



بنك الإمارات الوطني  
National Bank of



# Investor Presentation

For the Period Ended 30 June 2022

# DISCLAIMER

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# 01

## OVERVIEW OF NBF



# OVERVIEW OF NATIONAL BANK OF FUJAIRAH

## National Bank of Fujairah PJSC Overview

Establishment	<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 717 full-time employees from 34 different nationalities, 43% of whom were female as at 30 June 2020.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>NBF serves approximately 10K corporate customers and 29K individuals via 15 branches and 53 ATM/CDM units in the UAE.</li> </ul>
Business Segments	<ul style="list-style-type: none"> <li>The Bank operates via five main segments, namely (i) Corporate and Institutional Banking (36%), (ii) Business Banking (31%) (iii) Treasury, Investments, Asset and Liability Management ("ALM") (17%), (iv) Retail Banking (8%) and (v) *Islamic Banking (8%).</li> </ul>
Business Strategy	<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 optimise commercial opportunities in order to achieve sustainable growth.</li> </ul>

## Credit Ratings

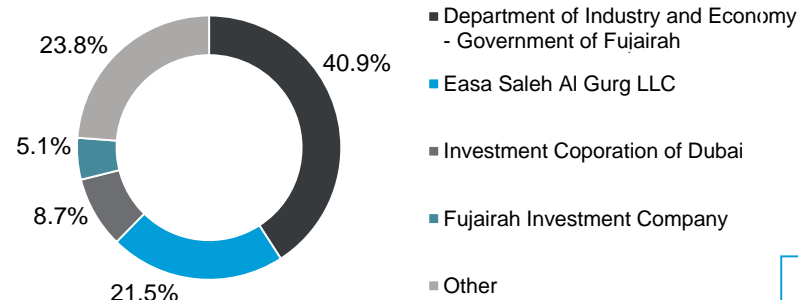
Rating Agency	Date	Long Term Rating	Outlook
Moody's	May 2022	Baa1	Stable
S&P Global	July 2022	BBB	Stable
Capital Intelligence	July 2022	A-	Stable

## Financial Highlights

AED Mn	FY2019	FY2020	FY2021	H1 2022
Total Assets	42,805	39,872	42,946	43,714
Loans & Advances	27,095	24,844	25,615	27,725
Customer Deposits	31,950	29,766	32,199	31,839
Total Equity	6,351	5,672	5,676	5,727
NPL Ratio	5.4%	10.1%	9.8%	8.5%
Provisions Coverage Ratio	107.3%	91.8%	87.0%	102.7%
Loan to Deposit Ratio	84.8%	83.5%	79.6%	87.1%
Net Interest Margin	2.7%	2.3%	2.4%	2.4%
Operating Income	1,708	1,386	1,442	858
Net Profit	552	-475	115	151
Tier 1 Ratio	16.6%	18.1%	18.0%	17.2%
Capital Adequacy	17.8%	19.2%	19.1%	18.3%

## Ownership Structure

- NBF enjoys a close relationship with its major shareholders.
- The Government of Fujairah holds 46.8% of NBF's share capital, collectively through the Department of Industry and Economy – Government of Fujairah (40.9%), Fujairah Natural Resources Corporation (4.3%) and Fujairah Investment Established Limited (1.6%).
- The Government of Dubai controls another 8.7% of NBF's issued share capital through Investment Corporation of Dubai.



Islamic Banking spread across all business segments with income contribution mix as: Corporate and Institutional Banking 2.9%, Business Banking 1.6%, Retail Banking 1.5% and Treasury, Investment, ALM 2.0%.

# EXTERNAL RECOGNITION & AWARDS



- **“Best Innovation in Trade Finance”** – at the MEA Finance's Banking Technology Awards 2022.
- **“Most Innovative Trading Platform – NBFX”** – at the MEA Finance's Banking Technology Awards 2022.
- **“Best SME Bank”** – at the MEA Finance Awards 2020 and 2021.
- **“Best Trade Finance Provider”** – at the MEA Finance Awards 2021.
- **“Most Innovative Emerging Technology Implementation”** at the MEA Finance's Banking Technology Awards 2021.
- For the fourth year in a row, NBF was awarded **“The Dubai Chamber CSR Label 2020”**, in recognition of our 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).

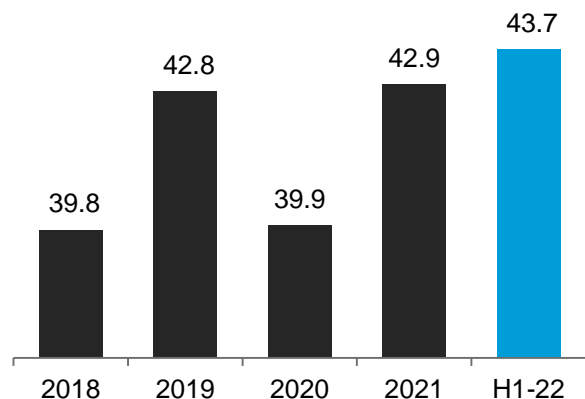




# KEY FINANCIALS AT A GLANCE

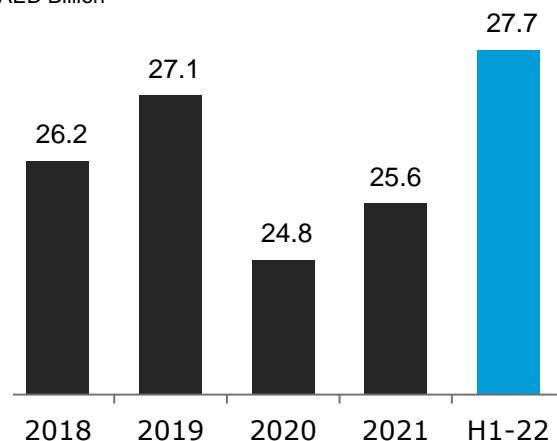
## Assets

AED Billion



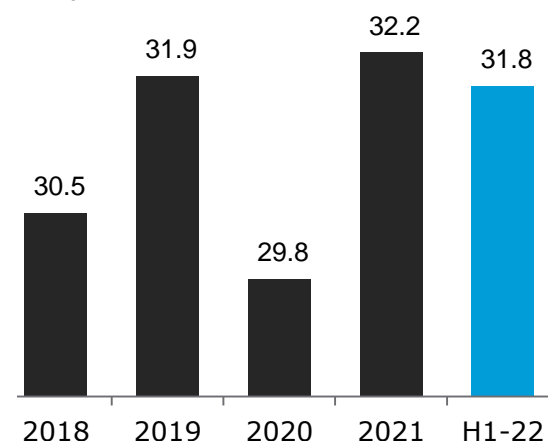
## Loans & Advances

AED Billion



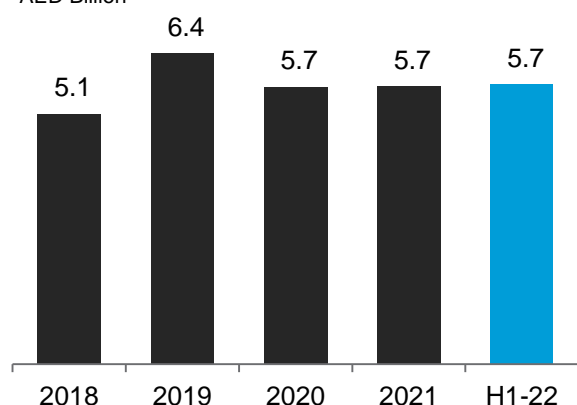
## Customer Deposits

AED Billion



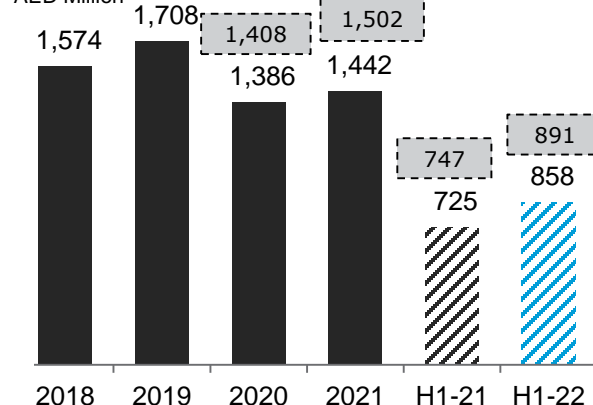
## Shareholders' Equity

AED Billion



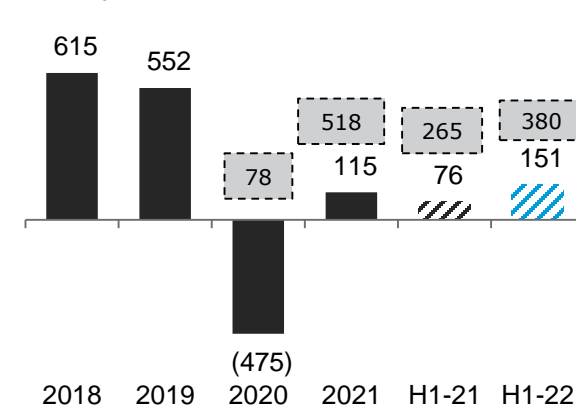
## Operating Income

AED Million



## Net Profit

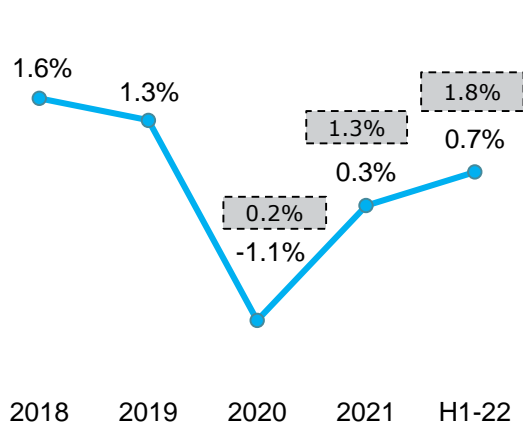
AED Million



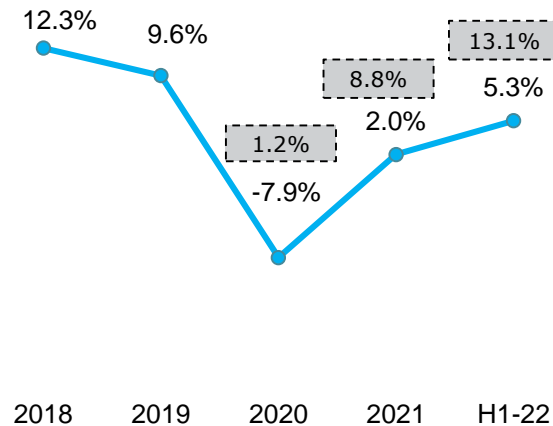
 \*Excluding Few Exceptional Exposures

# KEY PERFORMANCE INDICATORS AT A GLANCE

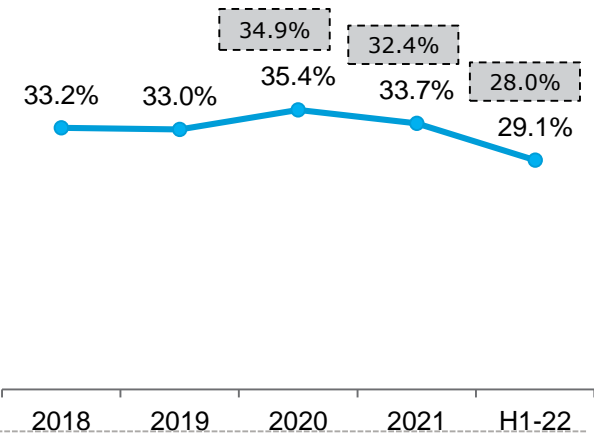
## ROAA



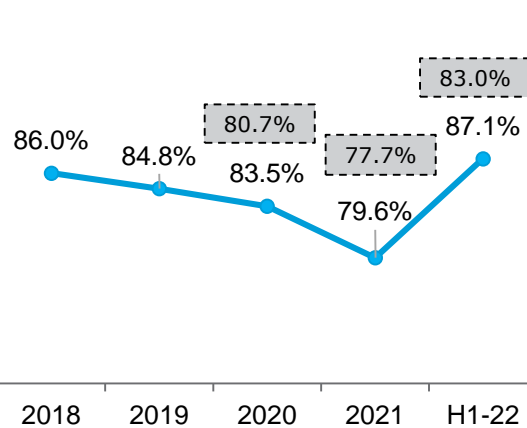
## ROAE



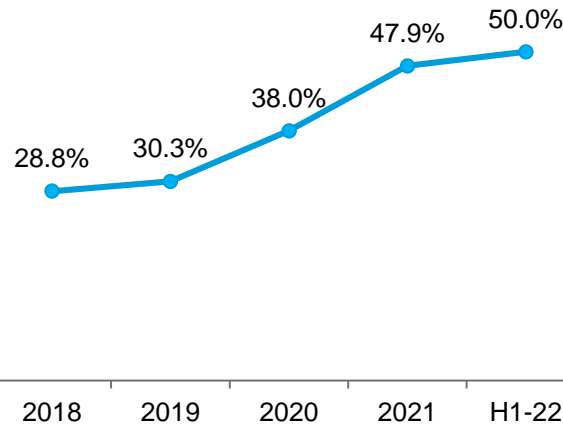
## Cost to Income Ratio



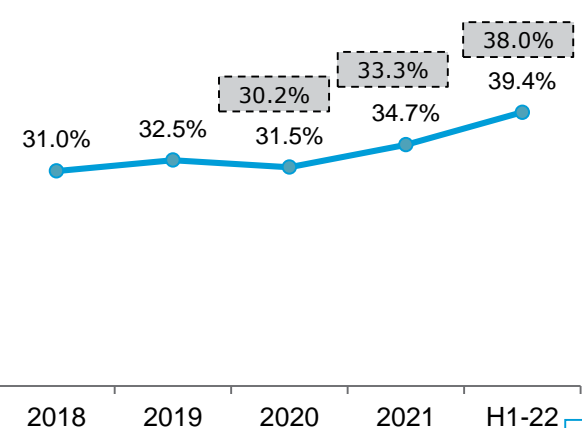
## Pure AD



## CASA Mix



## Non-Interest Income to Total Income



\*Excluding Few Exceptional Exposures

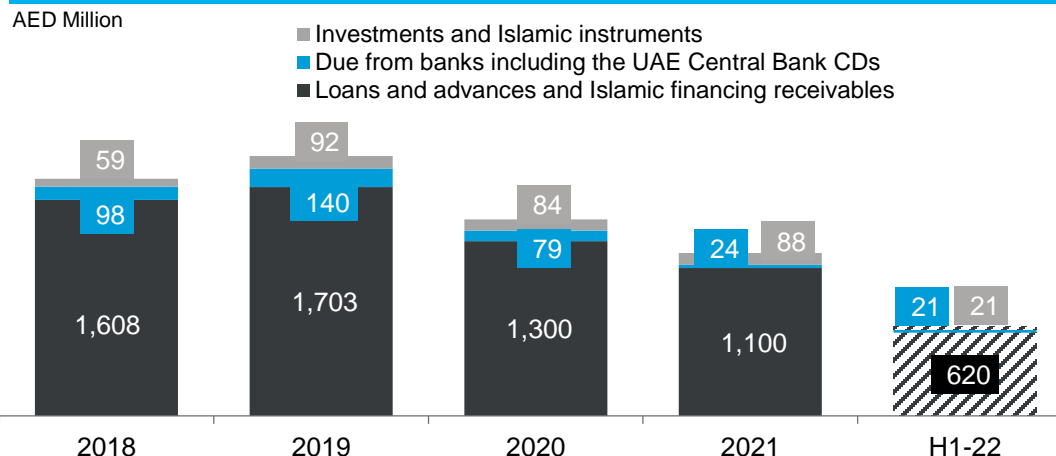


# OPERATING PERFORMANCE

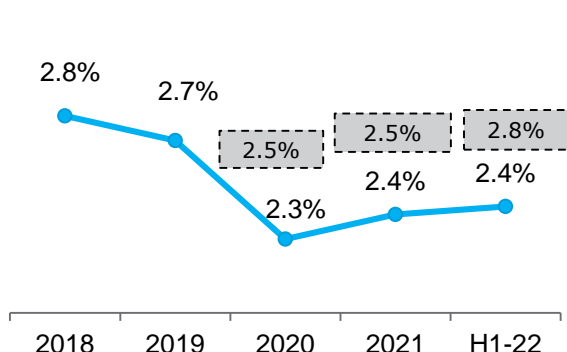
## Key Highlights

- Operating profit shows a robust improvement of 21.3% to AED 609Mn in H1 2022 compared to H1 2021.
- The recovery of economic activities from COVID-19 and increase in interest rates are likely to have positive impact on banking sector performance.
- NBF cost to income ratio improved to 29.1% as compared to 2021 of 33.7%.
- Net interest margin stood at 2.4% in H1 2022 demonstrating NBF's effective ALM strategies. With the increasing interest rates, margins to improve progressively in 2022.
- NBF have secured additional impairment provisions in H1 2022 for a small number of exceptional group exposures that had been earmarked for resolution in line with the bank's recovery strategy.

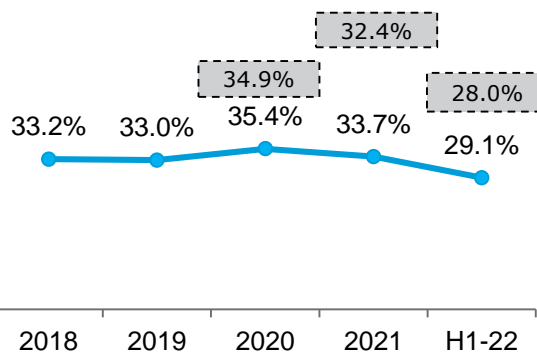
## Total Interest Income Composition



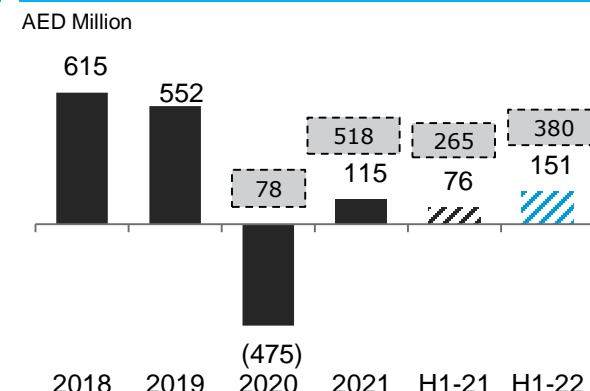
## Net Interest Margin



## Cost to Income Ratio



## Net Profit



\*Excluding Few Exceptional Exposures

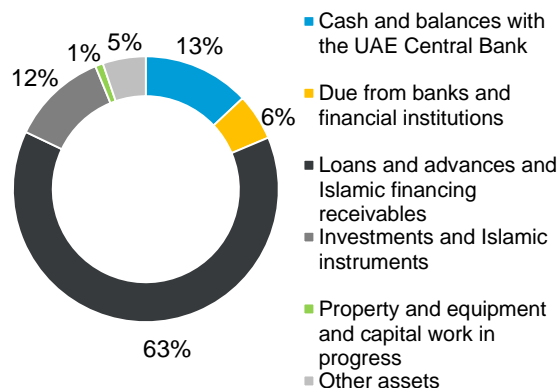
# ASSETS COMPOSITION

## Key Highlights

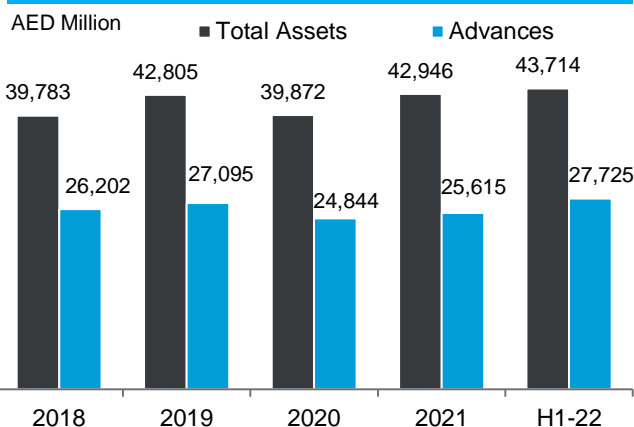
- Total Advances increased by 8.2% from year end 2021 reflecting the bank's deliberate strategy to optimize asset and liquidity management.
- The majority of the Bank's assets are loans and advances and Islamic financing receivables (63%), followed by cash and balances with the UAE Central Bank at second place (13%) and investments and Islamic instruments at (12%) .
- Despite facing volatile market conditions created by a hawkish FED due to multi decade Inflation, supply chain bottlenecks and the Russia-Ukraine Conflict, the bank was able to recording a commendable performance in comparison to benchmarks and carefully grow its debt Investments by AED 751m.
- NBF maintains a portfolio of short-term HQLA issued by the UAE Central Bank along with cash reserves and other investment grade marketable securities.

## Breakdown of Assets by Type

30 June 2022

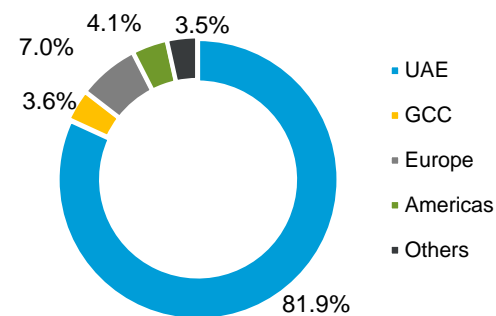


## Assets and Advances



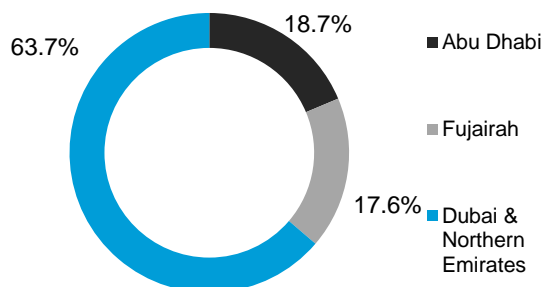
## Breakdown of Assets by Geographical Distribution

30 June 2022



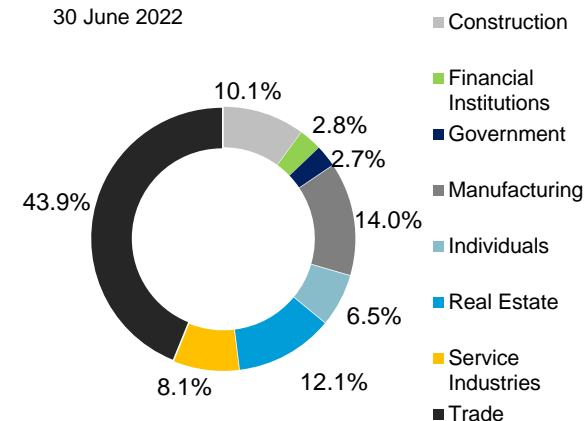
## Breakdown of Advances by Emirates

30 June 2022



## Breakdown of Advances by Sector

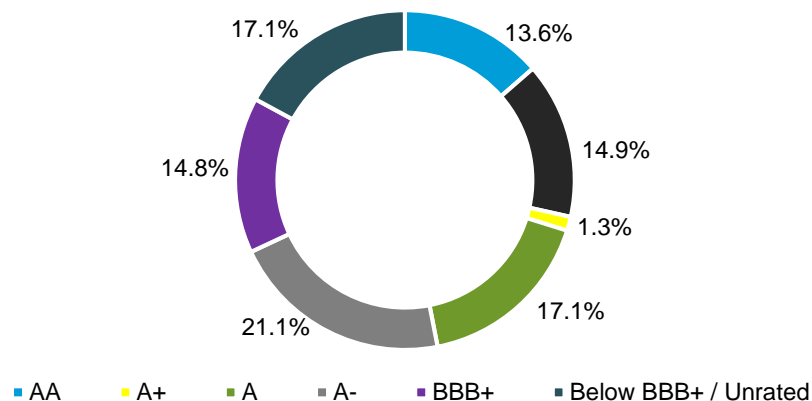
30 June 2022



# INVESTMENT AND ISLAMIC INSTRUMENTS

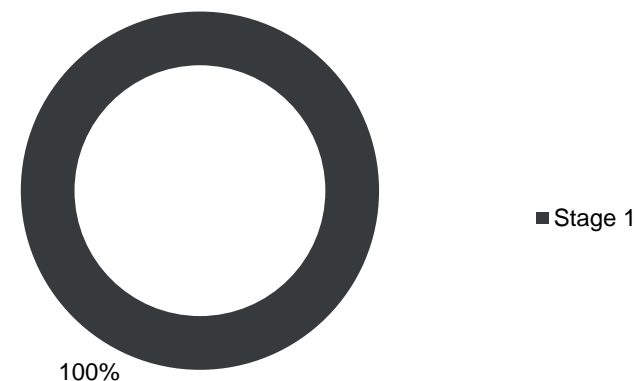
## Investments and Islamic Instruments by Ratings\*

30 June 2022



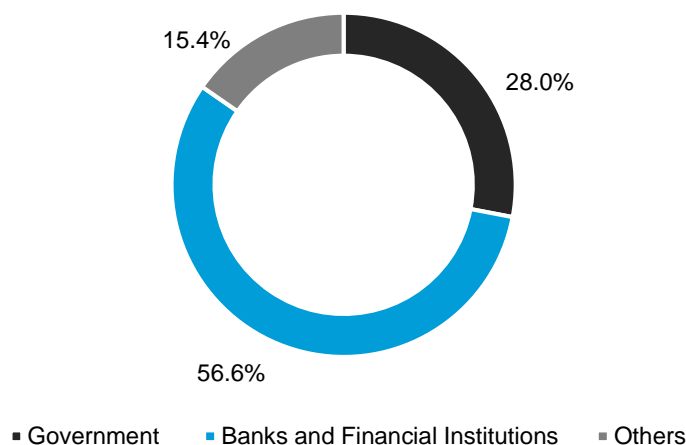
## Breakdown of Investments and Islamic Instruments by Stage

30 June 2022



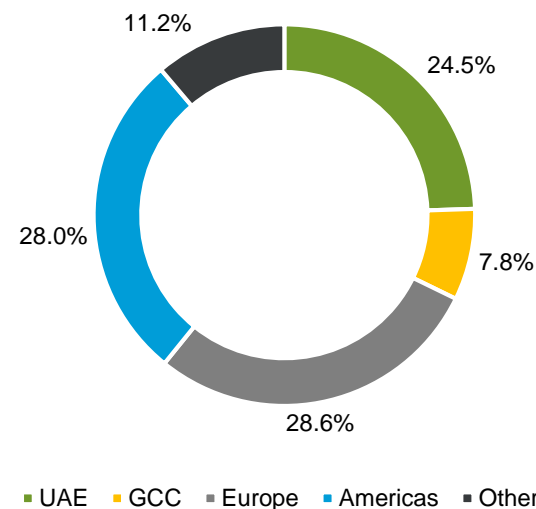
## Investments and Islamic Instruments by Type

30 June 2022



## Investments and Islamic Instruments by Geography

30 June 2022



\*Investments below BBB+ or unrated largely include supranational issuers, governments and unrated issuances by the investment grade counterparties.

Classified as: NBF Internal Use

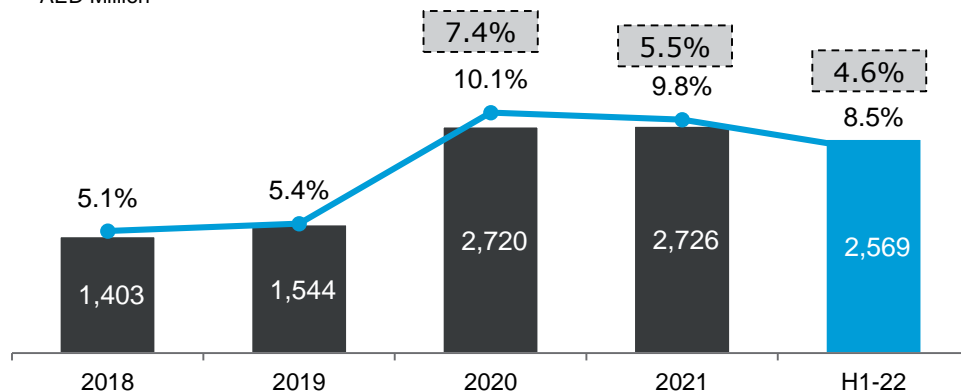
## Key Highlights

NBF's asset quality indicators reflect improving and recovery trend from the aftermath of COVID-19 pandemic and few exceptional exposures. NBF's strengthening of credit underwriting standards and risk appetite to reflect the current operating environment, is beginning to have a positive impact on credit quality.

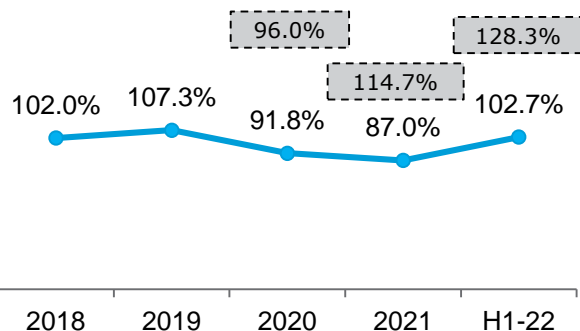
- Provisions coverage ratio has increased from 87.0% at year end 2021 to 102.7% in H1 2022 in view of prudent recognition of problem accounts and write-off of exposures. Provision coverage ratio net of collateral is 134.9% in H1 2022 compared to 109.1% at the year ended 2021.
- Aggregate Stage 2 and Stage 3 Loans and Advances (including Acceptances) improved to 15.1% as of H1 2022 compared to 15.9% as of year end 2021.
- The bank has taken the opportunity to build further provisions towards few exceptional group exposures in 2022 on the back of its strong operating performance.

## Non-Performing Loans & NPL Ratio

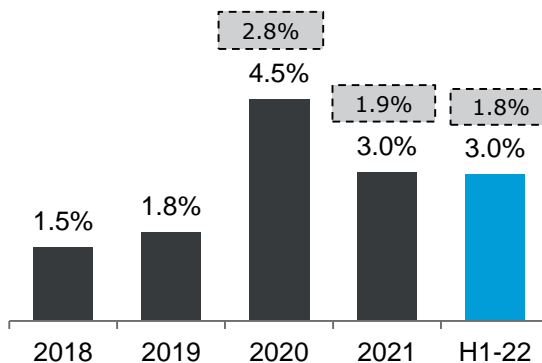
AED Million



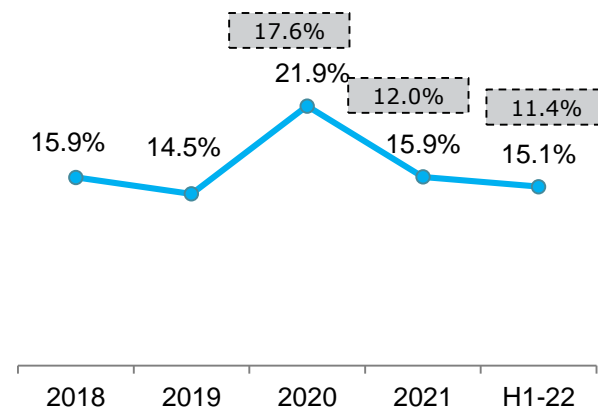
## Coverage ratio



## Cost of Risk



## Stage 2 and Stage 3 Mix\*



\*\* Loans & Advances includes Acceptances

\*Excluding Few Exceptional Exposures

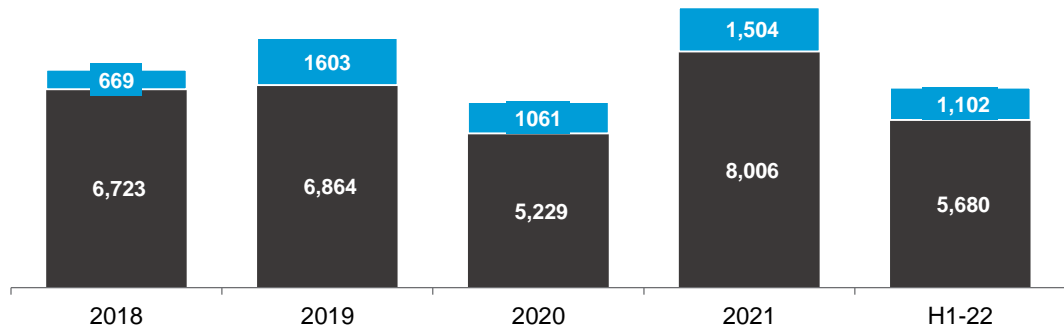
## Key Highlights

- NBF continues to maintain robust liquidity levels and maintains prudent and high quality of liquidity commensurate to its liquidity risk profile evident by its 81.5% Lending to Stable Resources ratio.
- Eligible Liquid Assets ratio stood at 17.2% as of H1 2022.
- NBF is fully compliant with guidelines set by the UAE Central Bank and the Bank complies with Basel III regulations.
- NBF's NSFR stood at 102% and LCR stood at 207% as of H1 2022.

## Liquid Assets

AED Million

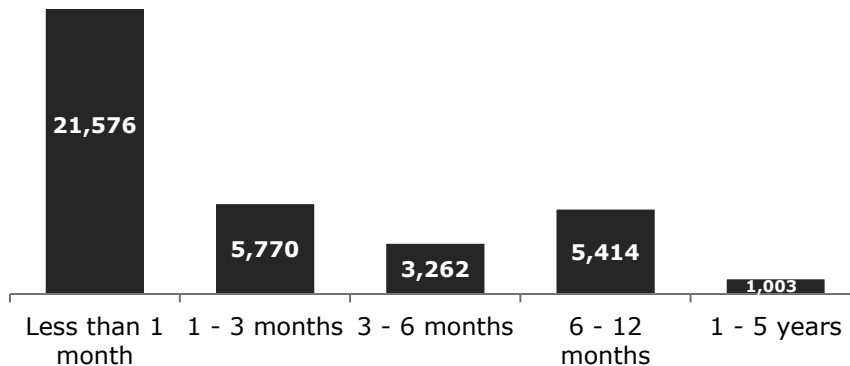
■ Cash and balances with the UAE Central Bank ■ Due from banks and financial institutions\*



\*Placements and current accounts/term deposits

## Funding Maturity Profile

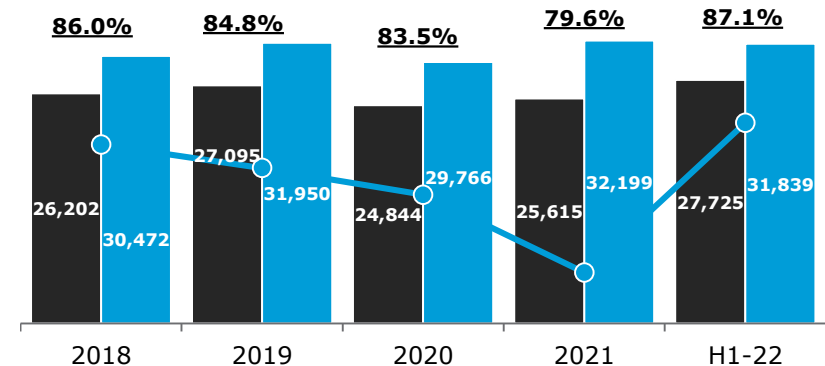
30 June 2022, AED Million



## Net Loan to Deposit Ratio (%)

AED Million

■ Net Loans ■ Deposits — LD %

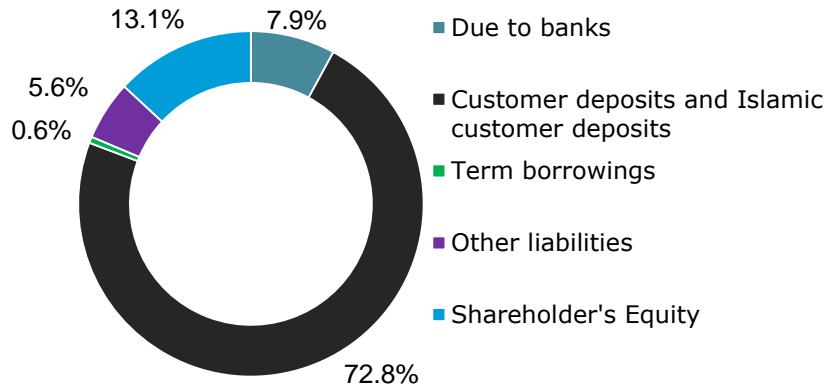


\* CASA Balances have been prudently included in the Less than 1 month bucket.  
NBF's core behavioral CASA balances at 99% and 95% confidence level are 79.9% and 85.2% respectively.

# FUNDING PROFILE

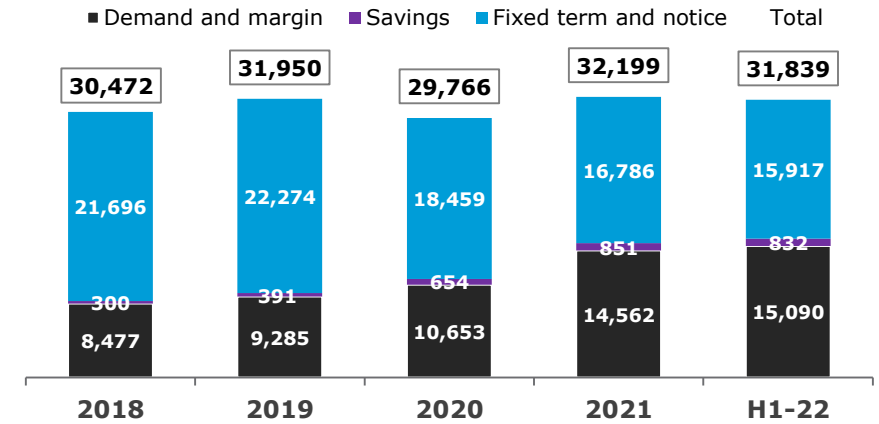
## Funding Mix

30 June 2022



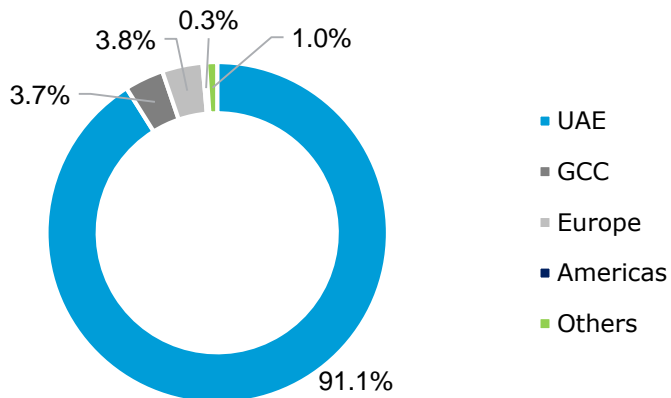
## Customer Deposits

AED Million



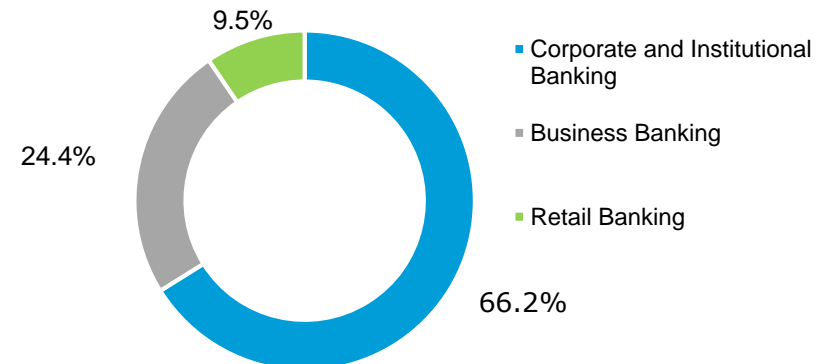
## Customer Deposits by Geographical Distribution

30 June 2022



## Customer Deposits by Segment

30 June 2022



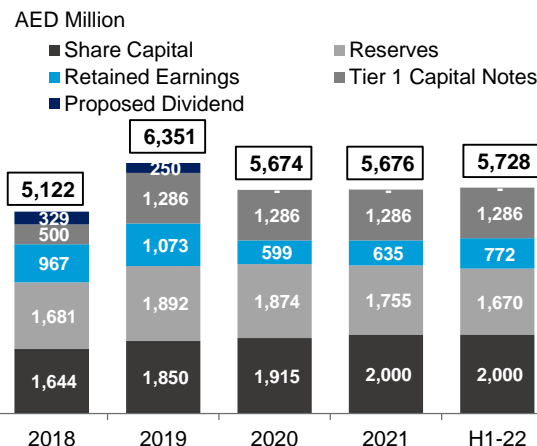


# STRONG CAPITALISATION

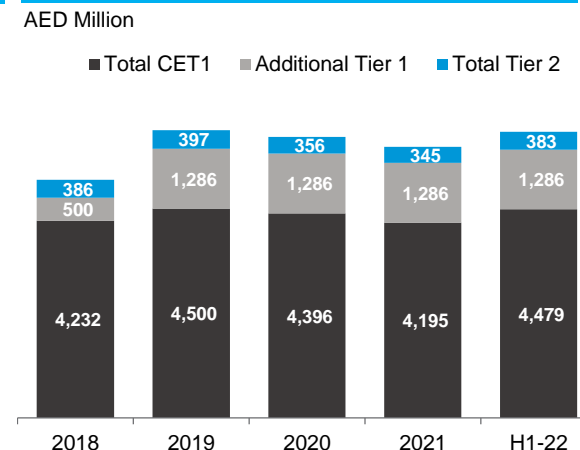
## Key Highlights

- NBF is well capitalized with a Capital Adequacy Ratio and Total Tier 1 Ratio of 18.3% and 17.2% respectively, as at 30 June 2022, well above the minimum regulatory requirements.
- NBF increased its paid-up capital to AED 2 billion by issuing bonus shares to comply with the UAE Central Bank's new minimum capital requirement.
- The Bank's risk weighted assets (RWA) have increased to AED 33.6bn as at 30 June 2022 from AED 30.5bn as at 31 December 2021 in view of solid credit growth.
- 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.

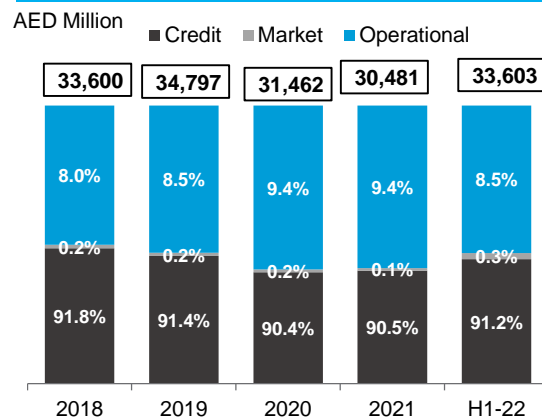
## Equity Breakdown



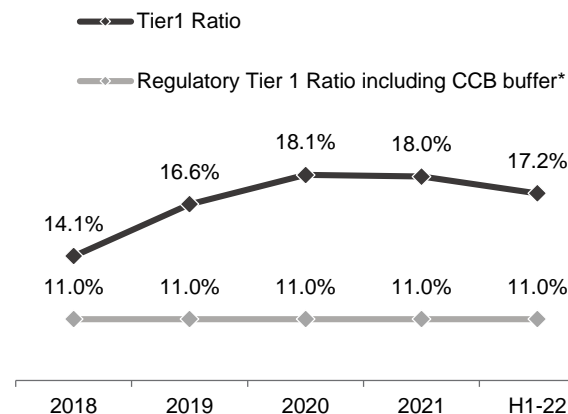
## Capital Base



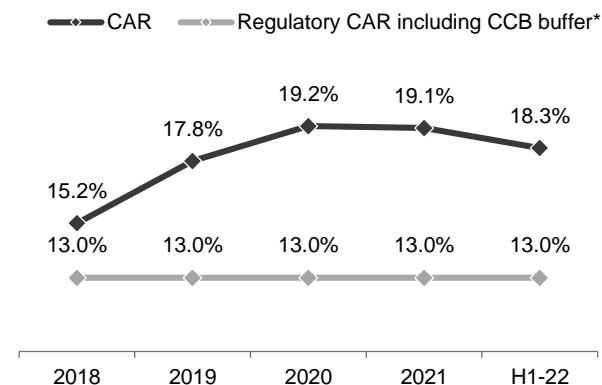
## Risk Weighted Assets\*



## Tier 1 Ratio(%)



## Capital Adequacy (%)



\* CCB buffer: CBUAE Capital Conservation buffer

\* Regulatory capital ratios requirement in 2020 dropped on account of TESS relief given by CBUAE on capital buffers by 60%

# NBF's CORE PERFORMANCE AND OUTLOOK

Key Metrics		2021	H1 2022	H1 2022*	Outlook
Profit	Return on Average Equity	2.0%	<b>5.3%</b>	<b>13.1%</b>	We are pleased to achieve a promising set of results for the first half aided by the economic recovery from the pandemic. This was accomplished thanks to robust quality business growth and improvement in asset quality in line with our strategy.
	NIM	2.4%	<b>2.4%</b>	<b>2.8%</b>	
	Cost to income	33.7%	<b>29.1%</b>	<b>28.0%</b>	
Assets	Asset growth	7.7%	<b>1.8%</b>	<b>1.2%</b>	Despite the evolving global landscape being dominated by significant geopolitical tensions, volatility and turbulence, the UAE has moved steadily forward and the economic outlook is revealing positive signs of sustained recovery.
	Loan growth	3.1%	<b>8.2%</b>	<b>7.6%</b>	
Capital	CET 1	13.8%	<b>13.3%</b>	<b>15.0%</b>	
	Tier 1	18.0%	<b>17.2%</b>	<b>19.1%</b>	The UAE achieved 3.8% GDP growth in 2021; and is expected to witness economic growth of 4.2% this year despite growing inflationary pressures, according to the Central Bank of the UAE.
	CAR	19.1%	<b>18.3%</b>	<b>20.3%</b>	
Liquidity	Loan to Deposit Ratio	79.6%	<b>87.1%</b>	<b>83.0%</b>	
Credit Quality	NPL	9.8%	<b>8.5%</b>	<b>4.6%</b>	The Group's financial performance this year is on the on the back of strong business growth and asset and liability management. The solid performance emphasizes our ability to navigate the changing environment aided by strong capital and liquidity position. Credit growth has fared well on the back of effective deployment of liquidity and the balance sheet remains well-diversified and soundly positioned. The franchise's success in leveraging technology and its growing capabilities in digital innovation continue to take customer service to new levels – a significant strategic priority for NBF.  With our record operating performance for half a year, we are assured that the NBF franchise will continue to perform with excellence throughout the course of the year.
	Provisions Coverage Ratio	87.0%	<b>102.7%</b>	<b>128.3%</b>	
	Cost of Risk	3.0%	<b>3.0%</b>	<b>1.8%</b>	

\*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

- NBF's largest segment in terms of assets, liabilities and income.
- 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

- In 2021, the business segmentation has been reviewed expanding the scope of business banking to serve clients with a turnover between AED 10 million to AED 400 million from previously upto 250 million.
- Services include working capital facilities, collateral-free business term loans, overdraft facilities, project financing and parameterized lending. In 2022, Retail SMEs upto AED 10 million turnover has been included in Business Banking from Retail Banking to benefit from synergies and enhance customer service.

## Retail Banking

- Personal and mortgage loans, credit cards and advisory and depositing services.
- Segmented approach for Priority, Preferred and Basic customers

## Treasury, Investments, ALM and Other

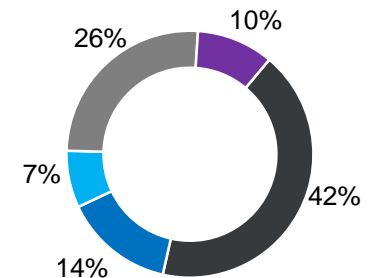
- Centralizes the Group's liquidity and supports the growth of the other business segments.
- Offers structuring & execution of bespoke cross asset market risk solutions for NBF clients.
- Offers market risk solutions for NBF's clients with exposure to commodities.

## 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

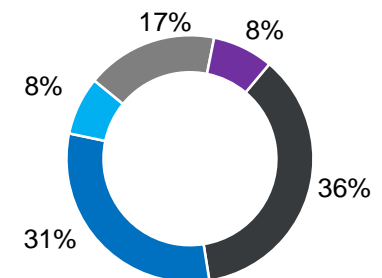
30 June 2022



- Corporate and Institutional Banking
- Business Banking
- Retail Banking
- Treasury, Investments, ALM
- \*Islamic Banking

## Contribution to Income

30 June 2022



- Corporate and Institutional Banking
- Business Banking
- Retail Banking
- Treasury, Investments, ALM
- \*Islamic Banking

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

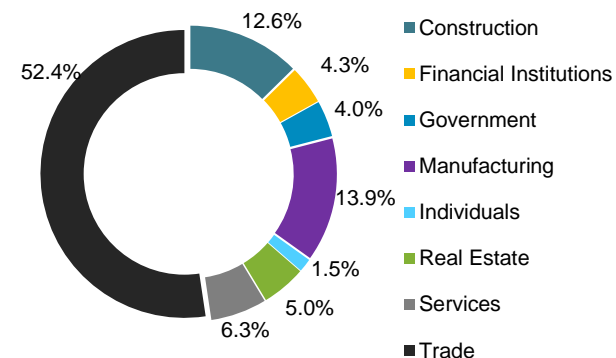
- \* Islamic Banking spread across all business segments with income contribution mix as: Corporate and Institutional Banking 2.9%, Business Banking 1.6%, Retail Banking 1.5% and Treasury, Investment, ALM 2.0%.
- \* Islamic Banking asset composition includes Corporate and Institutional Banking 4.1%, Business Banking 1.3%, Retail Banking 1.4% and Treasury, Investment, ALM 3.2%.

## Overview

- The Bank's CIB operations are split into three main sub-divisions:
  - 1. Corporate Banking**
    - Large Corporates & Governments
    - Contracting
    - Precious Metals & Diamonds
    - Energy and Marine
  - 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

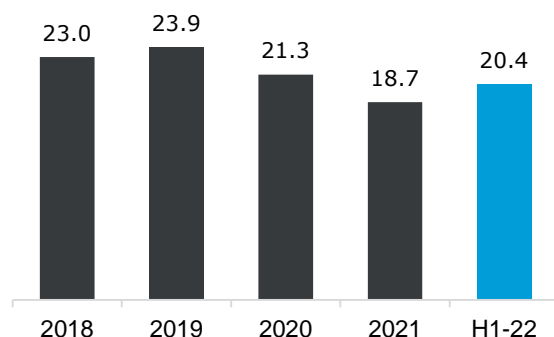
## Gross Loans – Sector Breakdown

30 June 2022



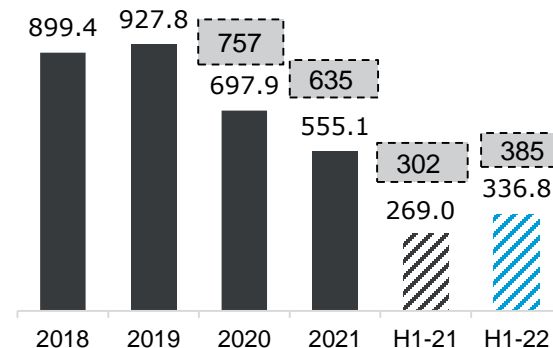
## Segment Assets

AED Billion

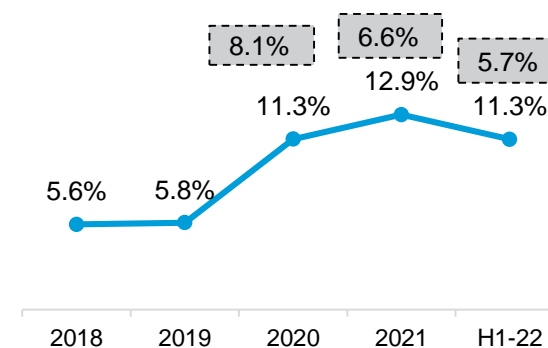


## Total Operating Income

AED Million



## NPL Ratio



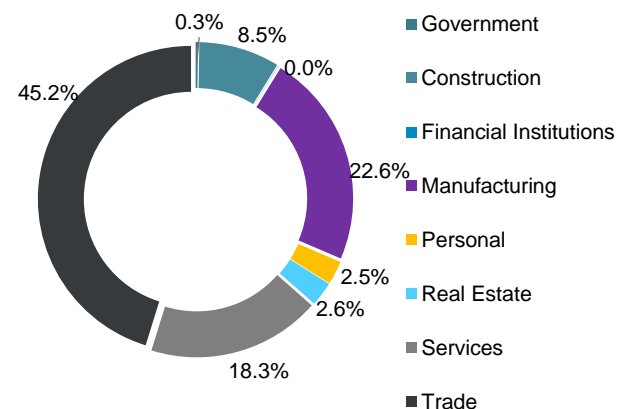
\*Reduction of assets in 2021 is on account of realignment of segments where Business Banking now serves customers up to 400m turnover compared to 250m previously. Accordingly, Corporate Banking serve customers exceeding turnover of 400m and the comparatives for 2020 have been aligned accordingly.

## Overview

- The Business Banking structure comprises of
  - Business Banking
  - SMEs
  - Services & Manufacturing
  - Trading and Diversified
  - Equipment Finance
  - NBF Elham
- Business Banking manages clients with a turnover between AED 10 million to AED 400 million.
- The SME segment within Business Banking manages clients with a turnover up to AED 10-50 million.
- Banking products and services designed to meet the specific needs of clients including:
  - Working capital facilities
  - Collateral-free business term loans
  - Overdraft facilities
  - Project financing
  - Parameterized lending

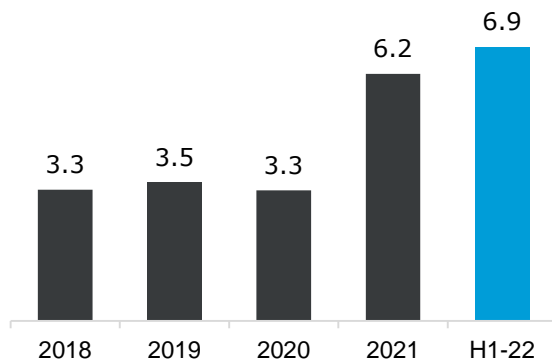
## Gross Loans – Sector Breakdown

30 June 2022



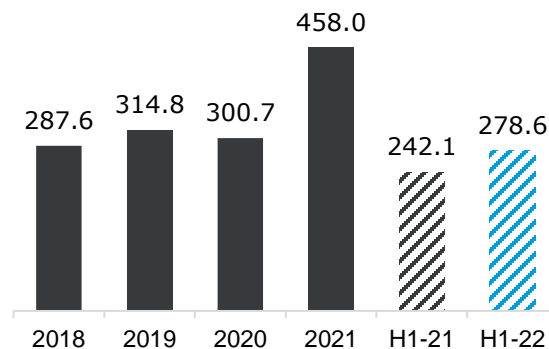
## Segment Assets

AED Billion

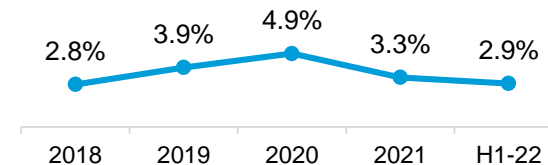


## Total Operating Income

AED Million



## NPL Ratio



\*Increase in assets in 2021 is on account of realignment of segments where Business Banking now serves customers up to 400m turnover compared to 250m previously. Accordingly, Corporate Banking serve customers exceeding turnover of 400m and the comparatives for 2020 have been aligned.

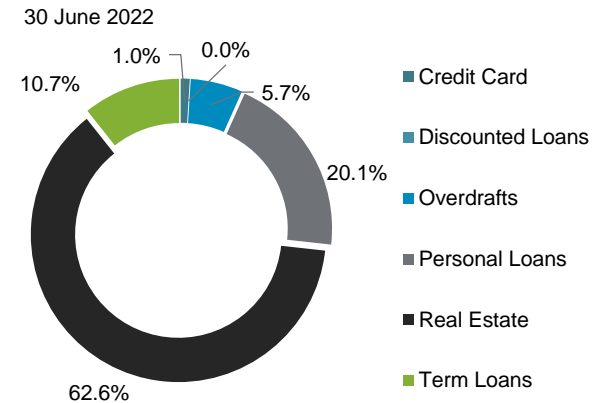
In addition Retail SME portfolio has moved into Business Banking effective from Jan 1, 2022



## Overview

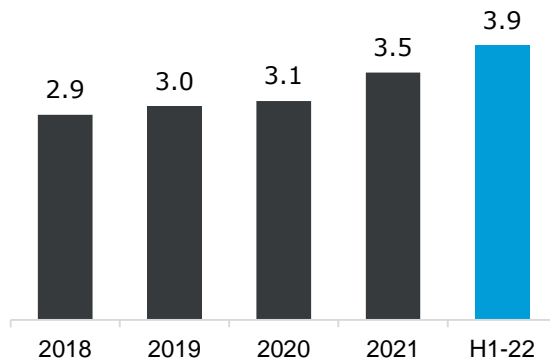
- NBF's retail banking segment offers a wide range of products and services to individuals and high net worth clients.
  - The Retail Banking clients are broken down into the following different tiers:
    - Priority Customers
    - Preferred Customers
    - Personal
    - Basic
  - NBF continues its focus on growing its Retail Banking segment through an enhanced focus on building partnership and collaboration with Fintech and other service providers and co-create digital value propositions for SME's and Retail customers.
- 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



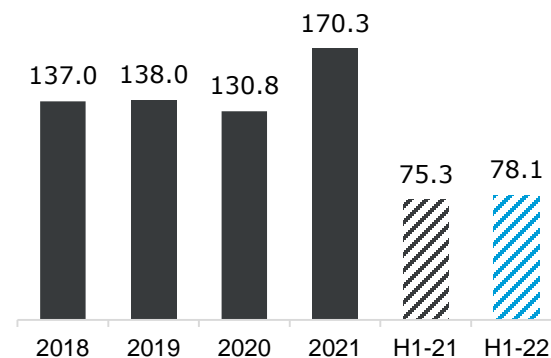
## Segment Assets

AED Billion

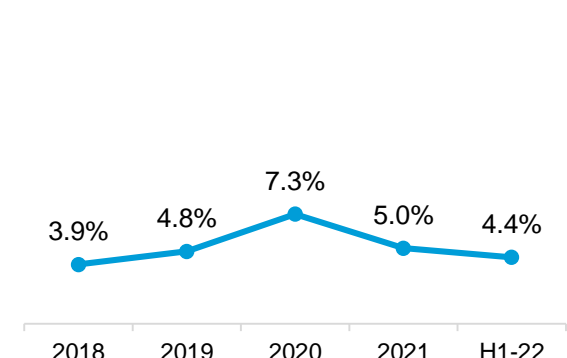


## Total Operating Income

AED Million



## NPL Ratio

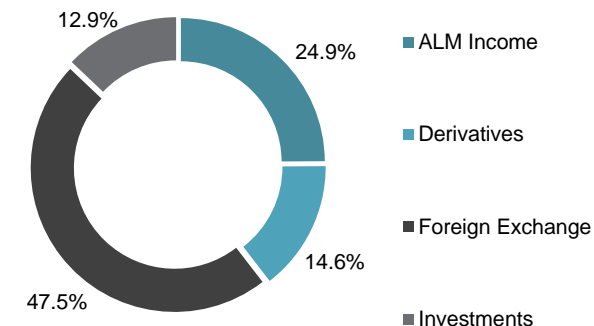


## Overview

- **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

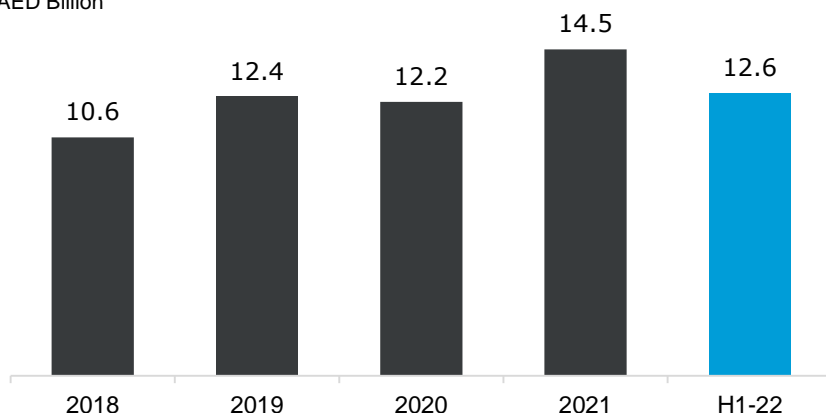
## Operating Income Mix

30 June 2022



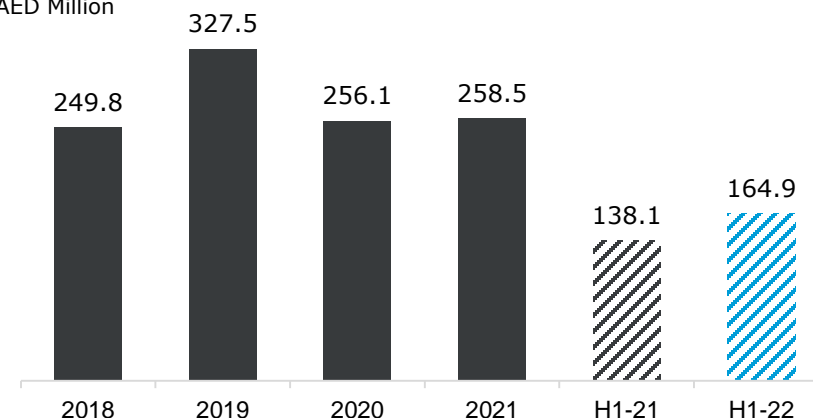
## Segment Assets

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)

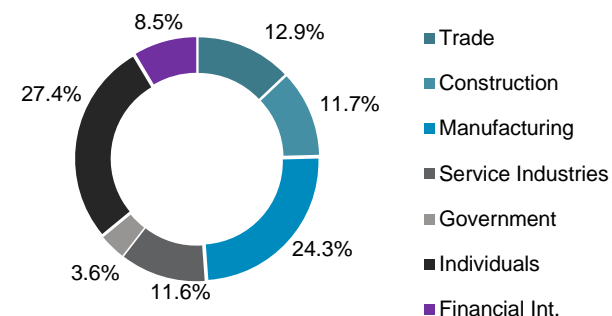
### Transaction Banking

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

### Islamic Gold Facilities

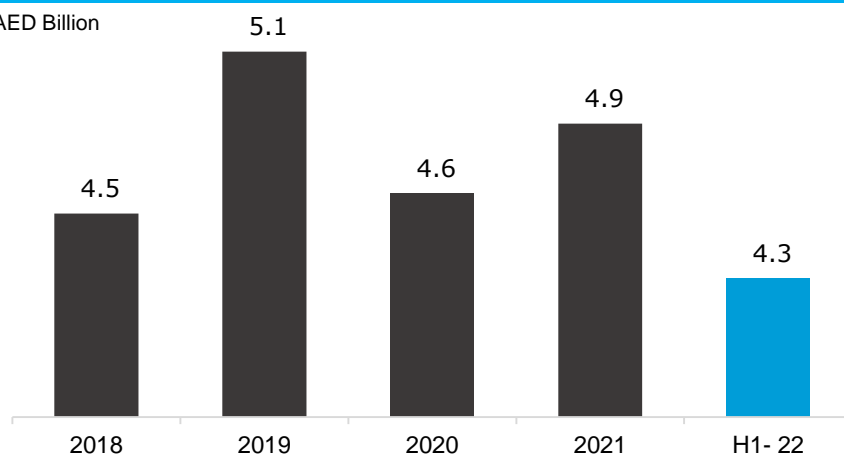
## Gross Loans – Sector Breakdown

30 June 2022



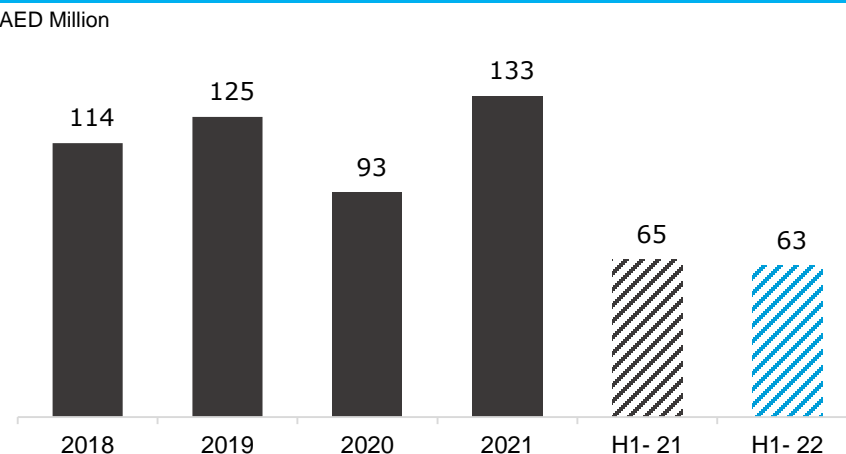
## Segment Assets

AED Billion



## Total Operating Income

AED Million



# THANK YOU

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# 04

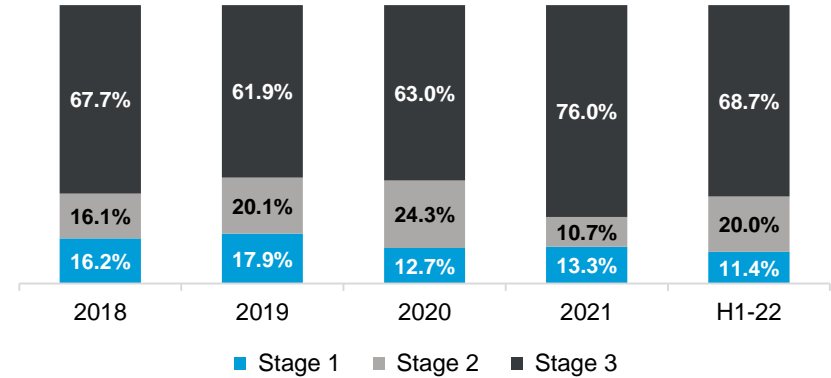
## APPENDIX

# IFRS 9 – EXPOSURE AND ECL MIX

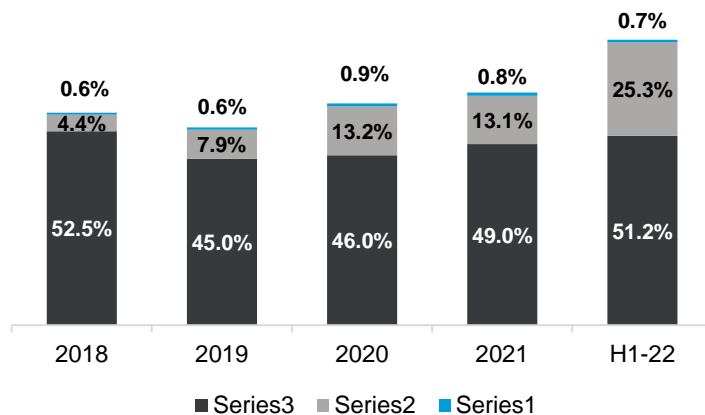
## Overview

- 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

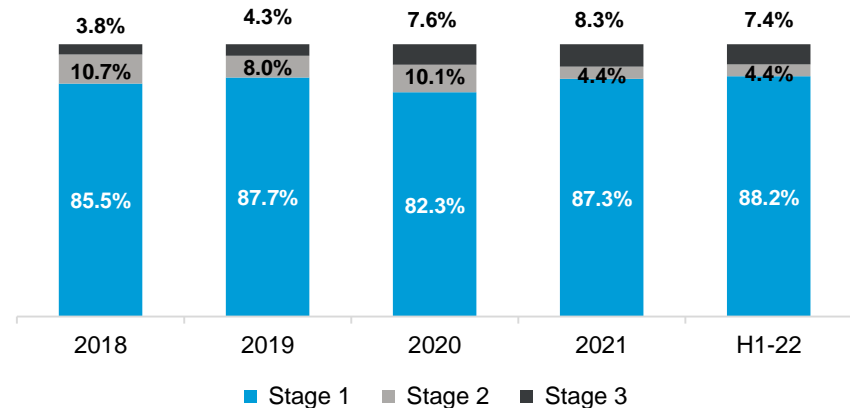
## ECL Mix



## ECL Rate



## Exposure Mix



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