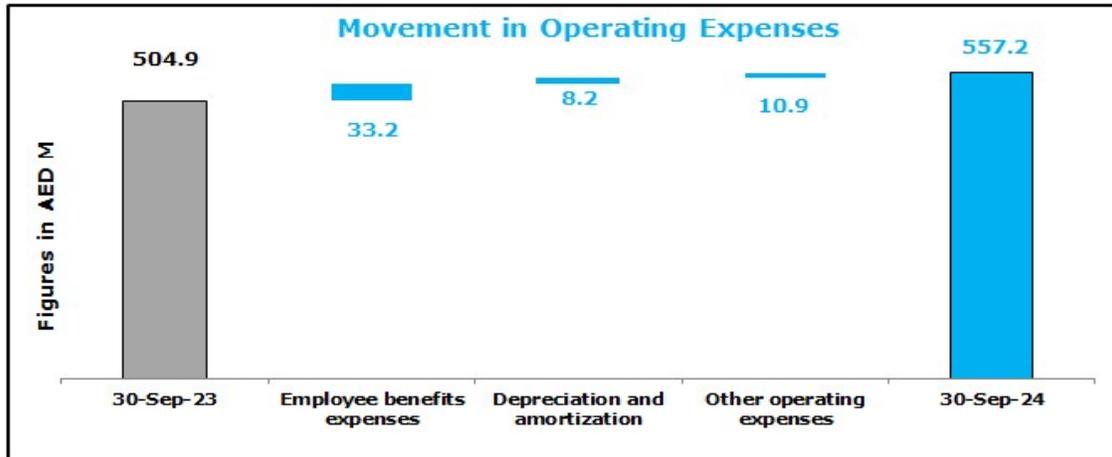
Net fees, commission and other income rose 15.4% to AED 358.1 million for the nine-month period ended 30 September 2024 compared to AED 310.4 million in the corresponding period of 2023. It was up 29.0% for the three-month period ended 30 September 2024 compared to the corresponding period of 2023.

Foreign exchange and derivatives income experienced a good growth of 16.6% compared to the corresponding period of 2023, reaching AED 139.1 million for the nine-month period ended 30 September 2024. It was up 21.8% for the three-month period ended 30 September 2024 compared to the corresponding period of 2023.

Income from investments and Islamic instruments marked a significant bounce back. In addition, the fair value gain on fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) investment portfolio also improved by AED 74.3 million during the nine-month period ended 30 September 2024.



Operating expenses increased by 10.3%, reflecting NBF's investments in its businesses, systems, infrastructure and people. These investments include a set of digitalization initiatives to further enhance our focus on exceptional customer service, innovation and competitiveness in line with the changing market demands. Further, NBF's cost-to-income ratio stood at 30.5% compared to 30.0% in the corresponding period of 2023, remaining in the mid-industry range and reflecting on-going cost discipline.



Summary of financial position as at 30 September 2024

Figures in AED M

	SEP-2024	DEC-2023	Change %	SEP-24	SEP-23	Change %
Total Assets	58,529	51,720	13.2%	58,529	49,974	17.1%
Loans and Advances and Islamic Financing Receivables	30,830	27,904	10.5%	30,830	27,727	11.2%
Customer Deposits and Islamic Customer Deposits	41,846	38,572	8.5%	41,846	37,218	12.4%
Investments and Islamic instruments	9,272	8,143	13.9%	9,272	7,412	25.1%
Total Equity	8,048	6,567	22.6%	8,048	6,322	27.3%

Loans and advances and Islamic financing receivables rose by 10.5% to reach AED 30.8 billion compared to AED 27.9 billion at 2023 year-end, up by 11.2% from 30 September 2023.

Investments and Islamic instruments increased by 13.9% to reach AED 9.3 billion compared to AED 8.1 billion at 2023 year-end, up by 25.1% from 30 September 2023; optimizing a portion of liquidity towards a high-quality investment book to augment value and return.

Customer deposits and Islamic customer deposits increased by 8.5% to reach AED 41.8 billion compared to AED 38.6 billion at 2023 year-end, up by 12.4% from 30 September 2023. Current and Saving Accounts (CASA) deposits stood at 40% of total customer deposits, balancing the impact of fixed-term deposit products.

Summary of the cash flows and capital expenditure during the nine-month period ended 30 September 2024

During the period, surplus liquidity has been deployed to fund quality loans and investment book growth and the overall position remains well within the bank's risk appetite and regulatory expectations. Cash and cash equivalents amounted to AED 2.0 billion compared to AED 3.1 billion on 30 September 2023.

During the nine-month period ended 30 September 2024, NBF incurred AED 77.5 million in capital expenditure relating to the additions of property, equipment and intangibles compared to AED 89.1 million in the corresponding period.

Key Performance Indicators

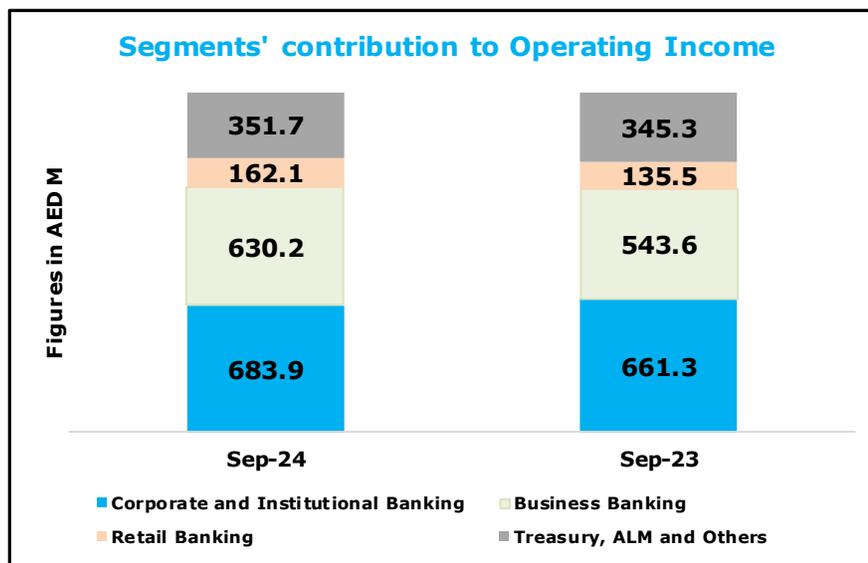
- Ample liquidity has been maintained with lending to stable resources ratio (LSRR) at 67.3% (2023: 67.4%) and eligible liquid assets ratio (ELAR) at 30.3% (2023: 28.3%), well ahead of Central Bank of the UAE's minimum requirements.
- The capital adequacy ratio (CAR) stood at 21.3% (Tier 1 ratio of 20.1% and CET 1 ratio of 14.3%) compared to 19.0% (Tier 1 ratio of 17.8% and CET 1 ratio of 14.2%) at 2023 year-end; exceeding regulatory requirements and ensuring a robust financial foundation. This is primarily on account of the successful issuance of the Additional Tier 1 capital securities ("AT1 capital"), amounting to US\$ 275 million (AED 1.01 billion) dated 16 September 2024, as part of strengthening NBF's capital structure supporting its business and operational strategy and refinancing of the existing AT1 capital securities of US\$ 350 million (AED 1.286 billion). The US\$ 350 million AT1 capital was called on 16 September 2024 and settled on the first call date i.e. 01 October 2024 post the quarter-end. Had this settlement been undertaken within September 2024, the total capital adequacy ratio would have still been strong at 18%. The new issuance has been privately placed with the Government of Fujairah. The capital instruments allow for the mandatory conversion into ordinary shares, at a ratio of AED 2.85:1, within two years of this issuance.

- Return on average equity was 11.87%, up from 11.24% for the corresponding period in 2023. Had the afore-mentioned AT1 capital settlement been undertaken within September 2024, the return on average equity would surge to 13.01%.
- Return on average assets was 1.57%, up from 1.40% for the corresponding period in 2023. Had the afore-mentioned AT1 capital settlement been undertaken within September 2024, the return on average assets would augment to 1.59%.

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 assists in building diversification and maintaining stable growth.

For the nine-month period ended 30 September 2024, the operating income from Corporate and Institutional banking customers was AED 683.9 million, an increase of 3.4% compared to the corresponding period. For Business Banking segment, the operating income rose by 15.9% to AED 630.2 million. For Retail Banking it increased by 19.6% while Treasury, ALM & others have increased by 1.9% compared to the corresponding period.





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

NBF's impressive set of results underscore its relentless execution of strategic objectives, the resilience in its core business and its ability to perform across key business segments in what continues to be an uncertain global environment, exacerbated by geopolitical tensions and a falling interest rate environment.

With the benefit of the buoyant local market momentum spurred by solid domestic activity in the tourism, trade, construction and financial services sectors, the robust capital position and improving overall asset quality, we will continue building on our steadfast dedication to service excellence, driving digital adoption and enhancing shareholder value, placing us well for sustained progress and agility throughout the rest of 2024 and beyond.

Shareholding and Rating

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 14 across the UAE.

NBF's 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 secured two awards at the MEA Finance Leaders in Payments Awards 2024: 'Best Real-Time Payments Implementation' and 'Best Payment System Implementation.' These awards recognize the Bank's exceptional contributions to improving banking payments as a regional leader. They further underscore NBF's commitment to innovation, customer-centricity, and its ongoing efforts to enhance efficiency and reliability in customer service in relation to payments.

Adnan Anwar
Chief Executive Officer

Brian Mulholland
Chief Financial Officer