



بنك الإمارات الوطني
National Bank of



Investor Presentation

For the Quarter Ended 31 December 2020

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01

OVERVIEW OF NBF



National Bank of Fujairah PJSC Overview

Establishment	<ul style="list-style-type: none"> 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. NBF shares were listed on Abu Dhabi Securities Exchange on 23 October 2005. The Bank has 719 full-time employees from 36 different nationalities, 42% of whom were female (as at year end 2020).
Operations	<ul style="list-style-type: none"> NBF serves approximately 6.7K corporate customers and 30.1K individuals via 15 branches (of which 1 is an electronic banking service unit) and 48 ATM/CDM units in the UAE.
Business Segments	<ul style="list-style-type: none"> The Bank operates via four main segments, namely (i) Corporate and Institutional Banking (50%)*, (ii) Business Banking (22%)* (iii) Treasury, Investments, Asset and Liability Management ("ALM") (19%)* and (iv) Retail Banking (9%)*.
Business Strategy	<ul style="list-style-type: none"> The Bank's strategy focuses on creating longstanding client relationships built upon trust while focusing on ensuring clients are able to optimise commercial opportunities in order to achieve sustainable growth.

Credit Ratings

Rating Agency	Date	Long Term Rating	Outlook
MOODY'S	21 December 2020	Baa1	Negative
S&P Global	02 July 2020	BBB+	Negative
CI CAPITAL Intelligence	29 August 2020	A-	Stable

*Of total revenue

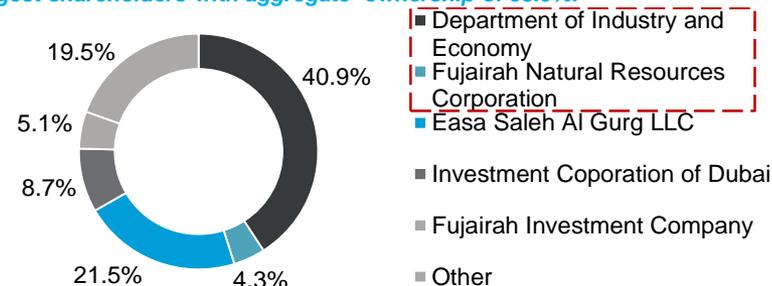
Financial Highlights

AED mn	FY2016	FY2017	FY2018	FY2019	FY2020
Total Assets	35,668	36,656	39,783	42,805	39,872
Loans & Advances	22,818	24,066	26,202	27,095	24,844
Customer Deposits	25,938	27,865	30,472	31,950	29,766
Total Equity	4,579	4,891	5,122	6,351	5,674
NPL Ratio	4.9%	5.5%	5.1%	5.4%	10.1%
Provisions Coverage Ratio	101.3%	89.5%	102.0%	107.3%	91.8%
Loan to Deposit Ratio	88.0%	86.4%	86.0%	84.8%	83.5%
Net Interest Margin	2.6%	2.6%	2.8%	2.7%	2.3%
Operating Income	1,319	1,379	1,574	1,708	1,386
Net Profit	460	472	615	552	(475)
Tier 1 Ratio	15.2%	15.1%	14.1%	16.6%	18.1%
Capital Adequacy	17.6%	17.5%	15.2%	17.8%	19.2%

Ownership Structure

- NBF has a market capitalization of USD 2.6bn as of 31 December 2020.
- The Governments of Fujairah and Dubai together form the largest shareholders with aggregate ownership of 53.9%.

Government of Fujairah

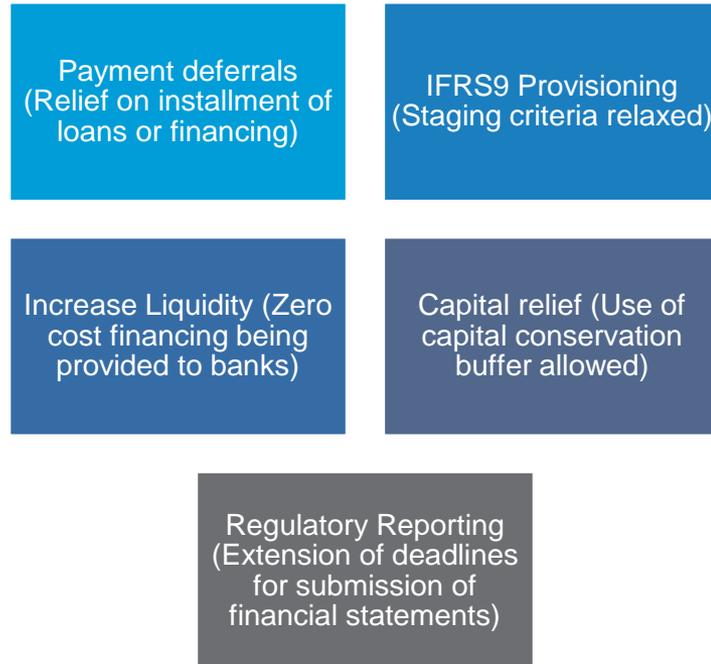


- “Best SME Bank” – At the MEA Finance Awards 2020.
- For the fourth year in a row, NBF was awarded “The Dubai Chamber CSR Label 2020”, in recognition of our outstanding CSR strategy. This award acknowledges our efforts in taking practical measures to ensure that CSR is an integral part of our operations.
- “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 2020 staff satisfaction survey, NBF’s overall employee engagement stood at 75 percent, placing NBF in the top quartile of all organisations globally. NBF’s achieved an Emiratization score of 876 points in 2020 against a target of 860 points with more than 44% of the bank’s full time staff being UAE nationals.
- 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.

COVID 19 – ECONOMIC IMPACT

- H1 2020 witnessed unprecedented disruption from the COVID-19 pandemic adding to the challenges already being faced by the global economy; with lock-down, supply-chain disruptions, stocks and commodity price volatility, interest rate cuts and consequent credit stress all creating extreme negative pressures on the business environment. Government support measures across the globe and the increasing availability of an effective vaccine, are expected to create the conditions for meaningful economic recovery in the months ahead.
- The UAE banking industry continues to face pronounced risks, including asset quality concerns, rising cost of risk, a prolonged slowdown in economic activity and margin pressures. Against this uncertain environment, NBF has been looking to support its customers through various measures and remains highly responsive to their ever-changing needs.
- At the outset of the pandemic, NBF adapted its business continuity plans and other risk management practices to enable it to continue smooth operations throughout. NBF successfully moved multiple functions to remote working and the use of our digital technology ensured the availability and continuity of customer services.
- NBF has been proactively managing its liquidity and capital, to ensure we had the wherewithal to withstand any further shocks and to navigate through these uncertain times with confidence.

Economic Measures undertaken by regulators to Manage Financial Risk in GCC



Employees

- Fully secure remote working arrangements.
- Precautionary measures to ensure safety at the work place, including the provision of sanitizer and PPE.
- Rapid response to positive cases of infection, including complete sterilization of the workplace.
- Dedicated internal communication team to communicate regularly to employees, customers and shareholders.
- Facilitation of virtual meetings and events.

Consumers

- Liquidity and payment relief options, including the Central Bank’s TESS scheme.
- More accommodating policies established, where appropriate, to assist and provide relief to all eligible customers, for the longer term benefit of the economy.
- Encouraging use of digital channels and tap and pay solutions provided by NBF cards to promote customer health and social distancing.
- Increased cleaning of all touch surfaces, such as ATM screens, and social distancing measures in all areas.

Business

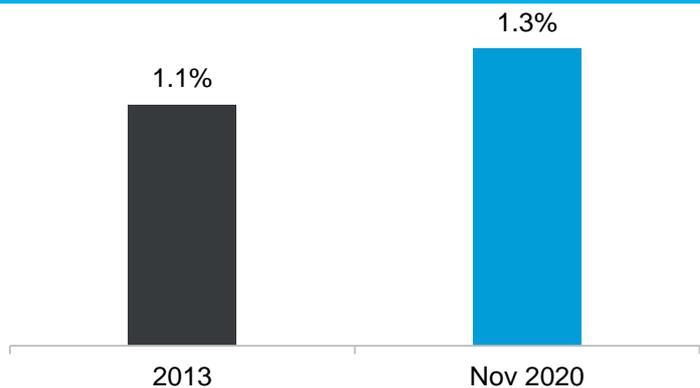
- Regular ALCO & Investment Committee meetings to review emerging market conditions and ensure robust liquidity and capital levels and proactively managing market risk.
- Assess the impact of provisioning under IFRS9 and continue monitor IFRS9 stage movement for most impacted sectors and provision implications.
- NBF launched “SME Connect” platform to provide onboarding and online banking services to SME community.

Communities

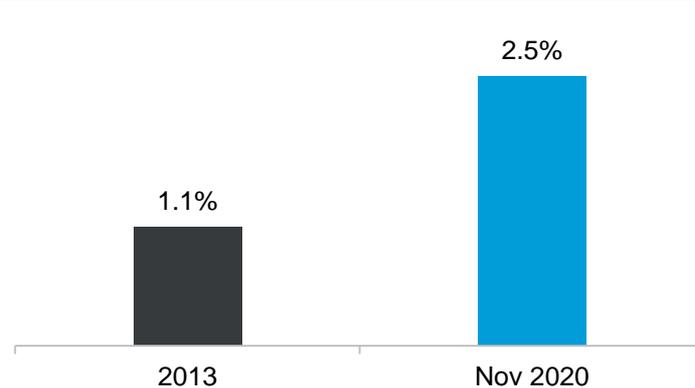
- NBF was awarded “The Dubai Chamber CSR Label 2020”, in recognition of our outstanding CSR strategy.
- Support will continue to be provided to help our different communities stay healthy and resilient through this period.

MARKET SHARE PROGRESSION

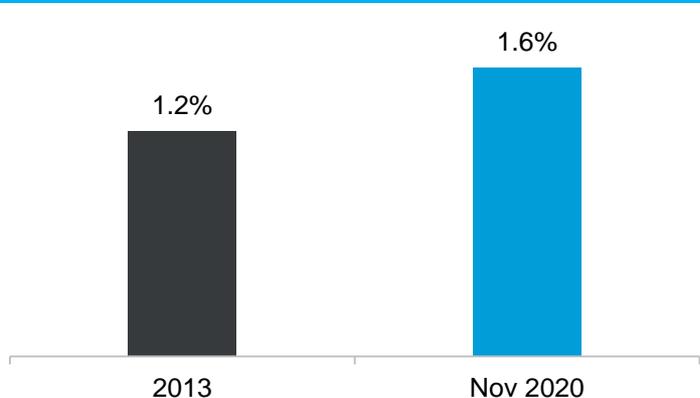
Bank Assets



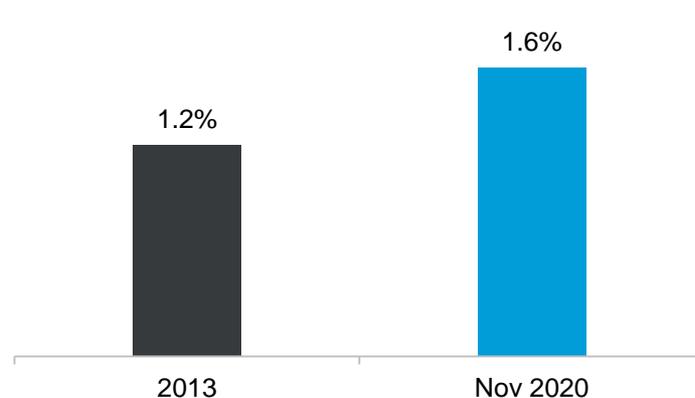
Capital and Reserves



Net Credit



Bank Deposits

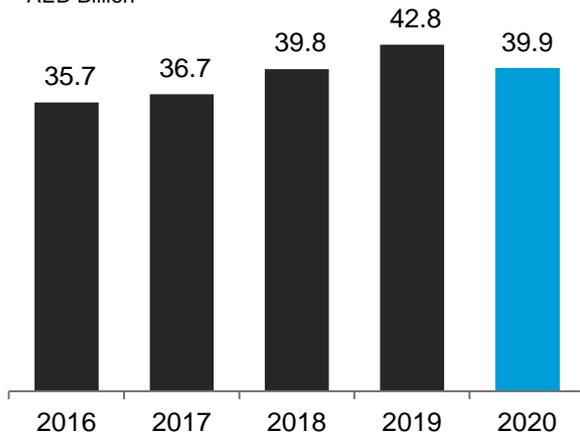


Source: Central Bank Statistical Bulletin October 2020
Available at : <https://www.centralbank.ae/en/statistics/monthly-statistics>

KEY FINANCIALS AT A GLANCE

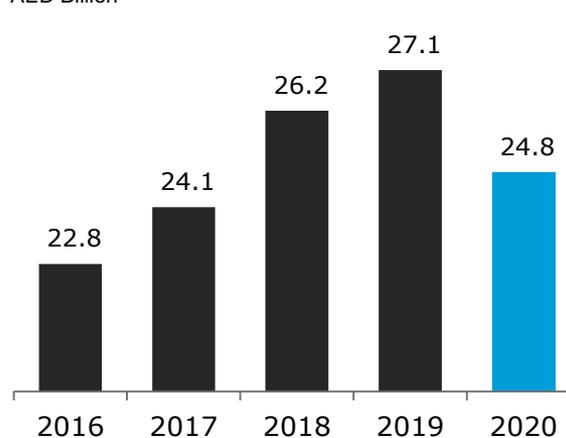
Assets

AED Billion



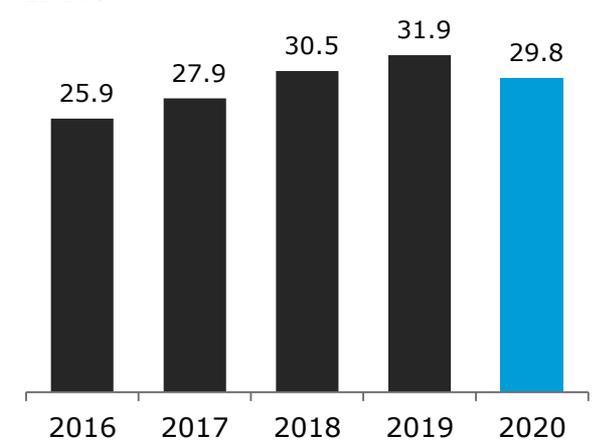
Loans & Advances

AED Billion



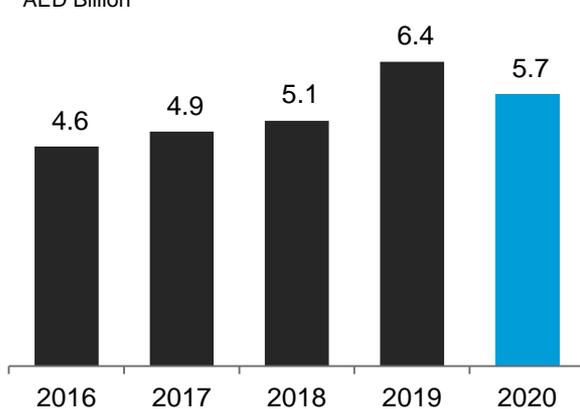
Customer Deposits

AED Billion



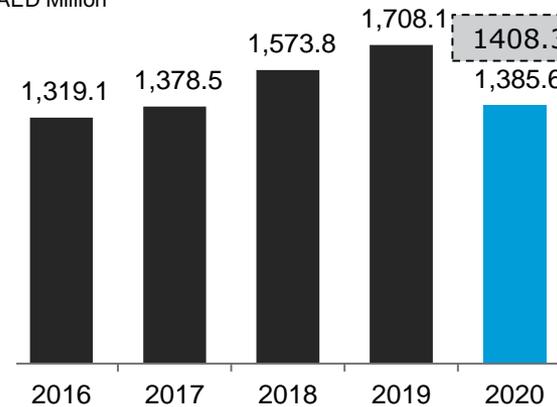
Shareholders' Equity

AED Billion



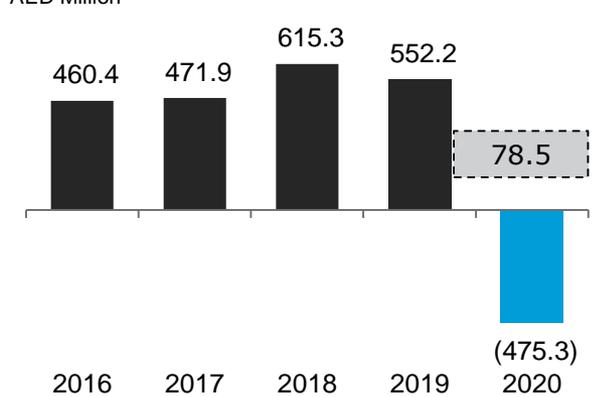
Operating Income

AED Million



Net Profit

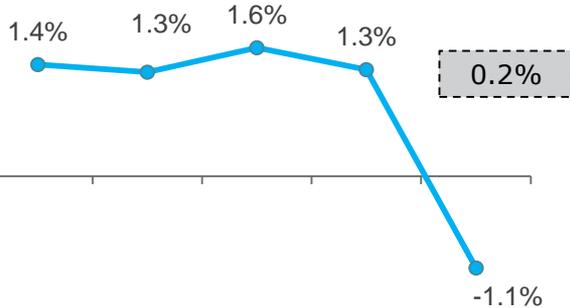
AED Million



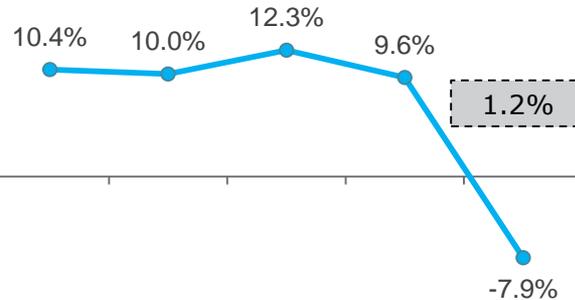
 *Excluding Few Exceptional Exposures

KEY PERFORMANCE INDICATORS AT A GLANCE

ROAA



ROAE



Cost to Income Ratio



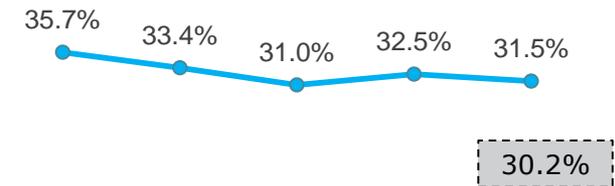
Pure AD



Liquid Asset Ratio



Non-Interest Income to Total Income

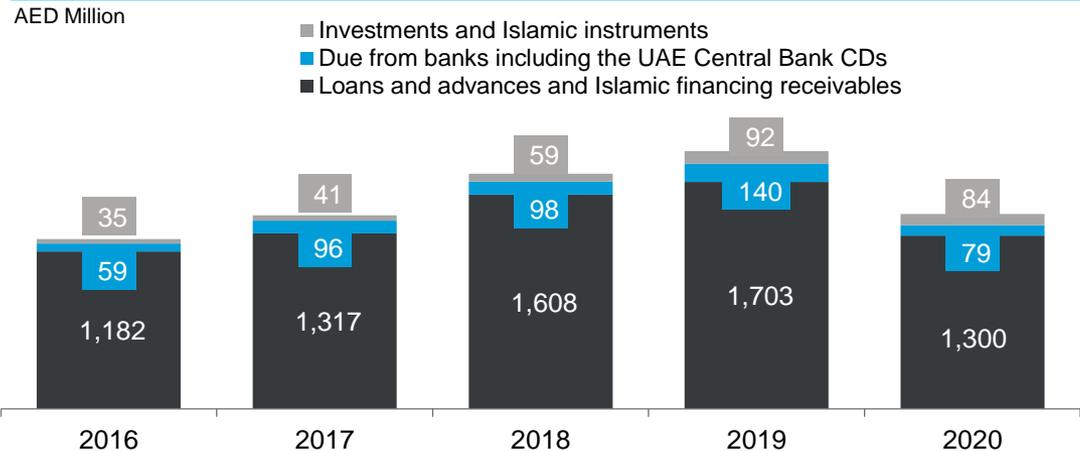


*Excluding Few Exceptional Exposures

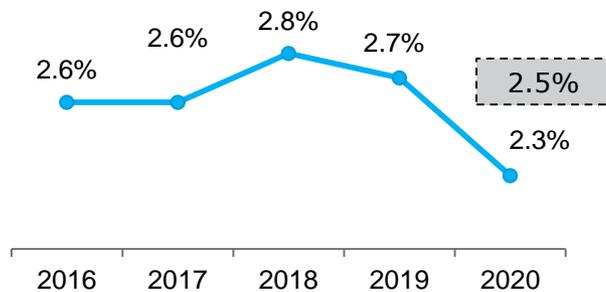
Key Highlights

- Operating profit saw a decline of 21.9% to AED 895mn in year end 2020 as compared to year end 2019.
- The impact of COVID-19 on economic activities, drop in oil prices and reduced interest rates have impacted the banking sector performance.
- NBF maintains its cost to income ratio to 35.4% in accordance with the industry average.
- Net interest margin is maintained at 2.3% in 2020 demonstrating NBF's effective ALM strategies despite significant drop in market interest rates.
- Banks including NBF have secured additional impairment provisions in 2020 in view of weaker economic forecast and potential impact on asset quality stemming from COVID-19.

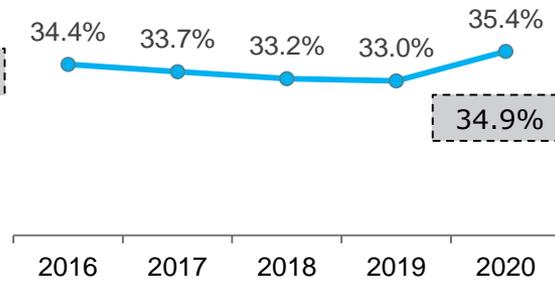
Total Interest Income Composition



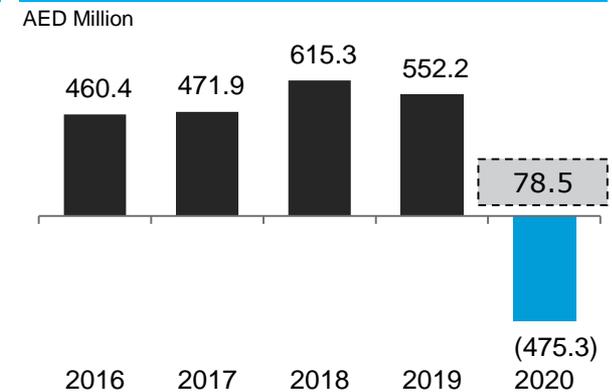
Net Interest Margin



Cost to Income Ratio



Net Profit

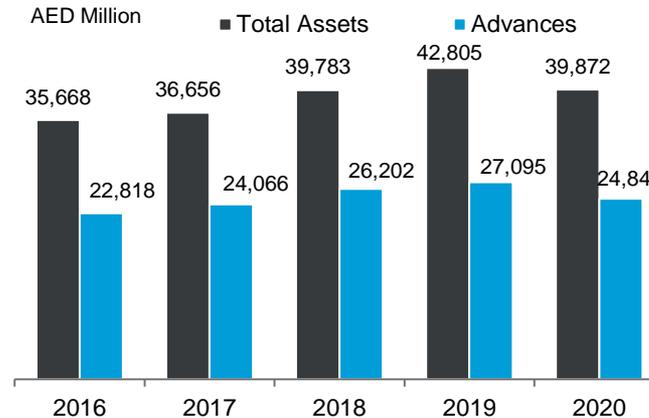


*Excluding Few Exceptional Exposures

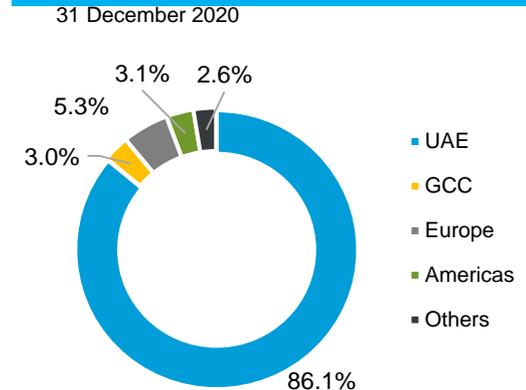
Key Highlights

- Total assets decreased by 6.9% from year end 2019.
- The majority of the Bank's assets are loans and advances and Islamic financing receivables (62%), followed by cash and balances with the UAE Central Bank (13%) and investments and Islamic instruments come at third place (13%).
- The Bank enhanced its focus on a well diversified quality 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

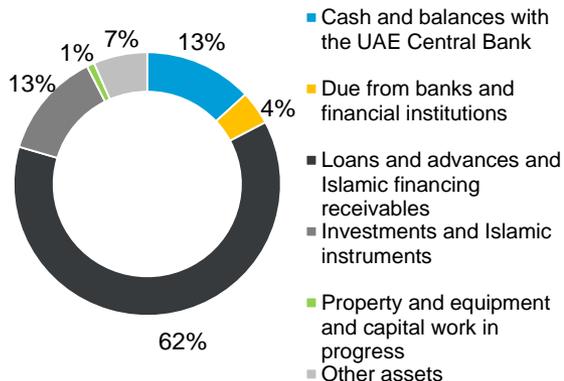


Breakdown of Assets by Geographical Distribution



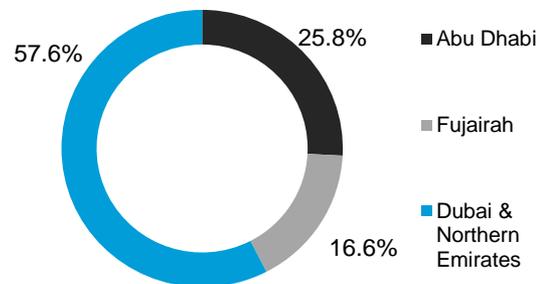
Breakdown of Assets by Type

31 December 2020



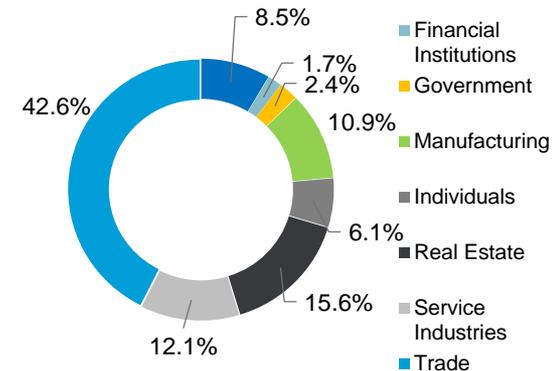
Breakdown of Advances by Emirates

31 December 2020

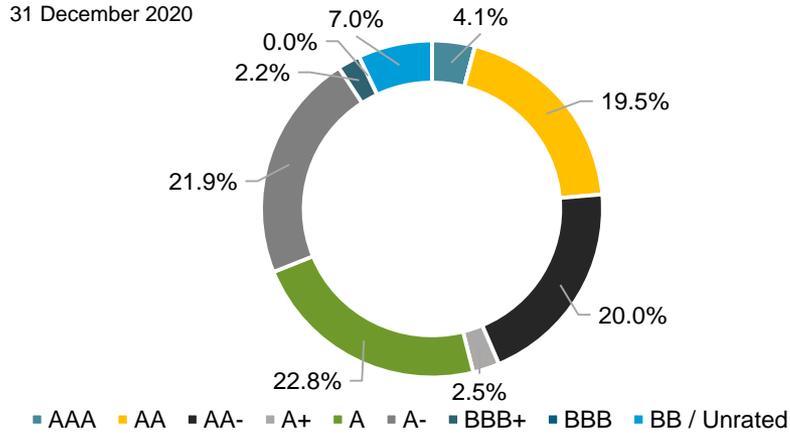


Breakdown of Advances by Sector

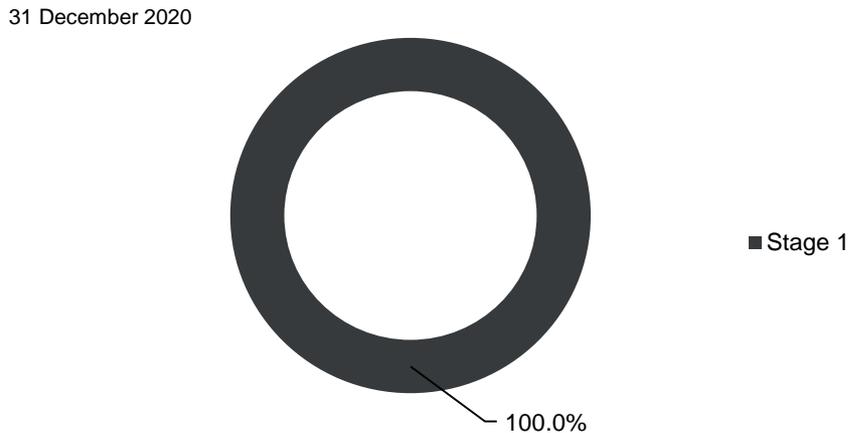
31 December 2020



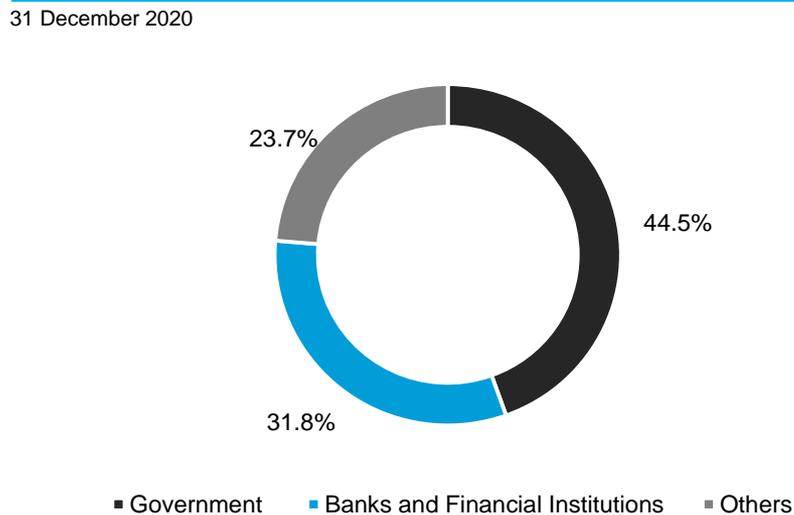
Investments and Islamic Instruments by Ratings



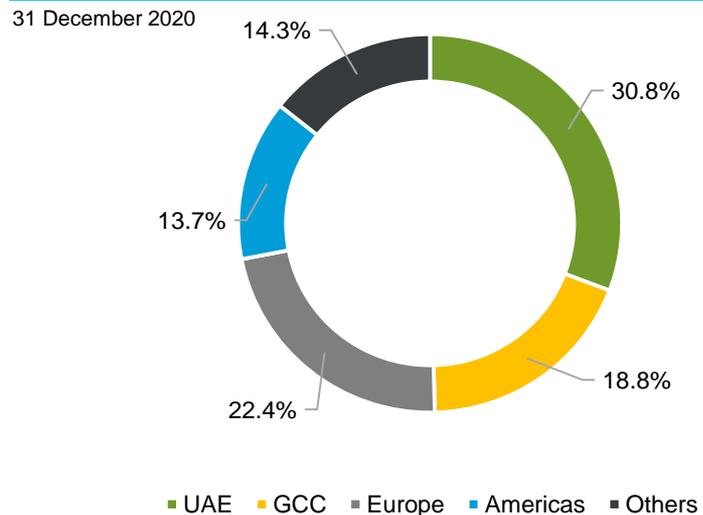
Breakdown of Investments and Islamic Instruments by Stage



Investments and Islamic Instruments by Type



Investments and Islamic Instruments by Geography



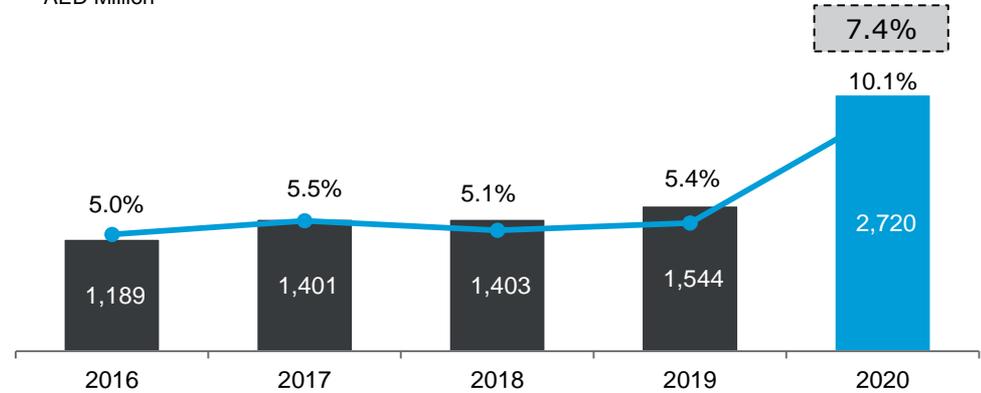
Key Highlights

Given the current downturn and COVID-19 pandemic, the pressure on asset quality is reflected in NBF's NPL ratio. NBF has further strengthened its credit underwriting standards and aligned its risk appetite to the current operating environment.

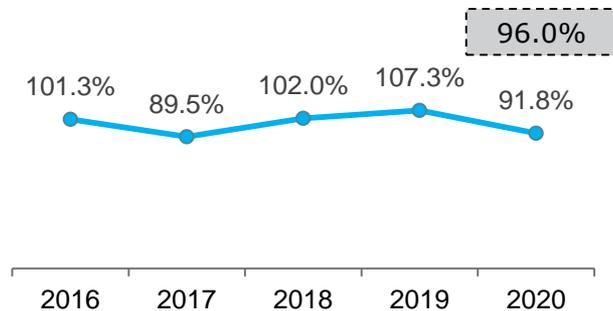
- Provisions coverage ratio declined from 107.3% in year end 2019 to 91.8% in 2020 on account of credit stress and market volatility. Provision coverage ratio net of collateral declined to 115.6% in year end 2020 from 136.9% in 2019
- Aggregate Stage 2 and Stage 3 Loans and Advances (including Acceptances) is 21.9% as of year end 2020. Overall, Stage 2 and Stage 3 exposure stood at 14.5% as of year end 2019.
- The bank has taken the opportunity to recognize stage 3 impairment provisions towards few exceptional group exposures and enhanced stage 1 and 2 provisions for the potential impact of COVID-19.

Non-Performing Loans & NPL Ratio

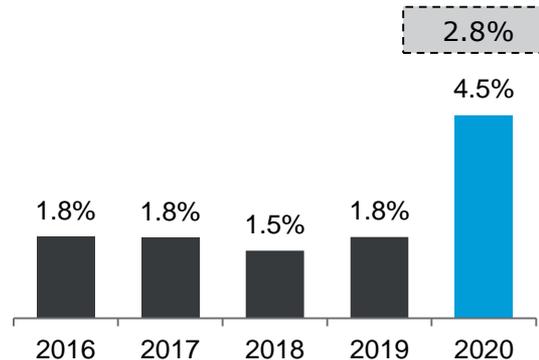
AED Million



Coverage ratio

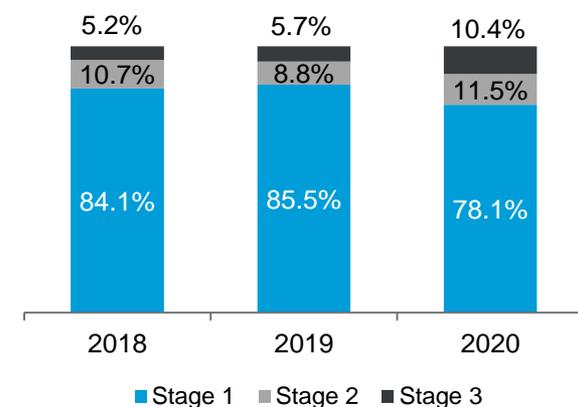


Cost of Risk



Breakdown of Loans & Advances by Stage

31 December 2020



*Excluding Few Exceptional Exposures

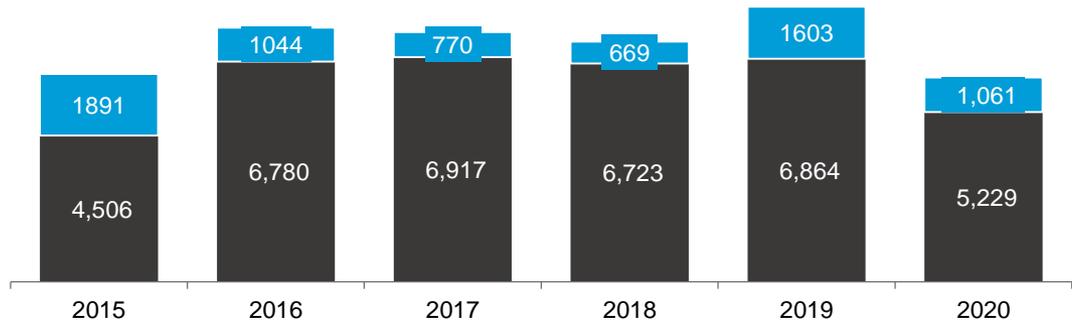
Key Highlights

- NBF continues to maintain robust liquidity levels and maintains prudent and high quality of liquidity commensurate to its liquidity risk profile evident by its 83.5% Loans to Deposit Ratio.
- Eligible Liquid Assets ratio stood at 20.3% as of year end 2020.
- 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 107% and LCR stood at 366% as of year end 2020.

Liquid Assets

AED Million

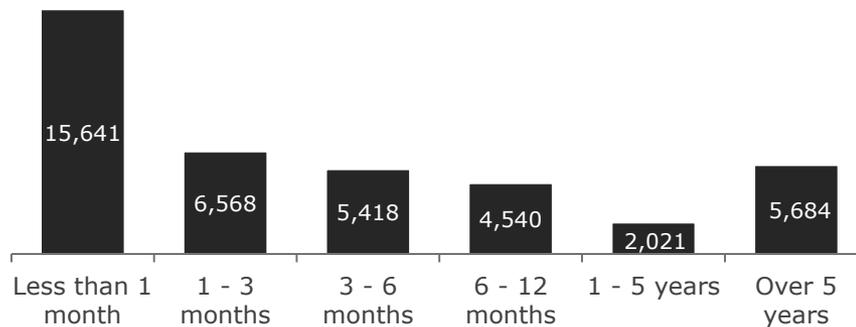
■ Cash and balances with the UAE Central Bank ■ Due from banks and financial institutions*



*Placements and current accounts/term deposits

Funding Maturity Profile

31 December 2020, AED Million

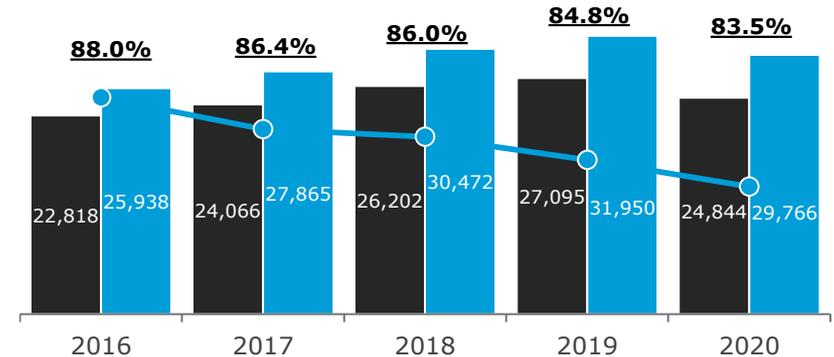


*CASA Balances have been prudently included in the Less than 1 month bucket

Net Loan to Deposit Ratio (%)

AED Million

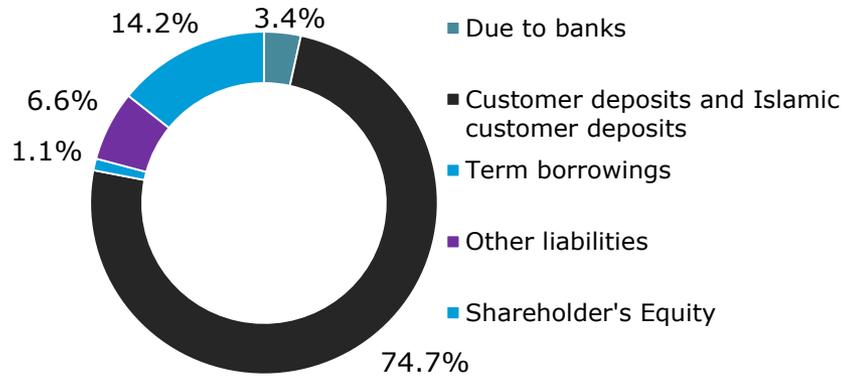
■ Net Loans ■ Deposits ● LD %



FUNDING PROFILE

Funding Mix

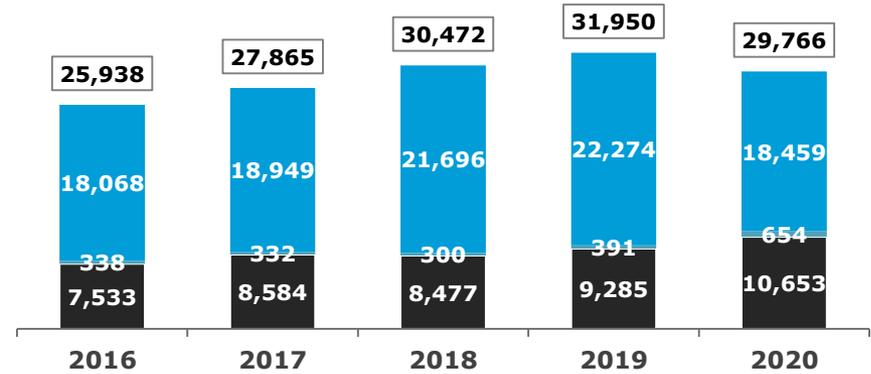
31 December 2020



Customer Deposits

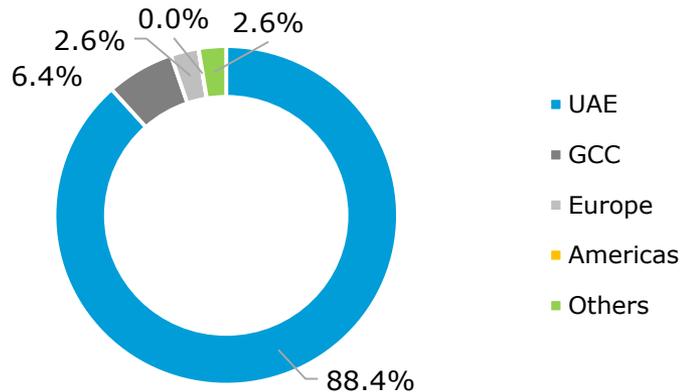
AED Million

■ Demand and margin ■ Savings ■ Fixed term and notice Total



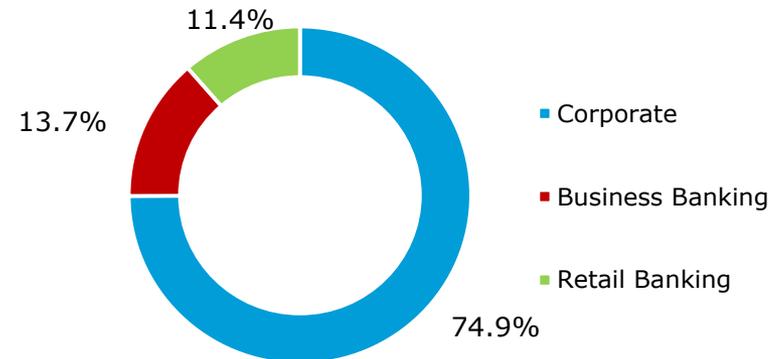
Customer Deposits by Geographical Distribution

31 December 2020



Customer Deposits by Segment

31 December 2020

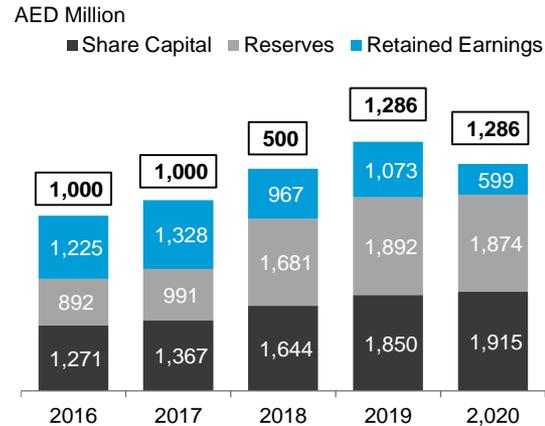


STRONG CAPITALISATION

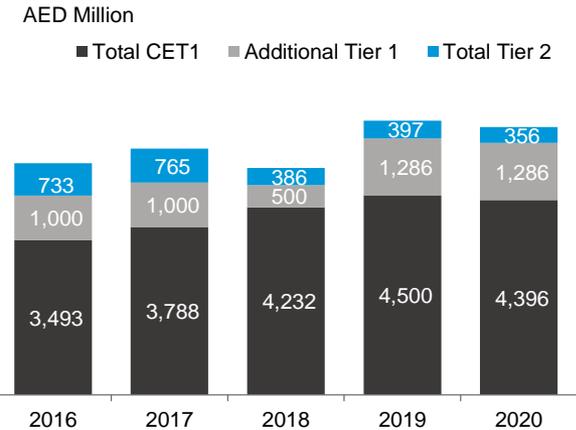
Key Highlights

- NBF is well capitalized with a Capital Adequacy Ratio and Total Tier 1 Ratio of 19.2% and 18.1% respectively, as at year end 2020, well above the minimum regulatory requirements and one of the strongest among local banks.
- The Bank's risk weighted assets (RWA) have decreased to AED 31.5bn as at year end 2020 from AED 34.8bn as at year end 2019.
- 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 year end 2019.

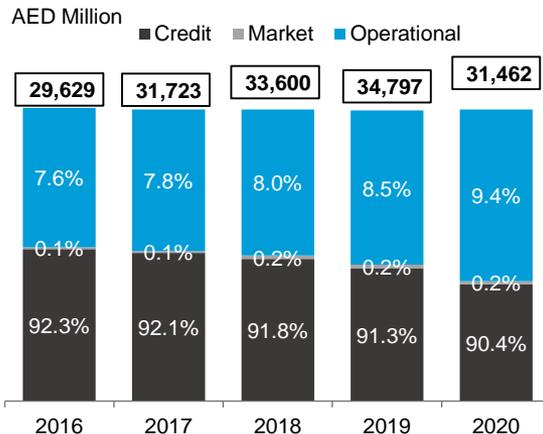
Equity Breakdown



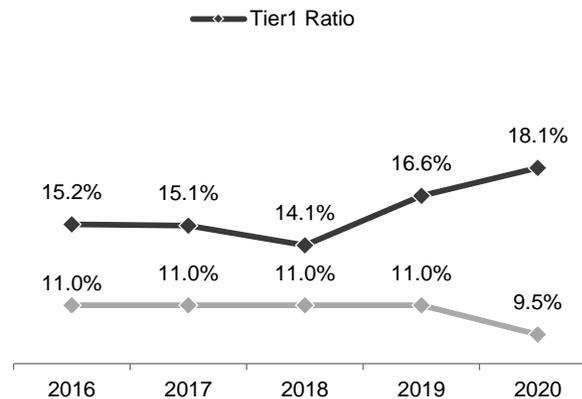
Capital Base



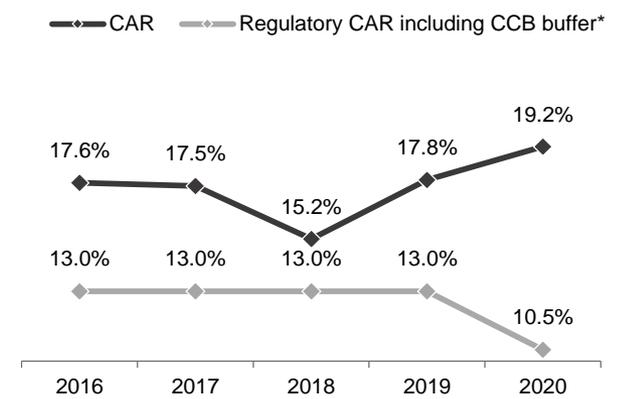
Risk Weighted Assets*



Tier 1 Ratio(%)



Capital Adequacy (%)



* CCB buffer: CBUAE Capital Conservation buffer
 * Regulatory capital ratios requirement in 2020 dropped on account of TESS relief given by CBUAE on capital buffers by 60%

NBF PERFORMANCE AND OUTLOOK



Key Metrics		YE 2020	YE 2020*	Outlook
Profit	Return on Average Equity	-7.9%	1.2%	The extremely challenging 2020 had an unprecedented impact on the world economy; massively impacted by the COVID-19 outbreak, interest rate headwinds, oil price decline, geopolitical risks, trade tensions, rising cost of increased joblessness and low investor and customer confidence. Against this backdrop, NBF has demonstrated its resilience and ability to navigate through volatility and uncertainty and emerge stronger than ever future growth.
	NIM	2.3%	2.5%	
	Cost to income	35.4%	34.9%	
Assets	Asset growth	-6.9%	-5.3%	
	Loan growth	-8.3%	-6.3%	
Capital	CET 1	14.0%	16.6%	
	Tier 1	18.1%	20.9%	
	CAR	19.2%	22.1%	
Liquidity	AD ratio	83.5%	80.7%	Our balance sheet remained robust, our liquidity strong and our capital adequacy is at a recent enabling us to proactively deal with these exceptional times. Our prudent provisioning policy in 2020 provides good platform for a rapid recovery in 2021 as we expect gradually recovery in operating
Credit Quality	NPL	10.1%	7.4%	
	Coverage	91.8%	96.0%	

*Excluding Few Exceptional Exposures

02

BUSINESS OVERVIEW



OVERVIEW OF BUSINESS SEGMENTS

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

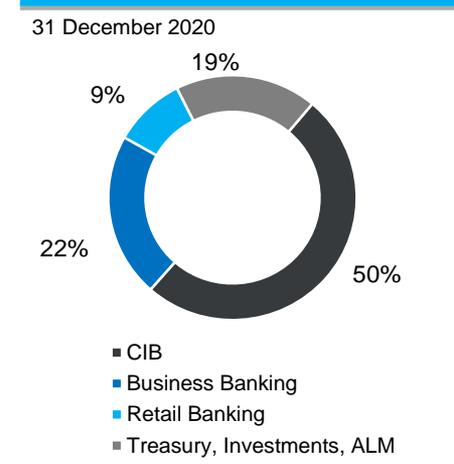
Corporate and Institutional Banking ("CIB")	<ul style="list-style-type: none"> NBF's largest segment in terms of assets, liabilities and profit. Services include deposit facilities, credit/trade finance and ancillary services to large corporates, mid-tier corporates clients and Financial Institutions. Enhanced focus on capital efficient products, in particular treasury products.
Business Banking	<ul style="list-style-type: none"> 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.
Retail Banking	<ul style="list-style-type: none"> Personal and mortgage loans, credit cards and advisory and depositing services.
Treasury, Investments, ALM and Other	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.

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

Contribution to Assets



Contribution to Income

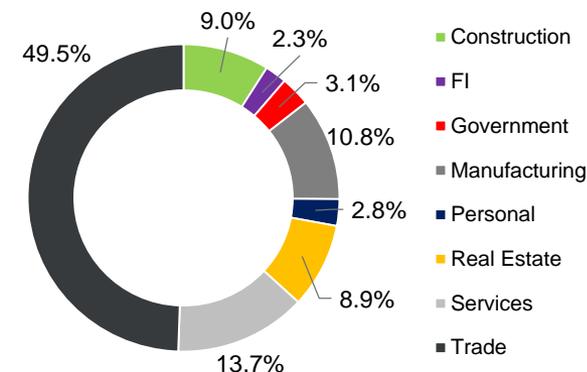


Overview

- 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

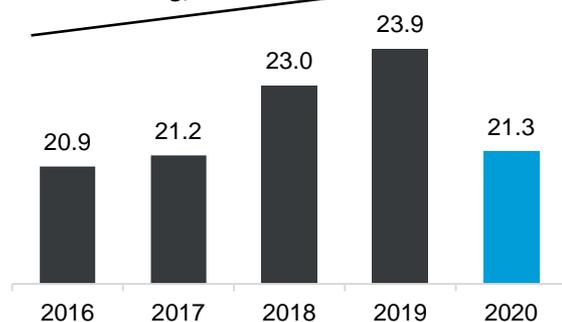
31 December 2020



Segment Assets

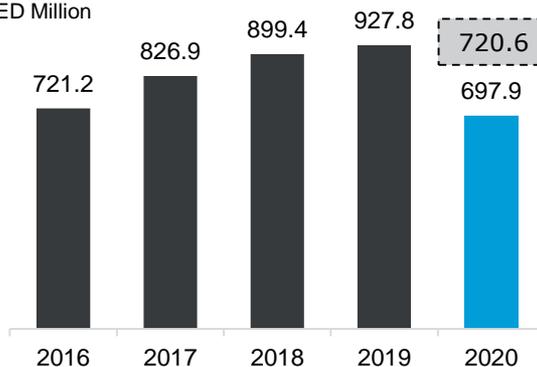
AED Billion

CAGR: 0.4%



Total Operating Income

AED Million



NPL Ratio



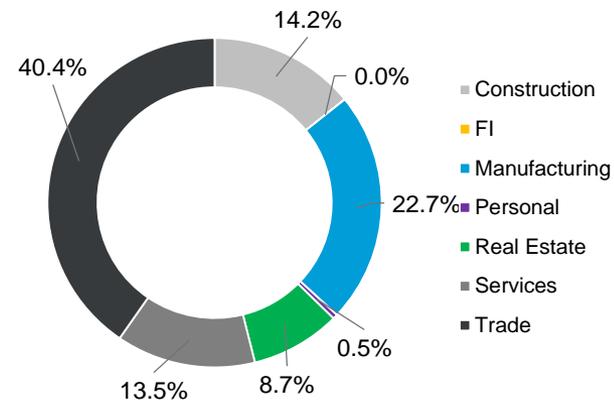
*Excluding Few Exceptional Exposures

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
 - Parameterized lending

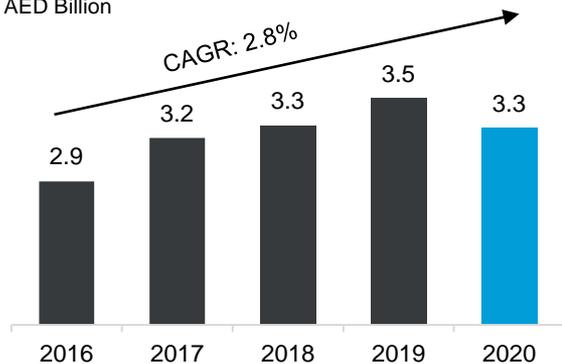
Gross Loans – Sector Breakdown

31 December 2020



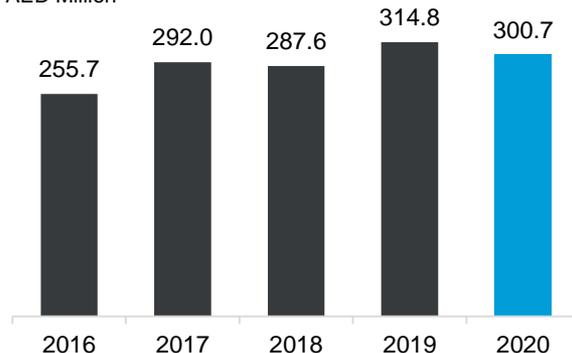
Segment Assets

AED Billion

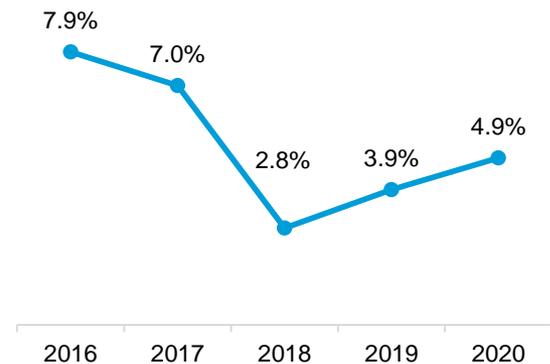


Total Operating Income

AED Million



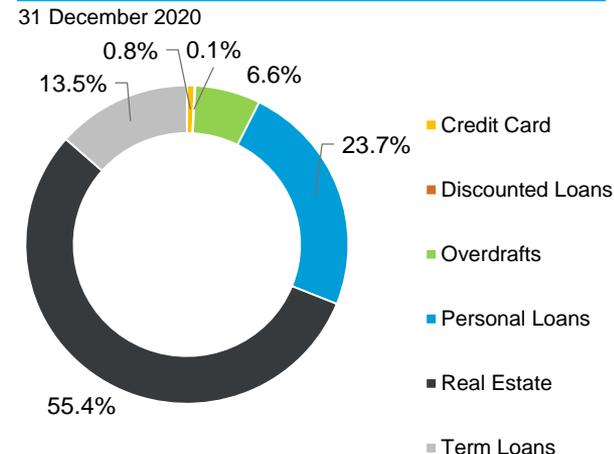
NPL Ratio



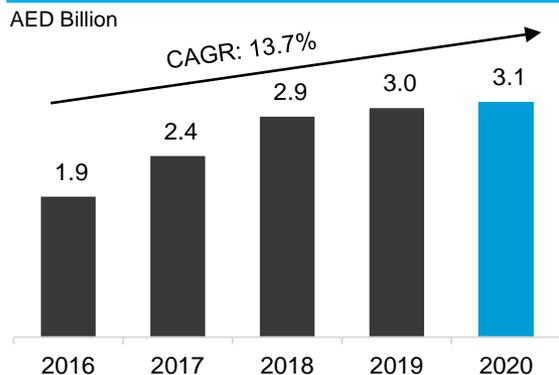
Overview

- 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

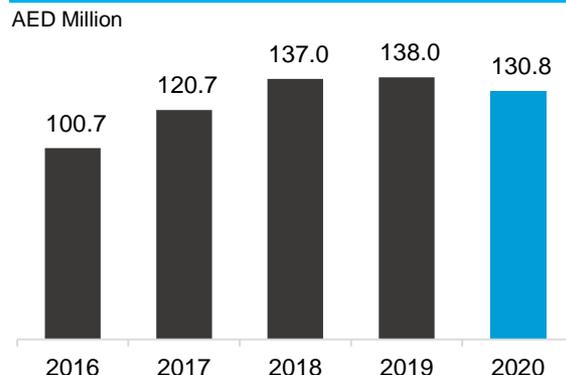
Gross Loans – Product Mix



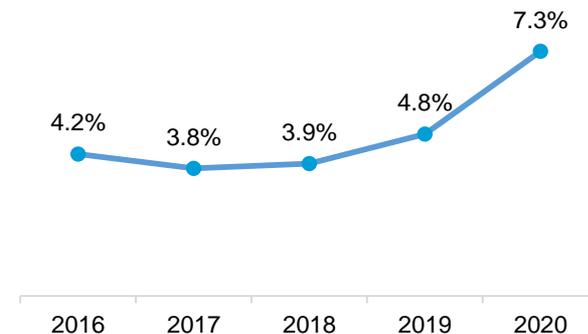
Segment Assets



Total Operating Income



NPL Ratio

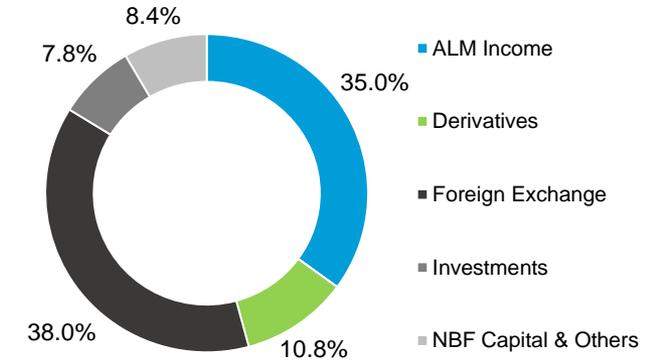


Overview

- 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

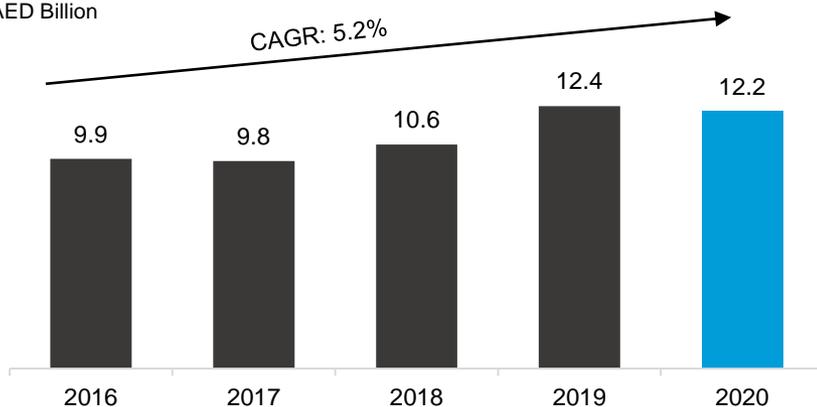
Operating Income Mix

31 December 2020



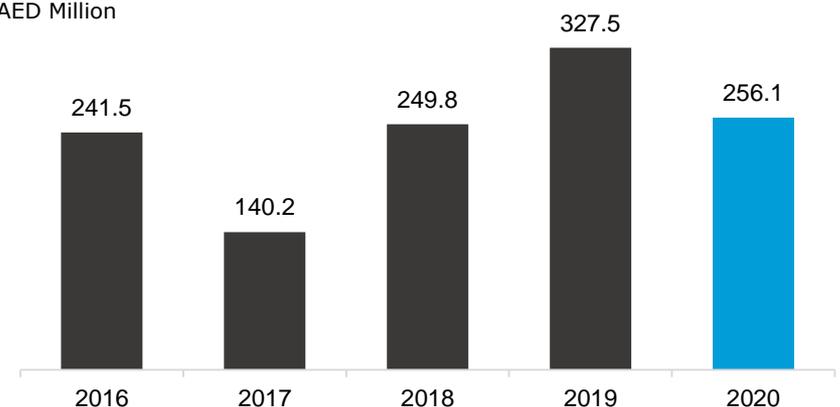
Segment Assets

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)

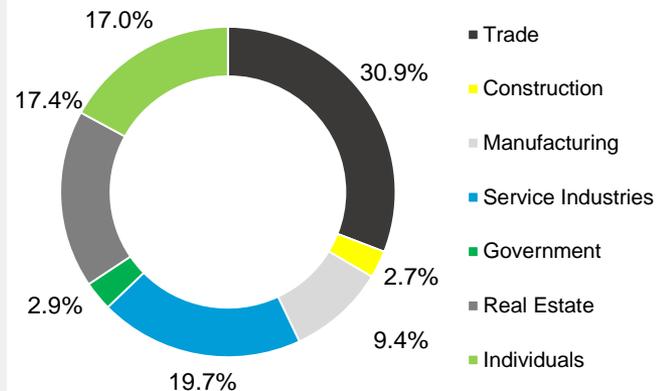
Transaction Banking

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

Islamic Gold Facilities

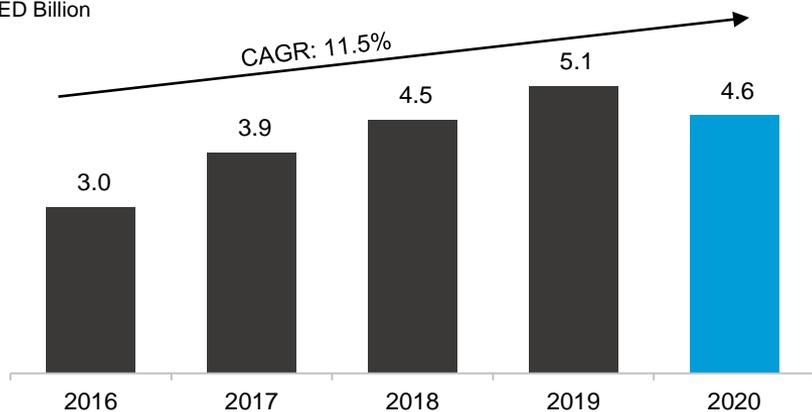
Gross Loans – Sector Breakdown

31 December 2020



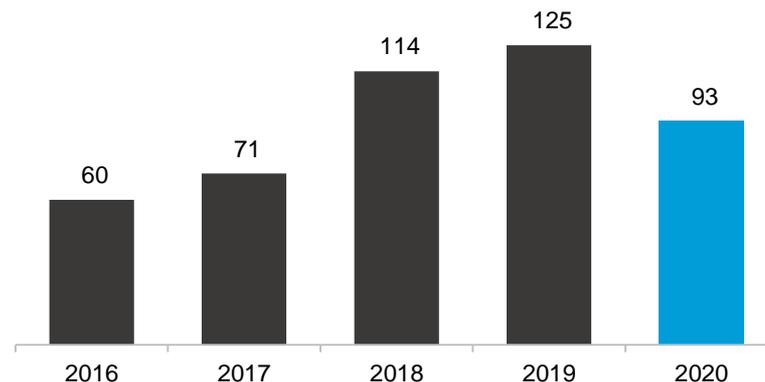
Segment Assets

AED Billion



Total Operating Income

AED Million



THANK YOU

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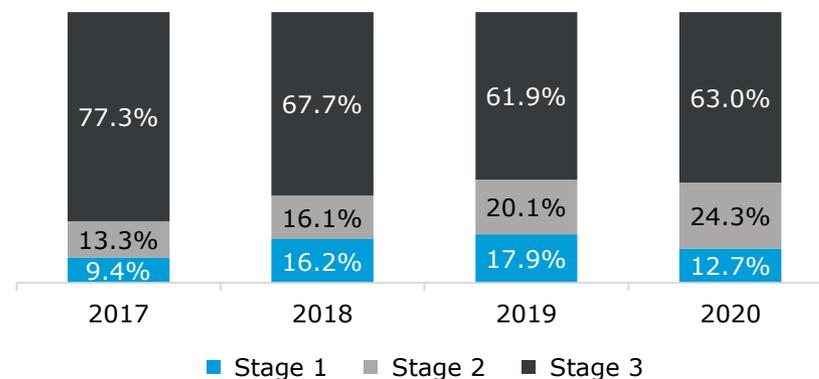
APPENDIX



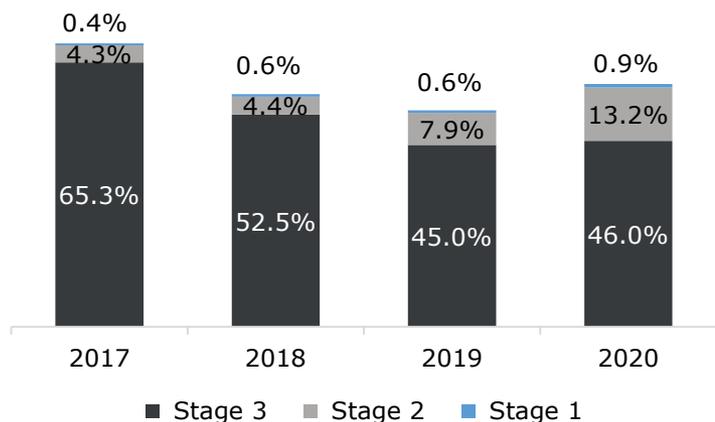
Overview

- 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

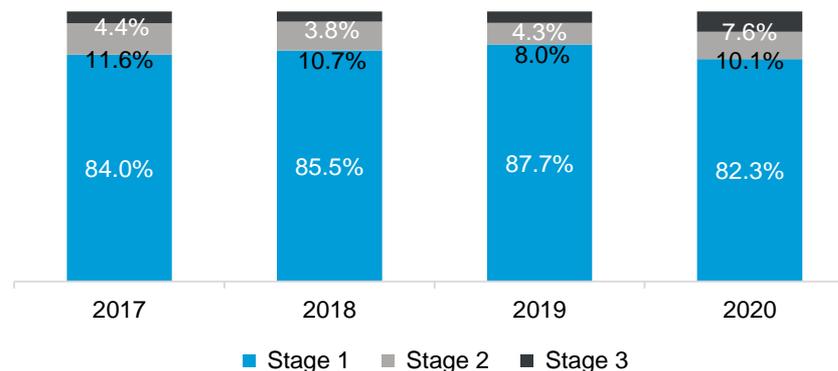
ECL Mix



ECL Rate



Exposure Mix



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