



بنك الإمارات الوطني  
National Bank of



# INVESTOR PRESENTATION

For the Year Ended 31 December 2019

# DISCLAIMER

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# 01

## OVERVIEW OF NBF



## National Bank of Fujairah PJSC Overview

|                          |  |
|--------------------------|--|
| <b>Establishment</b>     | <ul style="list-style-type: none"> <li>National Bank of Fujairah PJSC ("NBF" or the "Bank") was established in Fujairah, UAE in 1982 by a decree issued by the Ruler of Fujairah, H.H. Sheikh Hamad bin Mohammed Al Sharqi.</li> <li>NBF shares were listed on Abu Dhabi Securities Exchange on 23 October 2005.</li> <li>The Bank has 790 full-time employees from 41 different nationalities, 41% of whom were female (as at 31 December 2019).</li> </ul> |
| <b>Operations</b>        | <ul style="list-style-type: none"> <li>NBF serves approximately 6,700 individuals and 28,900 retail customers via 18 branches and 51 ATM/CDM units in the UAE.</li> </ul>  |
| <b>Business Segments</b> | <ul style="list-style-type: none"> <li>The Bank operates via four main segments, namely (i) Corporate and Institutional Banking (55%)*, (ii) Business Banking (18%)* (iii) Treasury, Investments, Asset and Liability Management ("ALM") (19%)* and (iv) Retail Banking (8%)*.</li> </ul>  |
| <b>Business Strategy</b> | <ul style="list-style-type: none"> <li>The Bank's strategy focuses on creating longstanding client relationships built upon trust while focusing on ensuring clients are able to maximize commercial opportunities in order to achieve sustainable growth.</li> </ul>  |

## Credit Ratings

| Rating Agency                  | Date           | Long Term Rating | Outlook       |
|--------------------------------|----------------|------------------|---------------|
| <b>Moody's</b>                 | 2 January 2020 | <b>Baa1</b>      | <b>Stable</b> |
| <b>S&amp;P Global</b>          | 29 May 2019    | <b>BBB+</b>      | <b>Stable</b> |
| <b>CI CAPITAL Intelligence</b> | 29 August 2019 | <b>A-</b>        | <b>Stable</b> |

\*Of total revenue

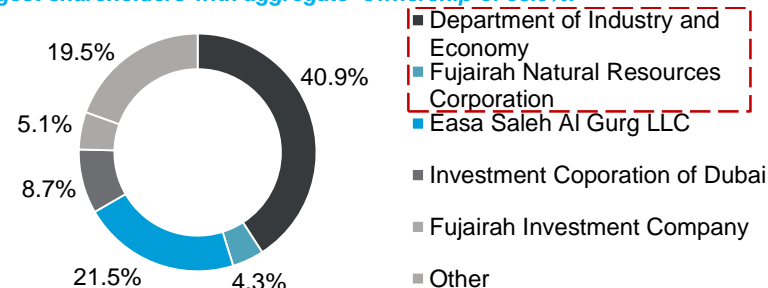
## Financial Highlights

| AED mn                    | FY2016 | FY2017 | FY2018 | FY2019 |
|---------------------------|--------|--------|--------|--------|
| Total Assets              | 35,668 | 36,656 | 39,783 | 42,805 |
| Loans & Advances          | 22,818 | 24,066 | 26,202 | 27,095 |
| Customer Deposits         | 25,938 | 27,865 | 30,472 | 31,950 |
| Total Equity              | 4,579  | 4,891  | 5,122  | 6,351  |
| NPL Ratio                 | 4.9%   | 5.5%   | 5.1%   | 5.4%   |
| Provisions Coverage Ratio | 101.3% | 89.5%  | 102.0% | 107.3% |
| Loan to Deposit Ratio     | 88.0%  | 86.4%  | 86.0%  | 84.8%  |
| Net Interest Margin       | 2.6%   | 2.6%   | 2.8%   | 2.7%   |
| Operating Income          | 1,319  | 1,379  | 1,574  | 1,708  |
| Net Profit                | 460    | 472    | 615    | 552    |
| Tier 1 Ratio              | 15.2%  | 15.1%  | 14.1%  | 16.6%  |
| Capital Adequacy          | 17.6%  | 17.5%  | 15.2%  | 17.8%  |

## Ownership Structure

- NBF has a market capitalization of USD 2.5bn as of 31 December 2019.
- The Governments of Fujairah and Dubai together form the largest shareholders with aggregate ownership of 53.9%.

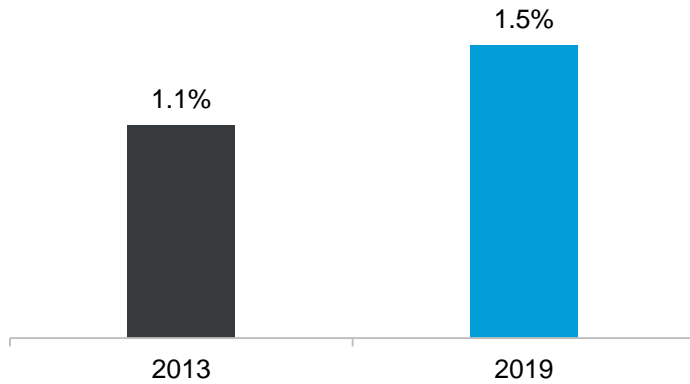
Government of Fujairah



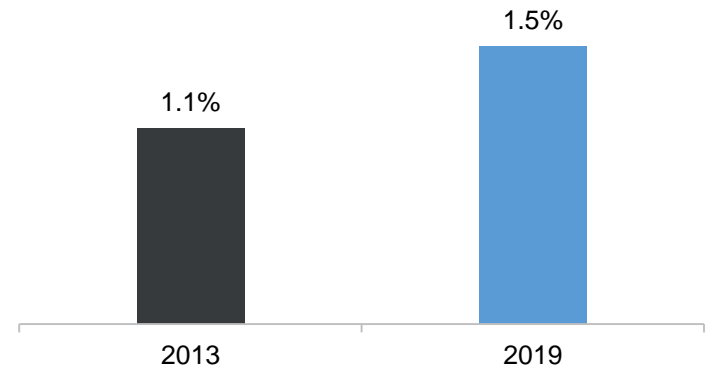
- “Best Corporate Bank UAE” and “Best Commercial Bank UAE” – The Banker Middle East UAE Industry Awards (2019, 2018, 2017, 2016 and 2015).
- “Best Customer Service - Corporate and Investment Banking”, “Best SME Trade Finance Offering” and “Best Treasury Management” – Banker Middle East UAE Product Awards (2019, 2018 and 2017).
- "Best Islamic Window in the UAE" – Islamic Business and Finance Awards (2019, 2018 and 2017).
- In 2019 staff satisfaction survey, NBF’s overall employee engagement increased by 2 percent from 75 percent to 77 percent, placing NBF in the top quartile of all organisations globally. NBF’s achievement of Emiratisation score of 830 points in 2019 against a target of 408 points was acknowledged by the UAE Central Bank. NBF also won the "International Employee Engagement Award" at the International Business Excellence Awards 2019, and the ‘Overall Experience Award’, ‘Employee Engagement and Happiness Award’, and ‘Employee Insight and HR Metrics Award’ at the Gulf Employee Experience Awards.
- NBF was ranked second position in the “Top CEO Award” 2019 by Media Quest, in collaboration with INSEAD Business School, in the category for Top 10 Banking Companies in the GCC and the “Best CEO Award” 2019 in the banking sector in the UAE.

# MARKET SHARE PROGRESSION

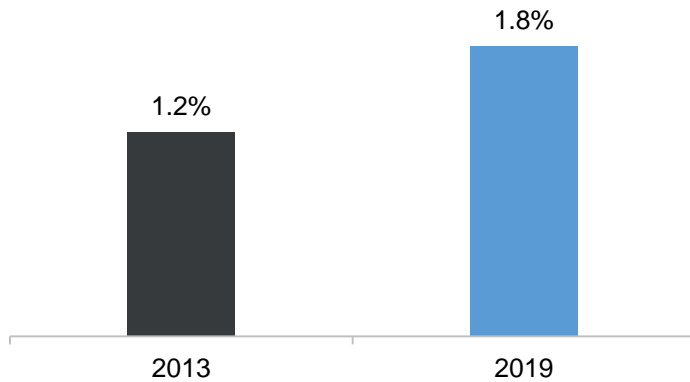
## Bank Assets



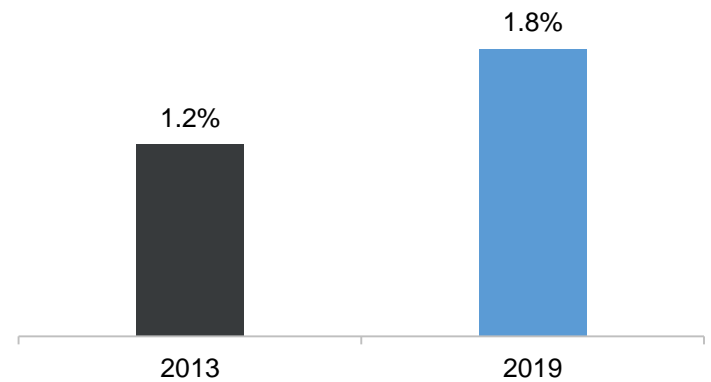
## Capital and Reserves



## Net Credit



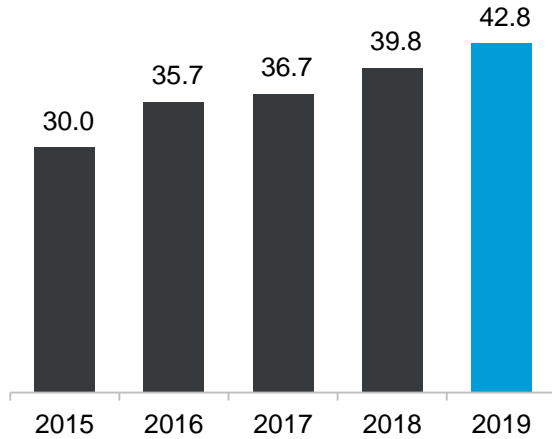
## Bank Deposits



# KEY FINANCIALS AT A GLANCE

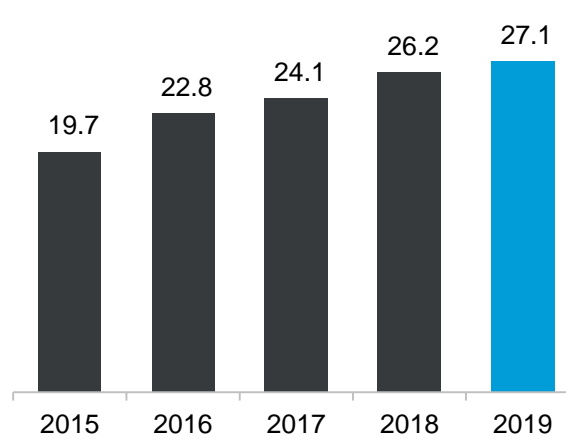
## Assets

AED Billion



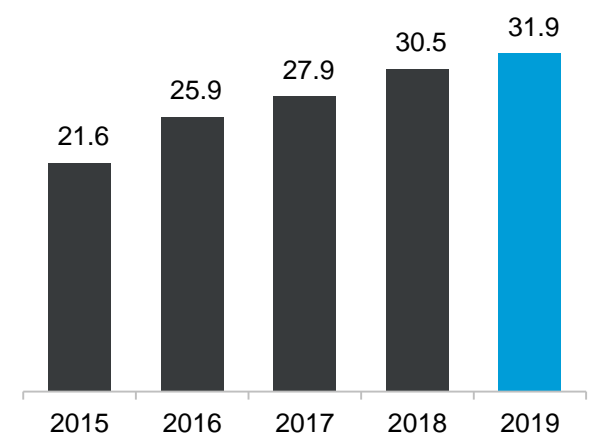
## Loans & Advances

AED Billion



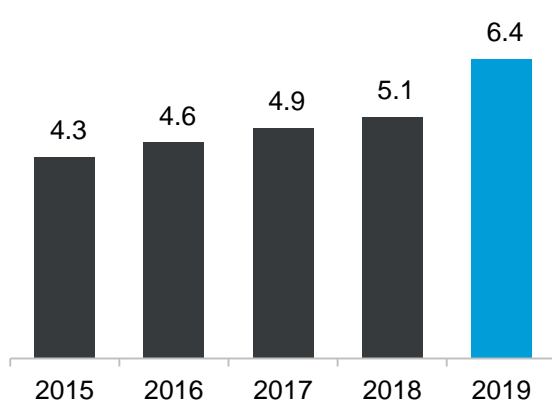
## Customer Deposits

AED Billion



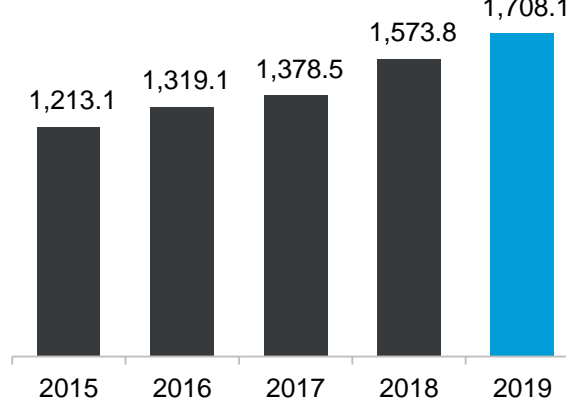
## Shareholders' Equity

AED Billion



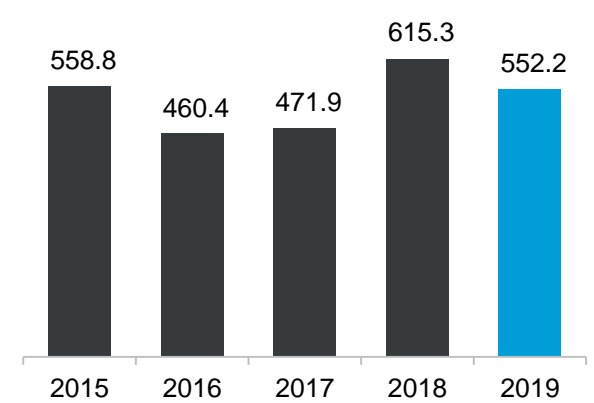
## Operating Income

AED Million



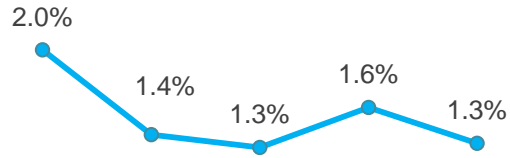
## Net Profit

AED Million



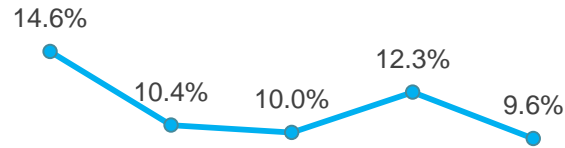
# KEY PERFORMANCE INDICATORS AT A GLANCE

### ROAA



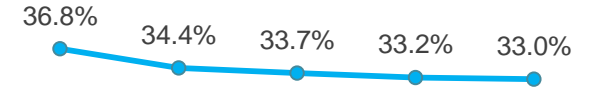
2015 2016 2017 2018 2019

### ROAE



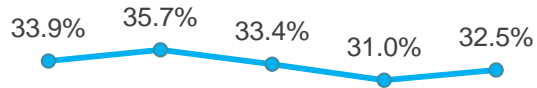
2015 2016 2017 2018 2019

### Cost to Income



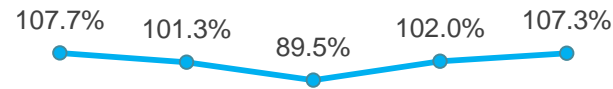
2015 2016 2017 2018 2019

### Non-Interest Income to Total Income



2015 2016 2017 2018 2019

### Provision Coverage Ratio



2015 2016 2017 2018 2019

### NPL Ratio



2015 2016 2017 2018 2019



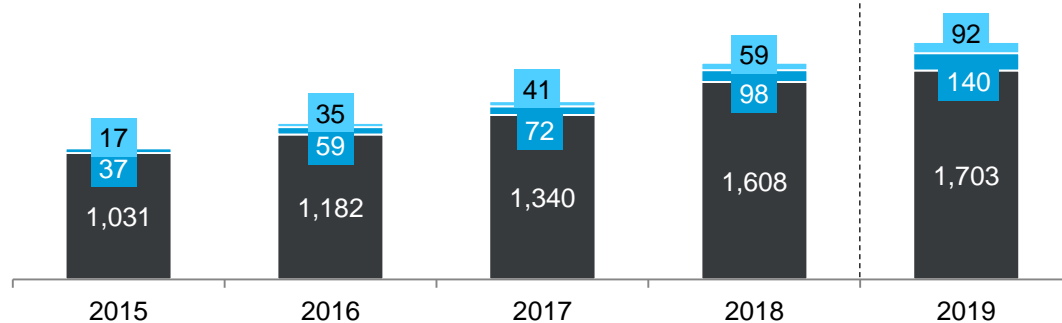
## Key Highlights

- ▶ Operating profit saw a growth of 8.8% to AED 1,145mn in 2019 as compared to 2018, which was achieved through strong core business performance, proactive asset and liability management, margin improvement and enhanced focus on return on capital.
- ▶ NBF has further improved its cost to income ratio to 33.0% from 33.2% in 2018.
- ▶ Net interest margin stood at 2.7% in 2019 demonstrating NBF's effective ALM strategies through which margins were protected despite the decline of 100 basis points in the market interest rates.
- ▶ NBF's net profit was impacted by one exceptional case towards end of the year where the bank prudently made provision.

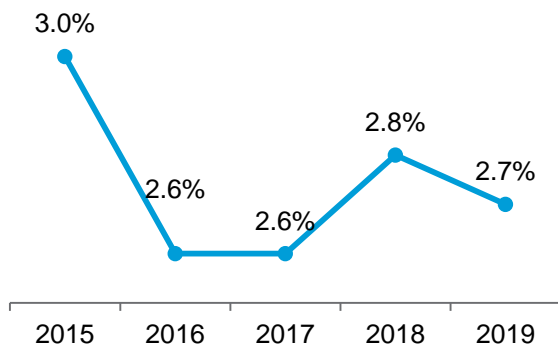
## Total Interest Income Composition

AED Million

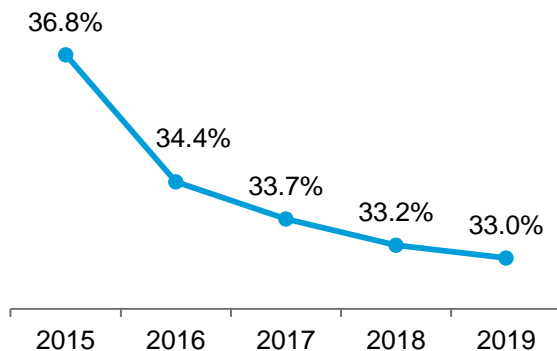
- Investments and Islamic instruments
- Due from banks including the UAE Central Bank CDs
- Loans and advances and Islamic financing receivables



## Net Interest Margin

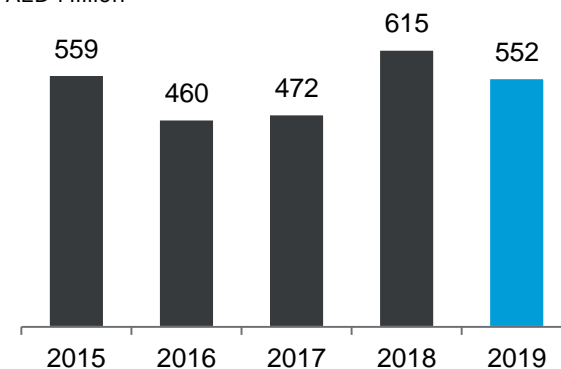


## Cost to Income Ratio



## Net Profit

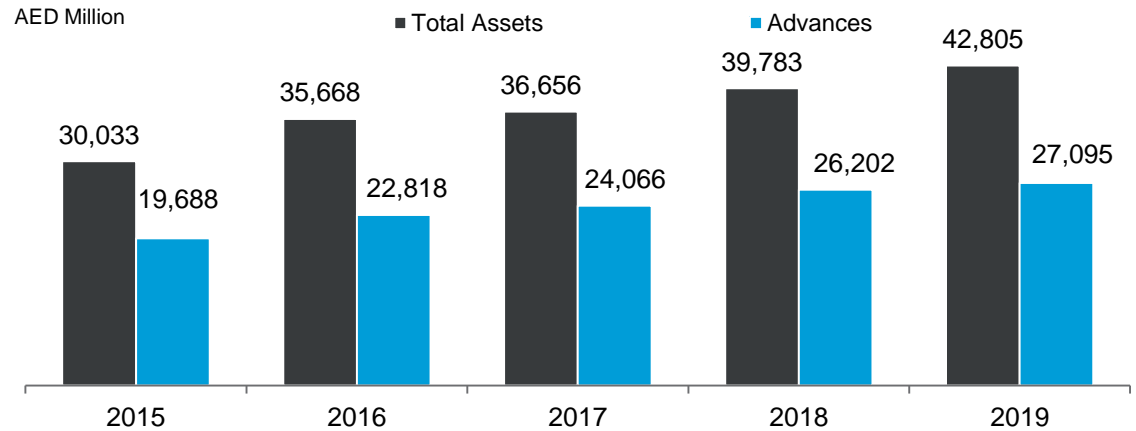
AED Million



## Key Highlights

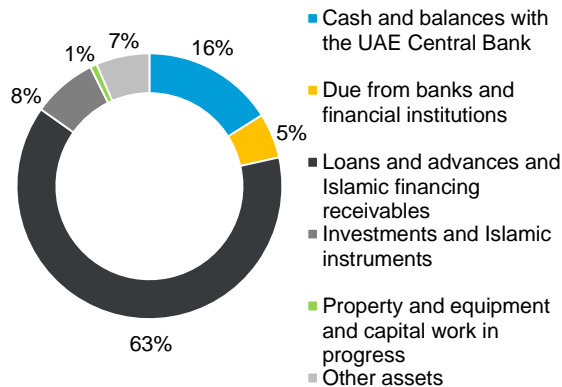
- ▶ Total assets increased by 7.6% from year end 2018, inline with NBF's growth strategy.
- ▶ The majority of the Bank's assets are loans and advances and Islamic financing receivables (63%), followed by cash and balances with the UAE Central Bank (16%) and investments and Islamic instruments come in third place (8%).
- ▶ The Bank continues to maintain a well diversified investment portfolio.
- ▶ NBF maintains a portfolio of short-term HQLA issued by the UAE Central Bank along with cash reserves and other investment grade marketable securities.

## Assets and Advances



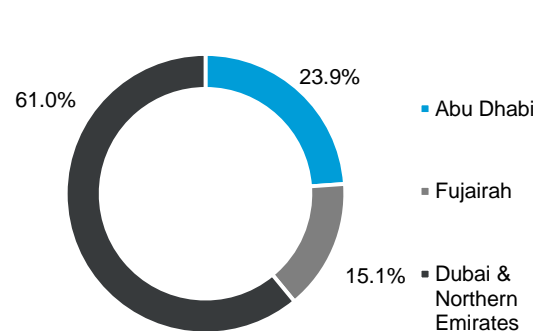
## Breakdown of Assets by Type

31 December 2019



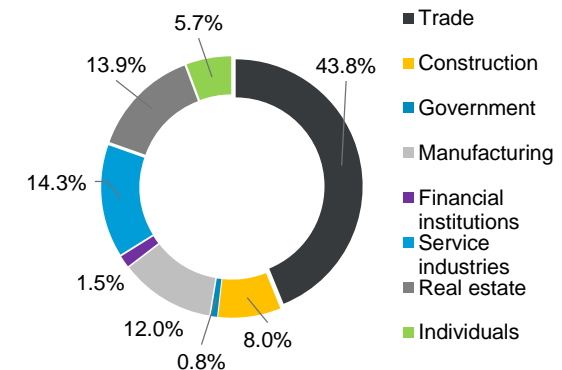
## Breakdown of Advances by Emirates

31 December 2019

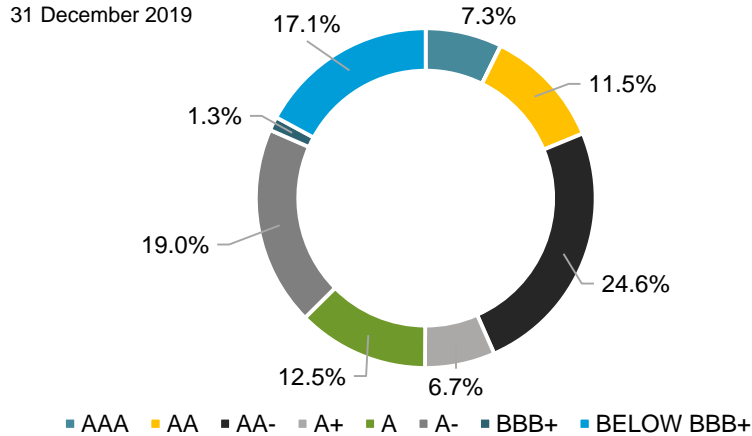


## Breakdown of Advances by Sector

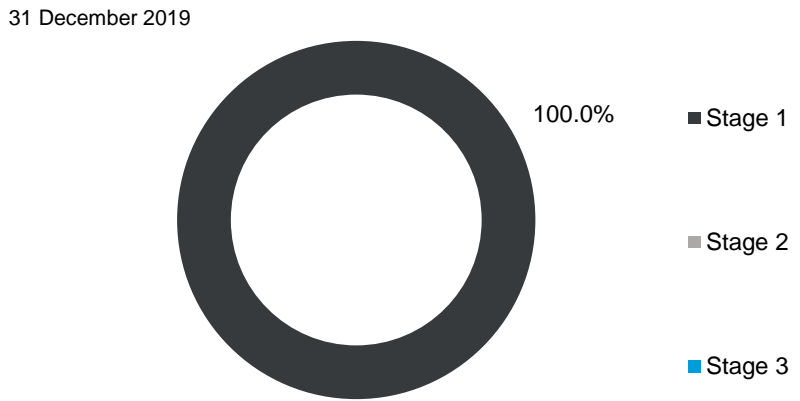
31 December 2019



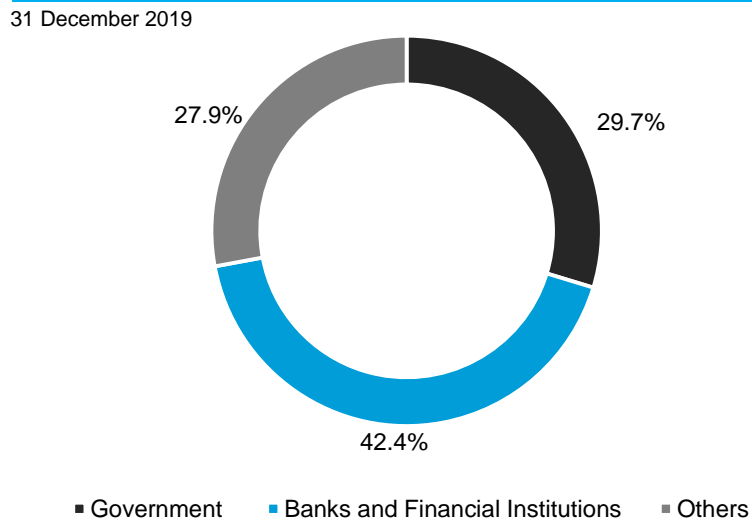
## Investments and Islamic Instruments by Ratings



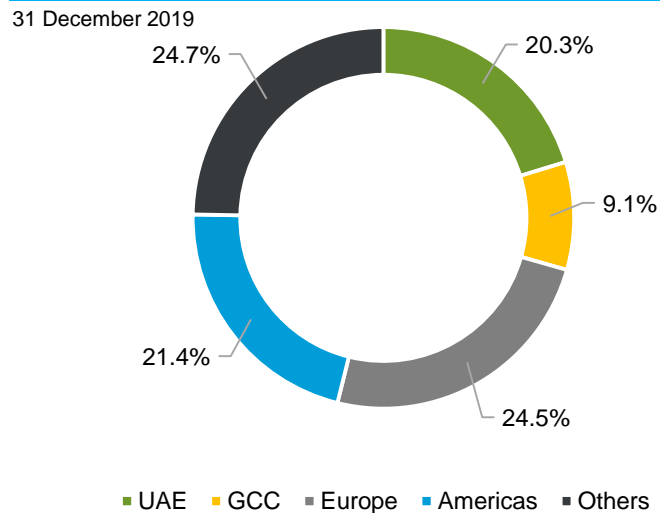
## Breakdown of Investments and Islamic Instruments by Stage



## Investments and Islamic Instruments by Type



## Investments and Islamic Instruments by Geography



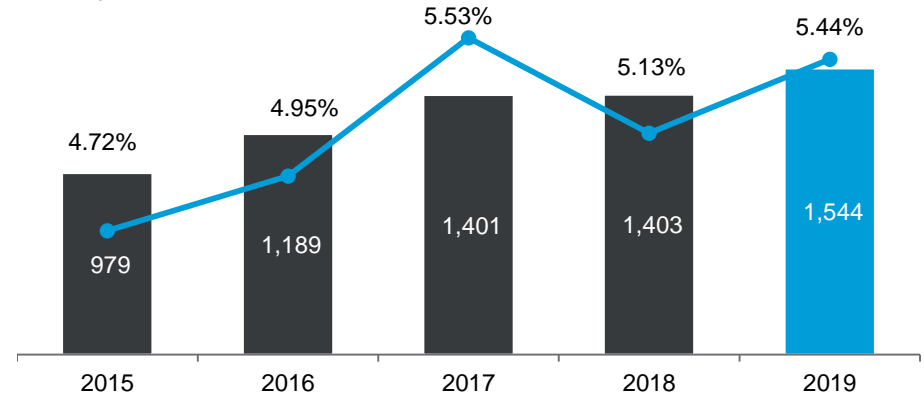
## Key Highlights

Given the current downturn being experienced by the broader economy and its impact on asset quality, NBF's NPL ratio has been maintained under 6% levels. NBF has further strengthened its credit underwriting standards and aligned its risk appetite to the current operating environment.

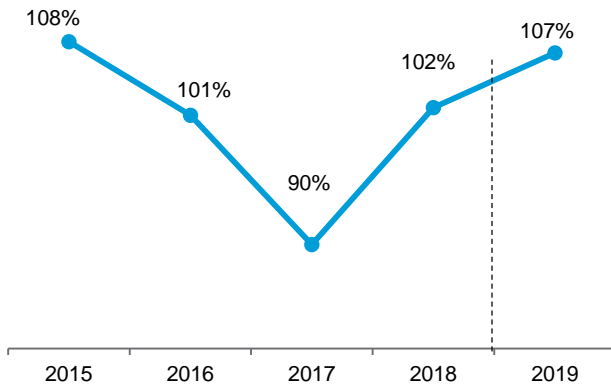
- ▶ Provisions coverage ratio improved from 102% in 2018 to 107% in 2019 on account of prudent provisioning.
- ▶ Aggregate Stage 2 and Stage 3 Loans and Advances (including Acceptances) improved from 15.9% in 2018 to 14.5% in 2019. Overall, Stage 2 and Stage 3 exposure improved from 14.5% in 2018 to 12.3% in 2019.

## Non-Performing Loans & NPL Ratio

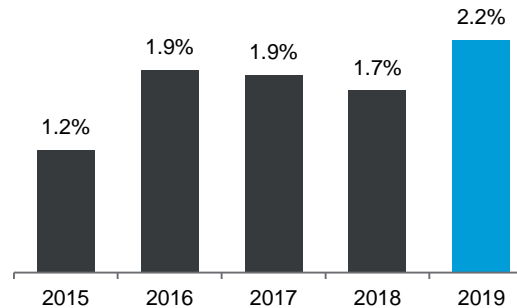
AED Million



## Coverage ratio

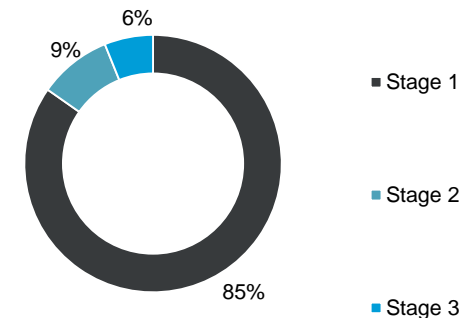


## Cost of Risk



## Breakdown of Loans & Advances by Stage

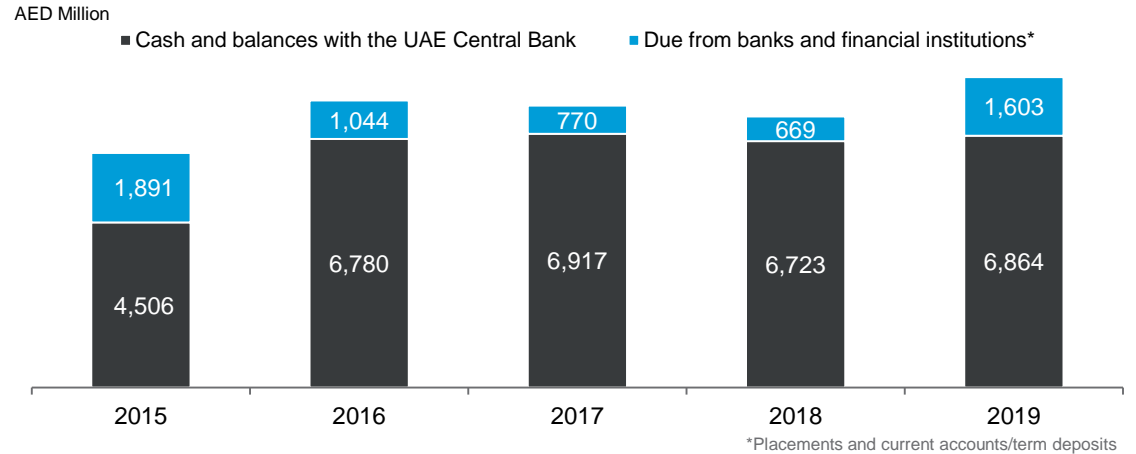
31 December 2019



## Key Highlights

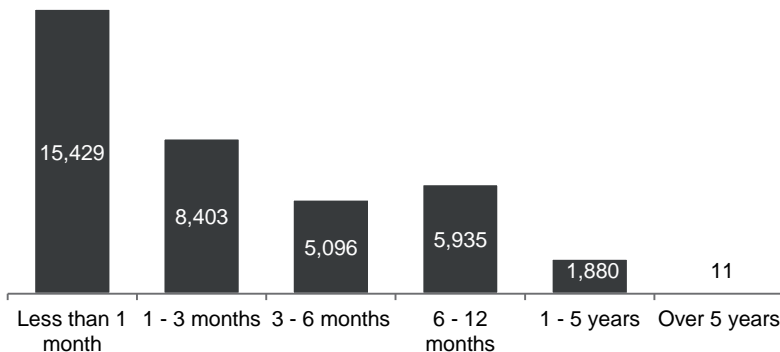
- ▶ NBF maintains prudent and high quality of liquidity commensurate to its liquidity risk profile evident by its 84.8% LDR.
- ▶ Eligible Liquid Assets ratio stood at 21.7% as of 31 December 2019.
- ▶ NBF is fully compliant with guidelines set by the UAE Central of Bank and the Bank complies with Basel III regulations.
- ▶ NBF's NSFR stood at 106% and LCR stood at 440% at the end of 2019.

## Liquid Assets



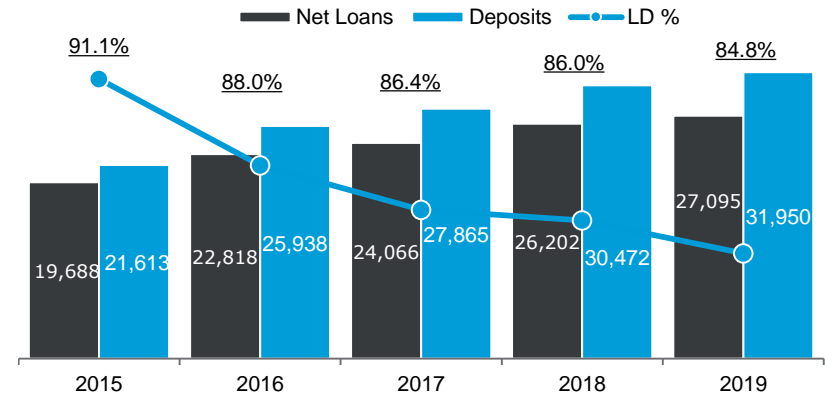
## Funding Maturity Profile

31 December 2019, AED Million



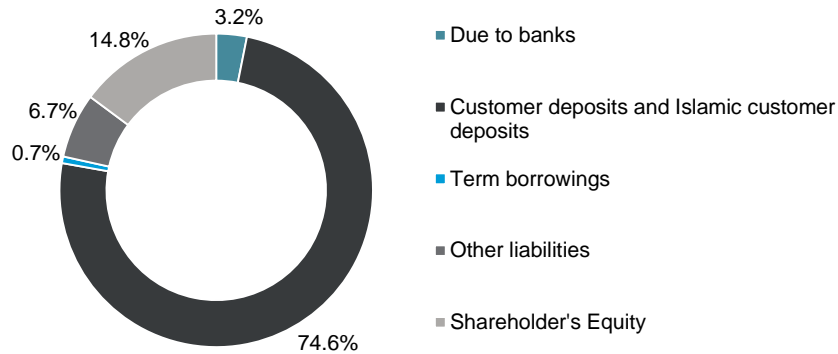
## Net Loan to Deposit Ratio (%)

AED Million



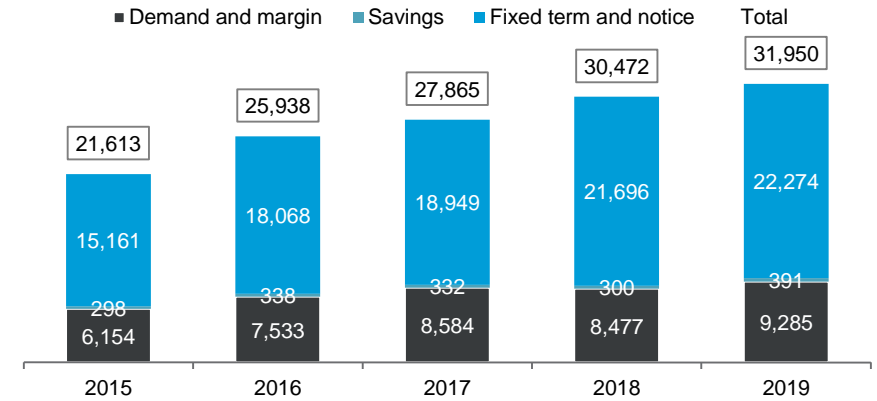
## Funding Mix

31 December 2019



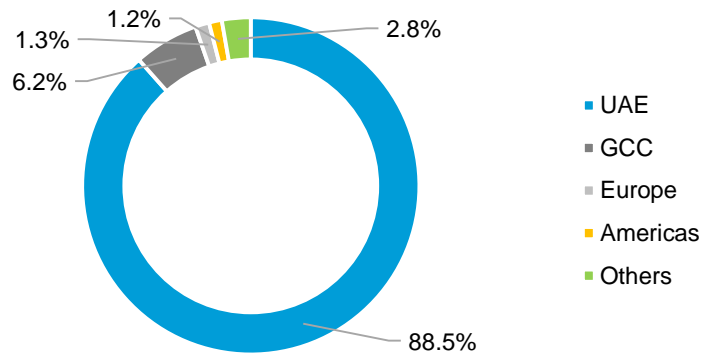
## Customer Deposits

AED Million



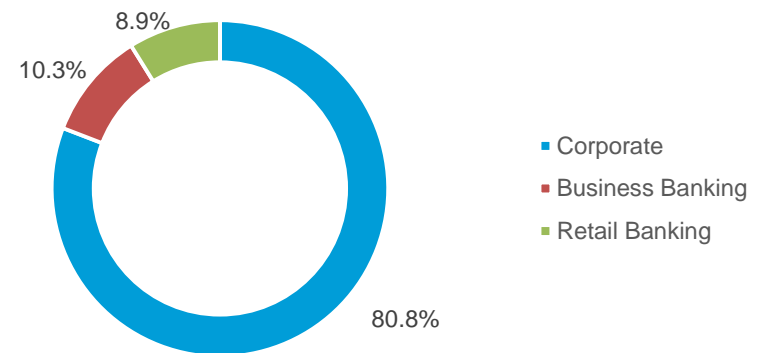
## Customer Deposits by Geographical Distribution

31 December 2019



## Customer Deposits by Segment

31 December 2019

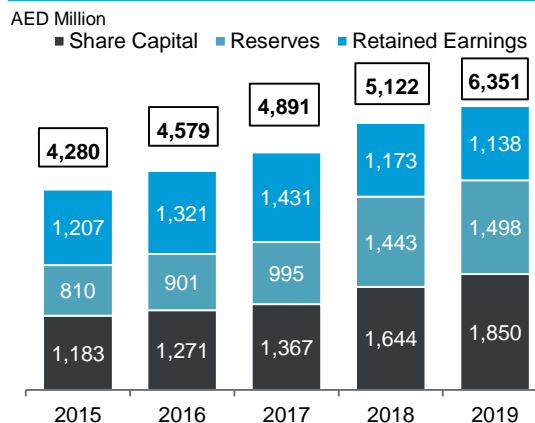


# STRONG CAPITALISATION

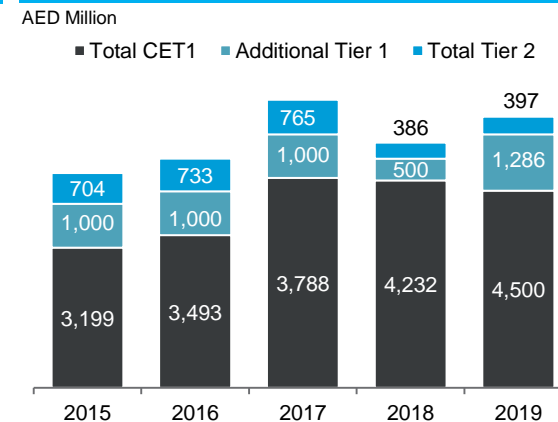
## Key Highlights

- NBF is well capitalized with a Capital Adequacy Ratio and Total Tier 1 Ratio of 17.8% and 16.6% respectively, as at 31 December 2019, well above the regulatory requirement of 10.5% and 8.5% respectively.
- The Bank's risk weighted assets (RWA) have increased to AED 34.8bn as at 31 December 2019 from AED 33.6bn as at 31 December 2018.
- NBF's capital structure strengthened on the back of successful issuance of Basel III compliant Additional Tier 1 ("AT1") capital of USD 350 million and early buy back of existing AT1 capital notes of AED 500 million in Q4 2019.

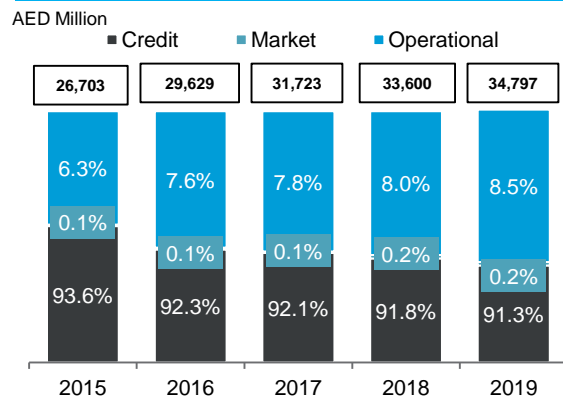
## Equity Breakdown



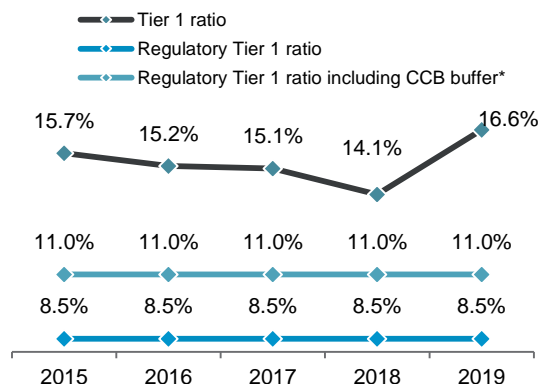
## Capital Base



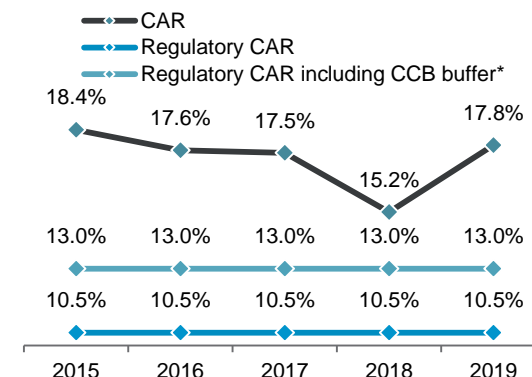
## Risk Weighted Assets\*



## Tier 1 Ratio(%)



## Capital Adequacy (%)



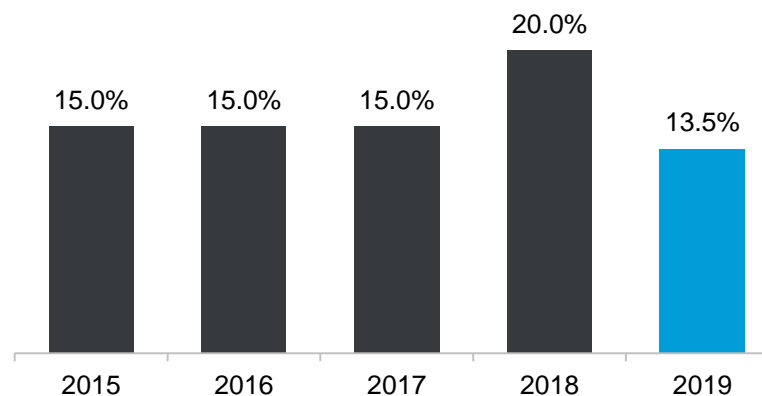
\* CCB buffer: CBUAE Capital Conservation buffer

# DIVIDEND AND AT1 CAPITAL COUPON

## Overview

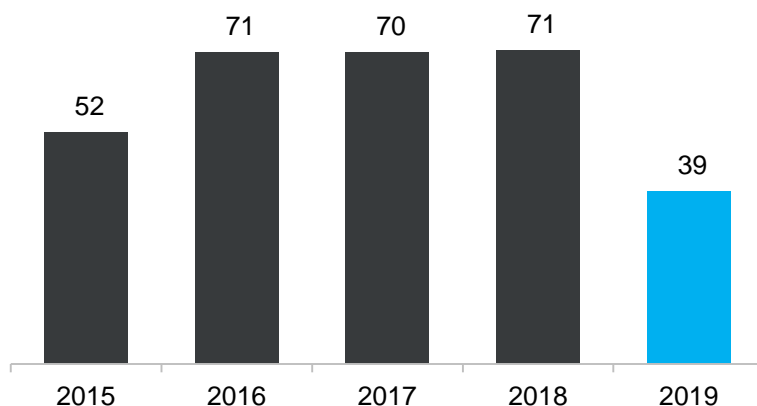
- ▶ Proposed dividend is 13.5% for 2019 representing 10.0% cash dividend and 3.5% bonus shares.
- ▶ Annual coupon amount on outstanding AT1 capital of AED 1,285.6 million at 5.875% equals to AED 75.5 million. As at 31 December 2019, available distributable item (retained earnings) stood at 14.2 times annual coupon amount.

## Dividend Payout Ratio

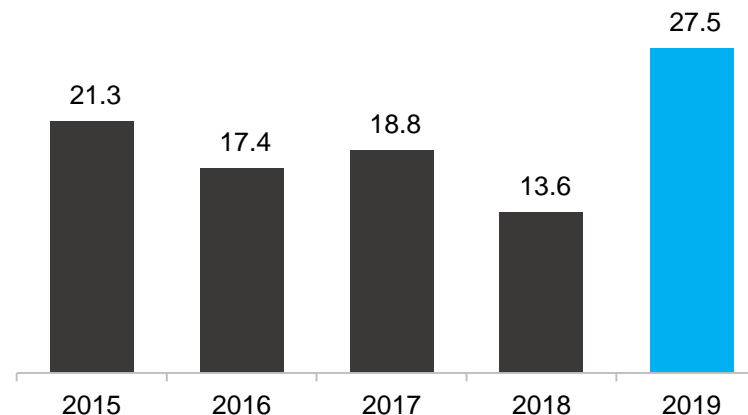


## AT1 Coupon Payment

AED Million



## Retained Earnings over AT1 Coupon Payment





# NBF PERFORMANCE AND OUTLOOK

| Key Metrics <sup>2</sup> |                          | FY 2019 | Target              |
|--------------------------|--------------------------|---------|---------------------|
| Profit                   | Return on Average Equity | 9.6%    | 10%                 |
|                          | NIM                      | 2.7%    | 2.5% – 3.0%         |
|                          | Cost to income           | 33.0%   | <35%                |
| Assets                   | Asset growth             | 7.6%    | Industry Average    |
|                          | Loan growth              | 3.4%    | Industry Average    |
| Capital                  | CET 1                    | 12.9%   | 12%-14%             |
|                          | Tier 1                   | 16.6%   | 15%-17%             |
|                          | CAR                      | 17.8%   | 16%-18%             |
| Liquidity                | AD ratio                 | 84.8%   | 90% - 95%           |
|                          | ELAR                     | 21.7%   | >15%                |
| Credit Quality           | NPL                      | 5.4%    | <= Industry Average |
|                          | Coverage                 | 107.3%  | >=100%              |

# 02

## BUSINESS OVERVIEW

# OVERVIEW OF BUSINESS SEGMENTS

## NBF offers a full range of products through five main business divisions

### Corporate and Institutional Banking ("CIB")

- ▶ NBF's largest segment in terms of assets, liabilities and profit.
- ▶ Services include deposit facilities, credit/trade finance and ancillary services to large corporates, mid-tier corporates clients and Financial Institutions.
- ▶ Enhanced focus on capital efficient products, in particular treasury products.
- ▶ NBF Capital licence being upgraded to broaden investment and corporate finance activities in mid market.

### Business Banking

- ▶ Serves clients with a turnover between AED 10 million to AED 250 million.
- ▶ Services include working capital facilities, collateral-free business term loans, overdraft facilities, project financing and parameterized lending.
- ▶ Partnership with Refinitiv (formerly Thomson Reuters) as a platinum banking partner to be able to offer bespoke funding solutions to its SME clients.

### Retail Banking

- ▶ Personal and mortgage loans, credit cards and advisory and depositing services.

### Treasury, Investments, ALM and Other

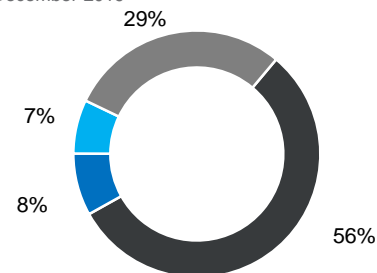
- ▶ Centralizes the Group's liquidity and supports the growth of the other business segments.
- ▶ Offers structuring & execution of bespoke cross asset market risk solutions for NBF clients.
- ▶ Offers market risk solutions for NBF's clients with exposure to commodities.

### Islamic Banking

- ▶ NBF Islamic, an Islamic Banking Window established in 2014 to offer Shari'a-compliant banking services.
- ▶ Shari'a compliant products offered to customers including Murabaha, Mudaraba and Wakala deposits as well as Shari'a-compliant financing and cash management products.
- ▶ Islamic Banking Treasury Products: NBF treasury has products such as profit rate swaps and Wa'ad (FX & Commodities) and capability to provide all treasury solutions in Shari'a compliant manner.

### Contribution to Assets

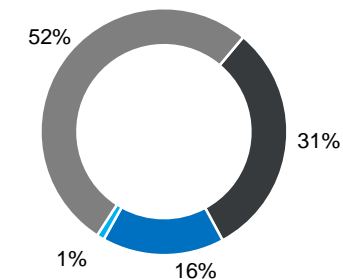
31 December 2019



- CIB
- Business Banking
- Retail Banking
- Treasury, Investments, ALM

### Contribution to Net Profit

31 December 2019



- CIB
- Business Banking
- Retail Banking
- Treasury, Investments, ALM

*NBF continuously strives to capitalize on new opportunities to broaden the business and diversify its sources of income*

## Overview

► The Bank's CIB operations are split into three main sub-divisions:

### 1. Corporate Banking

- Large Corporates & Governments
- Services & Manufacturing
- Trading & Diversified
- Contracting
- Precious Metals & Diamonds
- Energy and Marine
- Equipment Finance
- NBF Elham

### 2. Financial Institutions

### 3. Investment Banking

► The principal CIB products and services offered by the Bank include:

### 1. Transaction Banking

- Cash Management
- Payments
- Collections
- Liquidity Management

### 2. Trade Services

- Exports
- Imports
- Receivable Services
- Guarantees

### 3. Corporate Advisory & Lending

- Working Capital
- Syndication
- Project Finance
- Corporate Finance
- Sales, Trading, Structuring

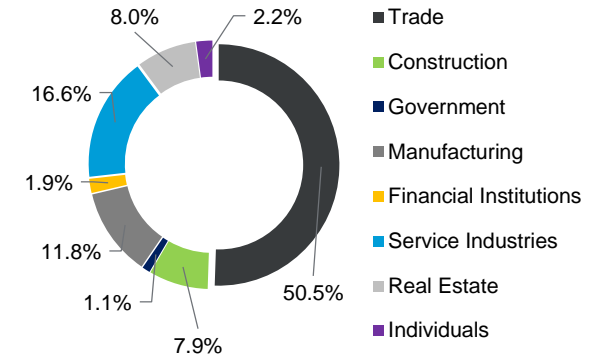
### 4. NBF Direct Online Banking Services

### 5. Treasury

- Foreign Exchange, Cross Asset Derivatives

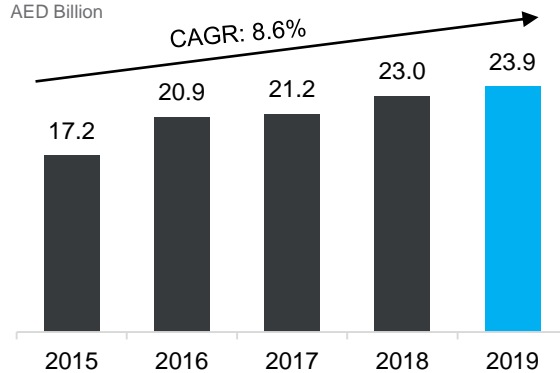
## Gross Loans – Sector Breakdown

31 December 2019



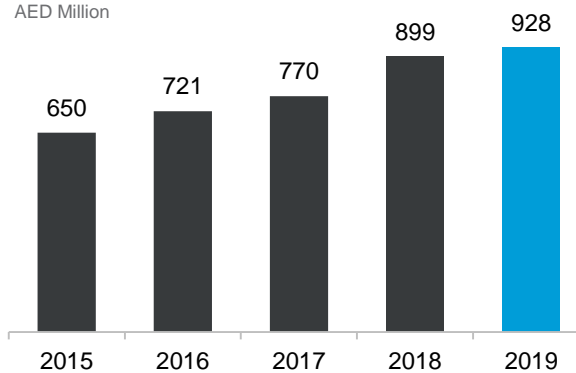
## Segment Assets

AED Billion

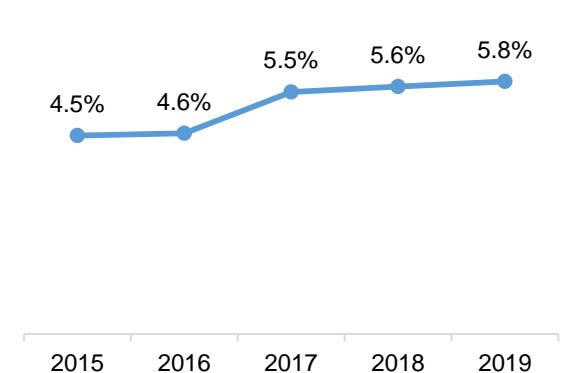


## Total Operating Income

AED Million



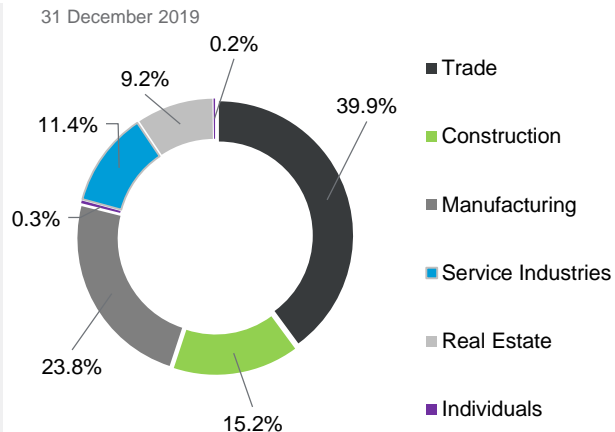
## NPL Ratio



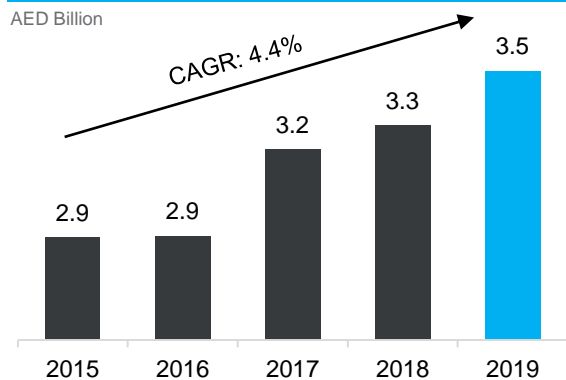
## Overview

- ▶ Offers a variety of products and services to SME clients and also offers transactional and deposit services to SME businesses.
- ▶ Manages clients with a turnover between AED 10 million to AED 250 million.
- ▶ The SME segment within Business Banking manages clients with a turnover between AED 10 million to AED 40 million.
- ▶ Banking products and services designed to meet the specific needs of Business Banking clients including:
  - Working capital facilities
  - Collateral-free business term loans
  - Overdraft facilities
  - Project financing
  - Parameterised lending

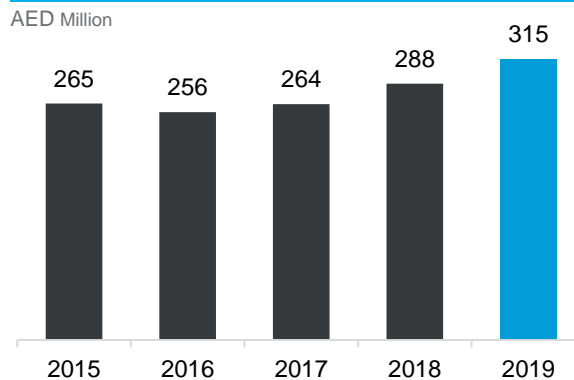
## Gross Loans – Sector Breakdown



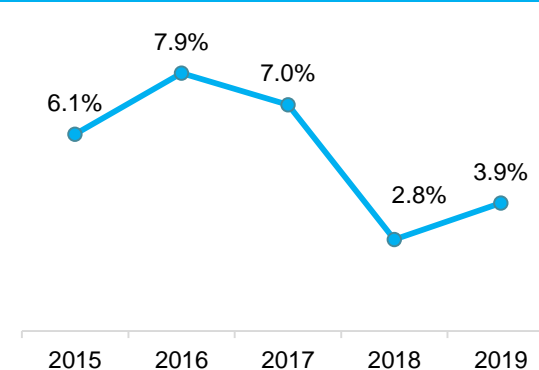
## Segment Assets



## Total Operating Income



## NPL Ratio

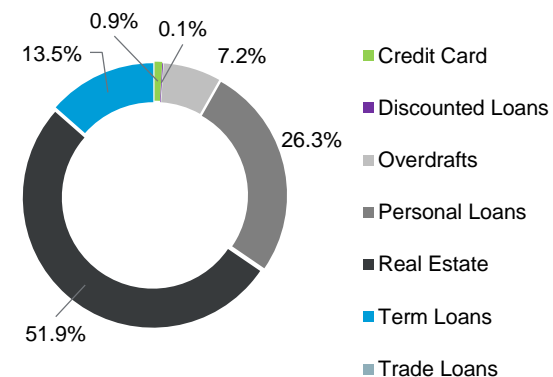


## Overview

- ▶ NBF's retail banking segment offers a wide range of products and services to individuals and high net worth clients.
  - ▶ The Retail Banking clients are broken down into the following different tiers:
    - Priority Customers
    - Preferred Customers
    - Personal
    - Basic
    - Retail SME
  - ▶ NBF continues its focus on growing its Retail Banking segment through an enhanced focus on sales, an expanded branch network and investments in digitalization.
- ▶ **The principal retail client products and services offered by the Bank include:**
- Account Services
  - Deposits
  - Personal Loans
  - Auto Loans
  - Home Loans
  - Construction Loans
  - Credit & Debit Cards
  - NBF Direct - Online Banking Services
  - Insurance Products
  - Customized Product Bundles for business segments
  - Investments

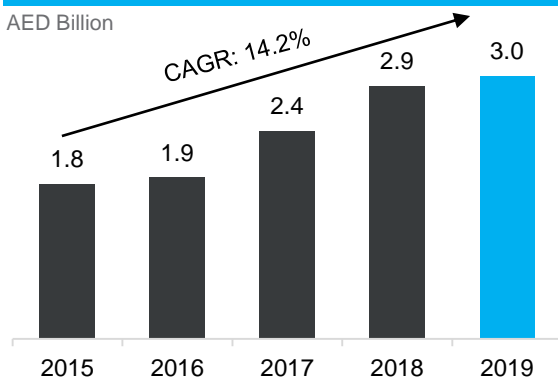
## Gross Loans – Product Mix

31 December 2019



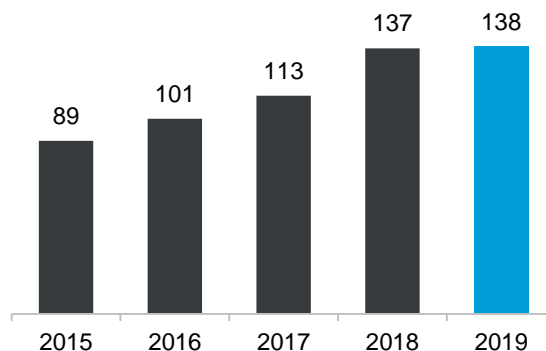
## Segment Assets

AED Billion

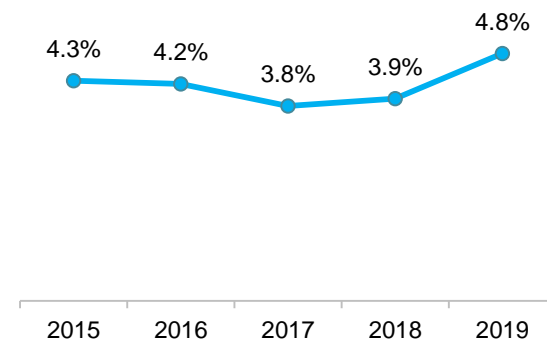


## Total Operating Income

AED Million



## NPL Ratio



## Overview

### ► Treasury and ALM

- Centralizes and manages the Group's liquidity via an advanced ALM system.
- Covers the Group's asset and liability management functions.
- Optimum utilization of resources and assets.
- Management of exchange and interest positions.
- Managing the Group's investment portfolio.

### ► Investment Management

- Develops investment solutions and propositions for customers.
- Manages NBF's proprietary equity and fund based investments.

### ► Trading & Market Risk Solutions

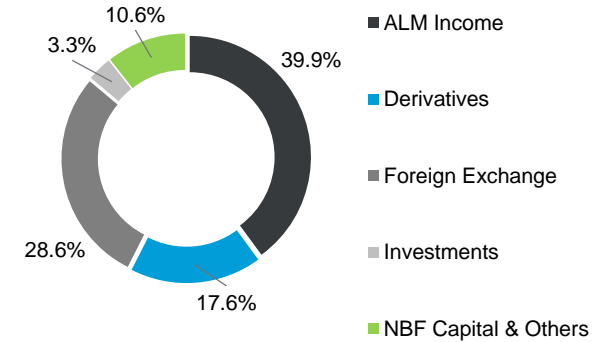
- Provision of efficient & competitive FX Pricing Solutions for NBF Clients through diverse channels.
- Structuring & Execution of bespoke cross asset market risk solutions for NBF Clients.
- Automation & Digitalization of market services to optimize efficiency and revenue.
- Implementation of an advanced Treasury Front End System for market risk management.

### ► The principal products and services offered by this segment of the Bank include:

- Foreign Exchange
- Money Markets
- Derivatives
- Commodities
- Fixed Income
- Investments
- Islamic Banking
- Treasury Products

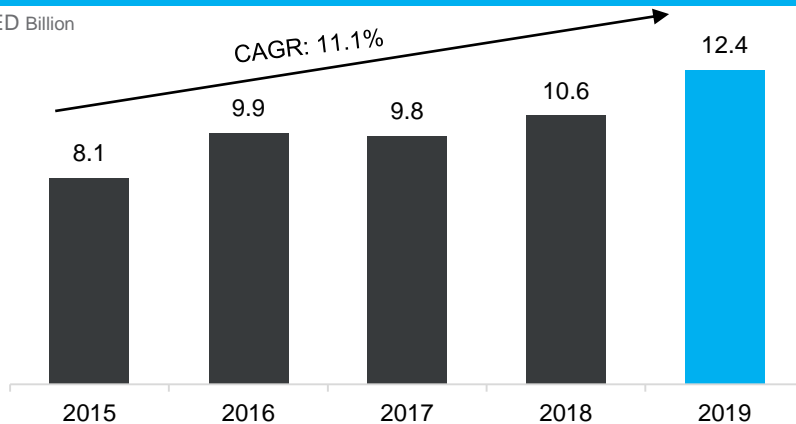
## Operating Income Mix

31 December 2019



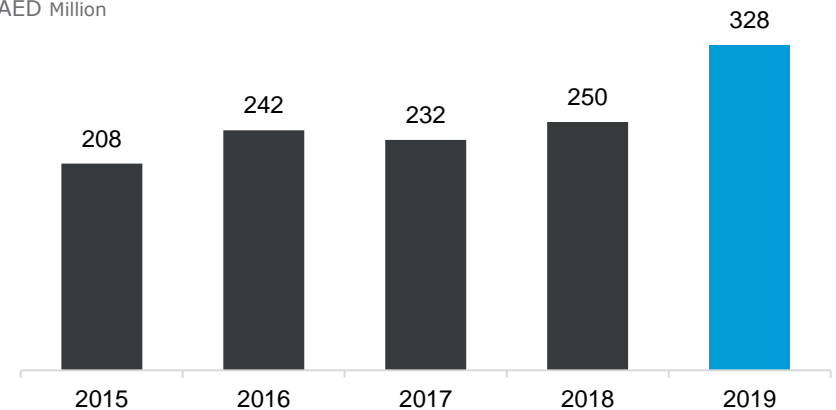
## Segment Assets

AED Billion



## Total Operating Income

AED Million



## Overview

► The principal Sharia'a-compliant retail products and services offered by the NBF Islamic include:

### Account Services

- Standard Current, Saving & Corporate Accounts
- Murabaha, Mudaraba & Wakala Deposits
- Credit & Debit Cards

### Financing

- Personal Finance
- Home Finance
- Ijara Financing
- Murabaha Financing
- Istisna Forward Ijara
- Equipment Finance
- Real Estate Finance
- Auto Finance

### Corporate Advisory, Syndications, Treasury

- Market Risk Solutions, Trading, Cross Asset Derivatives Structuring/Execution, profit rate swaps and Wa'ad (FX & Commodities)

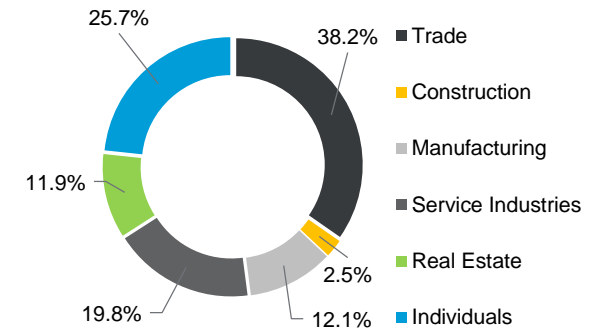
### Transaction Banking

- Cash Management
- Trade Services
- Working Capital Management
- Guarantees

### Islamic Gold Facilities

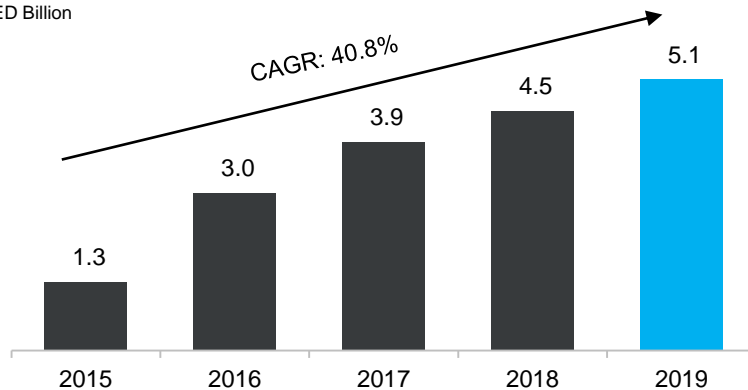
## Gross Loans – Sector Breakdown

31 December 2019



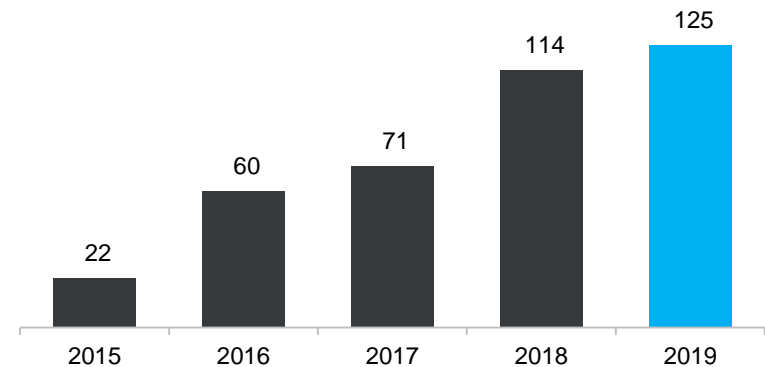
## Segment Assets

AED Billion



## Total Operating Income

AED Million





# THANK YOU

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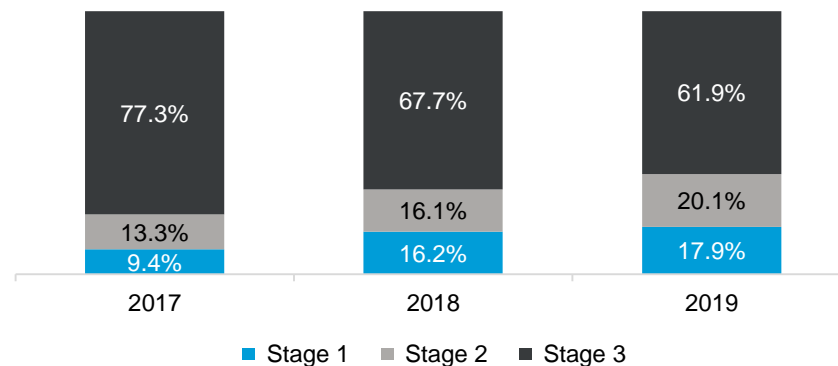
03

# APPENDIX

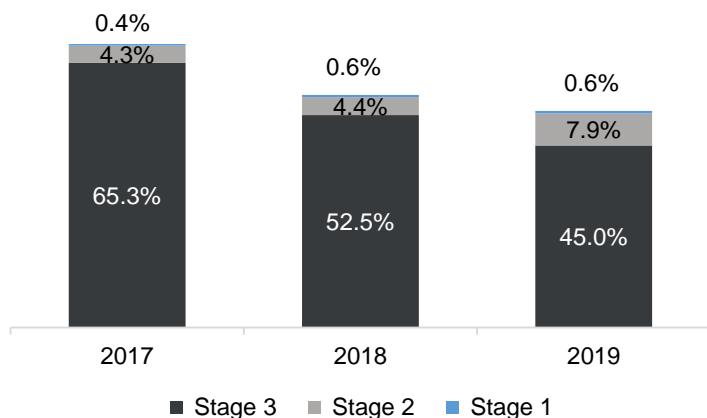
## Overview

- ▶ The principal factors contributing to the movement are :
  - (i) Movement in total outstanding balances [funded + unfunded + limits impact]
  - (ii) Change in risk ratings
  - (iii) Term structure of contracts
  - (iv) DPD changes and
  - (v) Moody's change in the default rates during the quarter

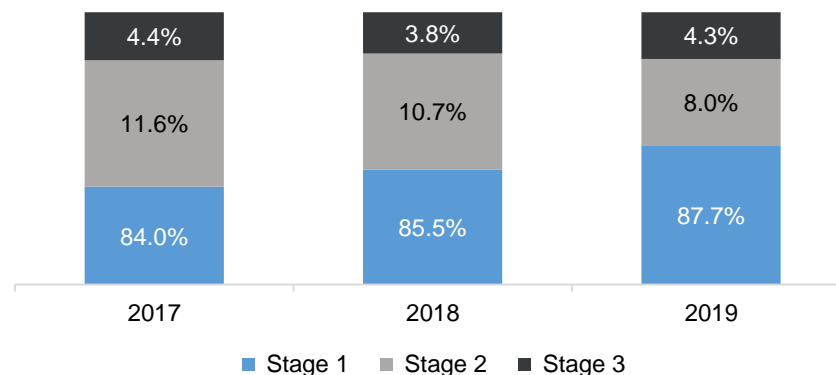
## ECL Mix



## ECL Rate



## Exposure Mix



\* Exposure includes Loans and Advances, Acceptances, Unfunded, Due From Banks and Investments