

Management Discussion and Analysis Report

For the nine month period ended 30 September 2019

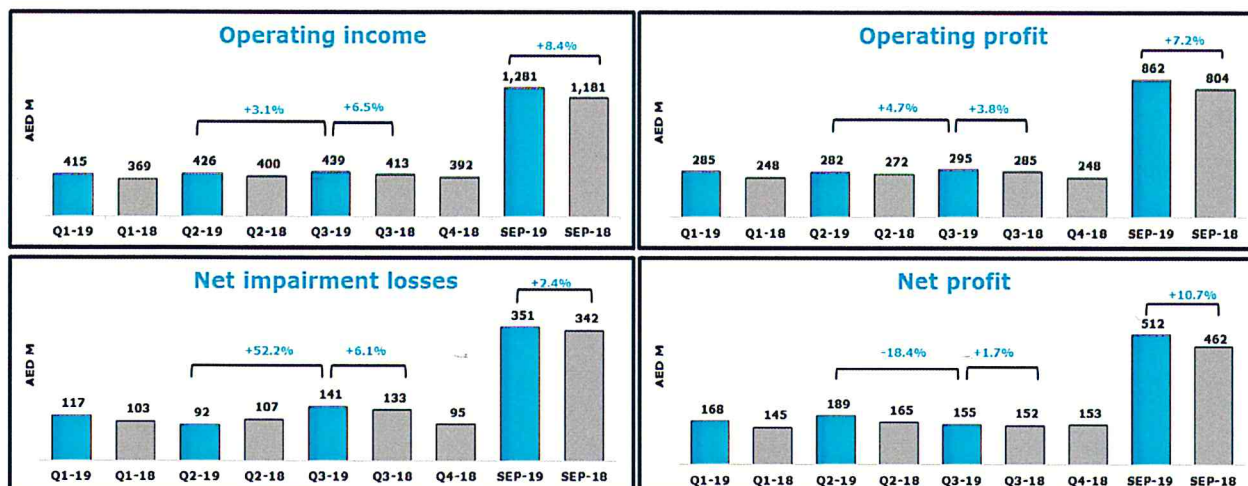
NBF delivered strong nine months profit of AED 511.6 million, up 10.7% demonstrating good business momentum

23 October 2019: NBF is pleased to announce a robust set of results for the nine month period ended 30 September 2019.

INCOME STATEMENT HIGHLIGHTS

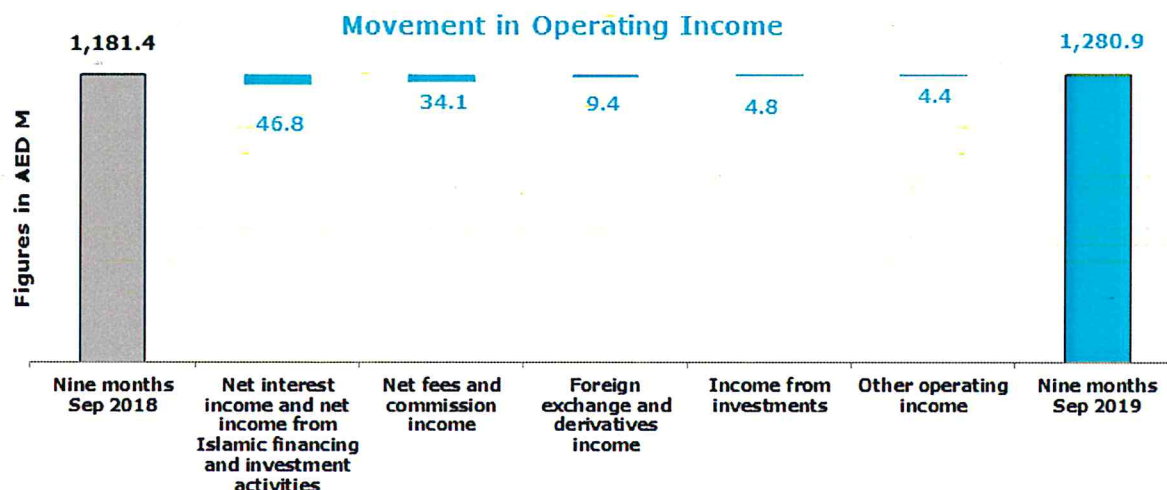
NBF recorded a year-on-year growth of 10.7% to close the nine month period ended 30 September 2019 at a net profit of AED 511.6 million compared to AED 462.1 million in the corresponding period of 2018. This reflects its focus on quality growth in a challenging operating environment.

Supported by higher fee income and exchange and derivatives income, NBF also achieved strong operating profit of AED 862.3 million which increased by 7.2% compared to AED 804.4 million in the corresponding period of 2018. Operating profit of AED 295.3 million was posted in the third quarter of 2019, a rise of 4.7% over the previous quarter, and an increase of 3.8% from September 2018 quarter.

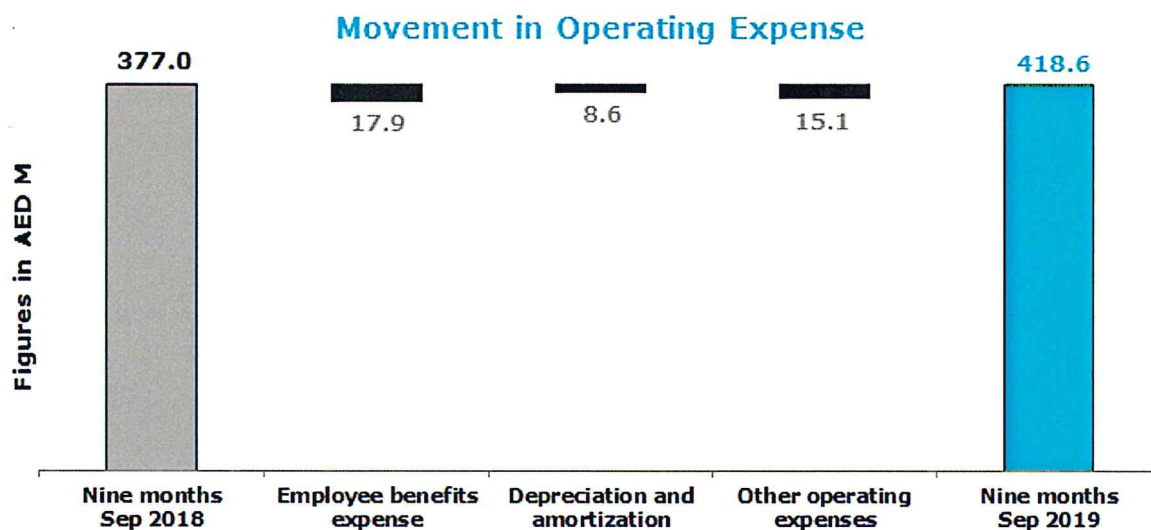


Performance Highlights

- Operating income for the nine month period at AED 1.28 billion saw a growth of 8.4% compared to the corresponding period of 2018. This was driven by a high level of resilience in the bank's core business with good volume growth, enhanced balance sheet management and effective pricing strategies. Net interest income and net income from Islamic financing and investment activities grew by 5.8% and net fees and commission and other income by 14.7% compared to the corresponding period of 2018. Income from investments and Islamic instruments marked a significant bounce back - fair value gain on fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) investment portfolio increased by AED 60.7 million during the nine month period ended 30 September 2019.



- Foreign exchange and derivatives income experienced a growth of 9.1% reaching AED 112.5 million for the nine month period 2019 compared to AED 103.1 million in the corresponding period of 2018.



- Operating expenses increased by 11.0%, reflecting NBF's investments in multiple digital initiatives and infrastructure to improve customer service and competitiveness in line with changing market demands. Cost-to-income ratio stood at 32.7% compared to 31.9% in the corresponding period and 33.2% for the year ended 31 December 2018.
- NBF secured net impairment provisions of AED 350.7 million for the nine month period compared to AED 342.3 million in 2018, as the bank has used the improved operating performance to increase its overall coverage levels in view of the continued slow-down and credit stress in the market. Total provision coverage ratio (including impairment reserves) improved to 107.8% from 102.0% as at 31 December 2018. NPL ratio remained stable at 5.1% at the December 2018 position.

STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

| | SEP-19 | DEC-18 | Change % | SEP-'19 | JUN-'19 | SEP-'18 | QoQ | Vs SEP-18 |
|--|--------|--------|----------|---------|---------|---------|-------|-----------|
| Total Assets | 42,515 | 39,783 | 6.9% | 42,515 | 42,539 | 38,947 | -0.1% | 9.2% |
| Loans and Advances and Islamic Financing Receivables | 27,556 | 26,202 | 5.2% | 27,556 | 27,919 | 26,611 | -1.3% | 3.6% |
| Customer Deposits and Islamic Customer Deposits | 31,192 | 30,472 | 2.4% | 31,192 | 30,995 | 29,201 | 0.6% | 6.8% |
| Total Shareholders' Equity | 5,526 | 5,122 | 7.9% | 5,526 | 5,382 | 4,992 | 2.7% | 10.7% |

- Loans and advances and Islamic financing receivables rose 5.2% from AED 26.2 billion at 2018 year end to AED 27.6 billion, and up by 3.6% from 30 September 2018.
- Customer deposits and Islamic customer deposits depicted a growth of 2.4% at AED 31.2 billion compared to AED 30.5 billion at 2018 year end, and up by 6.8% from 30 September 2018.
- Assets reached AED 42.5 billion; a rise of 6.9% from AED 39.8 billion at 2018 year-end, and up by 9.2% from 30 September 2018.
- Shareholders' equity rose 7.9% from AED 5.1 billion at 2018 year-end to AED 5.5 billion, and up by 10.7% from 30 September 2018.

KEY PERFORMANCE INDICATORS

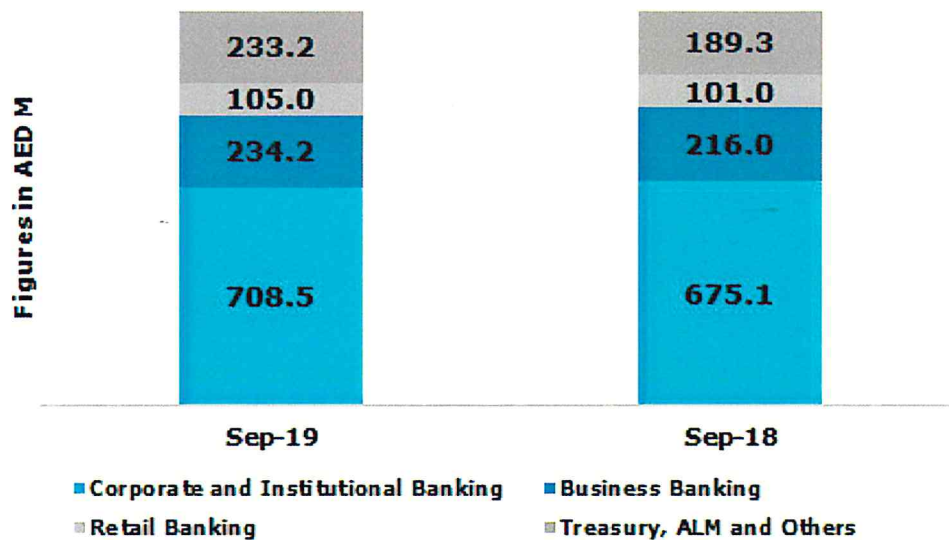
- Strong capital adequacy and lending to stable resources ratios were maintained at 16.3% (Tier 1 ratio of 15.2% and CET 1 ratio of 13.8%) and 89.3% respectively, well ahead of CBUAE minimum requirements. Further, eligible liquid assets ratio (ELAR) and advances to deposits ratio remained strong at 20.1% and 88.3%, respectively.
- Return on average assets improved to 1.66% from 1.63% while return on average equity rose to 12.81% from 12.47% against the corresponding period in 2018.
- NBF's credit rating was re-affirmed at 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, highlighting the bank's underlying strength, prudent risk management and resilience. Capital Intelligence also reaffirmed NBF's financial strength outlook as 'stable'. The bank's Long Term Foreign Currency Rating (FCR) has been maintained at 'A-' since 2008, reflecting its prudent and proactive risk management practices and sound business model.
- In October 2019, NBF successfully completed its inaugural public issuance of Additional Tier 1 (AT1) capital securities of US\$ 350 million (AED 1.3 billion) which was very well received by the investors and resulted in an order book in excess of US\$ 1.5 billion (AED 5.5 billion). The purpose of the AT1 issuance is to strengthen and optimize NBF's capital base and to diversify the bank's capital and investor base. NBF has also completed the early buy-back of existing privately placed AT1 capital notes of AED 500 million in October 2019. Following these capital changes, NBF's capital adequacy ratio will be in the range of 18 - 19% and Tier 1 ratio in the range of 17 - 18%.

OUR SEGMENTED FOCUS

NBF's business strategy continues to revolve around client relationships, which is supported by the segmented approach adopted by the Bank to serve its customer needs. This also helps in building 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 2019 was AED 942.7 million, up 5.8% compared to the corresponding period of 2018. Operating income from retail banking has grown by 4.0%, while Treasury, ALM & others have increased by 23.2% compared to 30 September 2018. The overall growth reflects the Group's strategy of reliably supporting its quality customers and at the same time diversifying its sources of business.

Segment's contribution to Operating Income



AWARDS AND ACCOLADES

- NBF achieved an exceptional performance winning the following eight trophies at this year's Banker Middle East Awards:
 - ★ Best Customer Service - Corporate / Investment Banking UAE
 - ★ Best Treasury Management
 - ★ Best SME Internet Banking Service
 - ★ Best SME Loan
 - ★ Best SME Trade Finance
 - ★ Best Ladies Proposition - NBF Elham
 - ★ Best Premium Banking Services - NBF Priority
 - ★ Best Mobile Banking Service UAE - Retail



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer