

Management Discussion and Analysis Report

For the six month period ended 30 June 2019

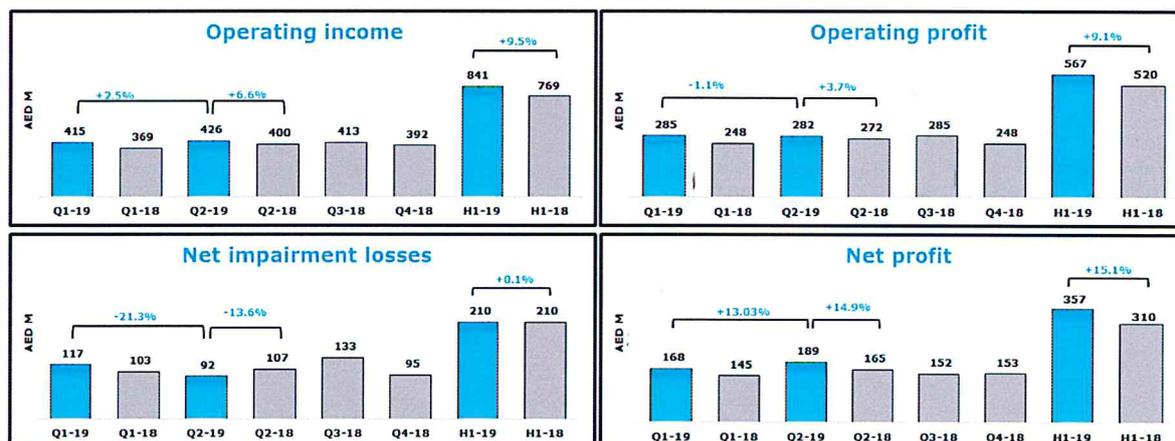
NBF posted record half year results Net profit rose 15.1% to reach AED 357.1 million

21 July 2019: NBF is pleased to announce its results for the six month period ended 30 June 2019.

INCOME STATEMENT HIGHLIGHTS

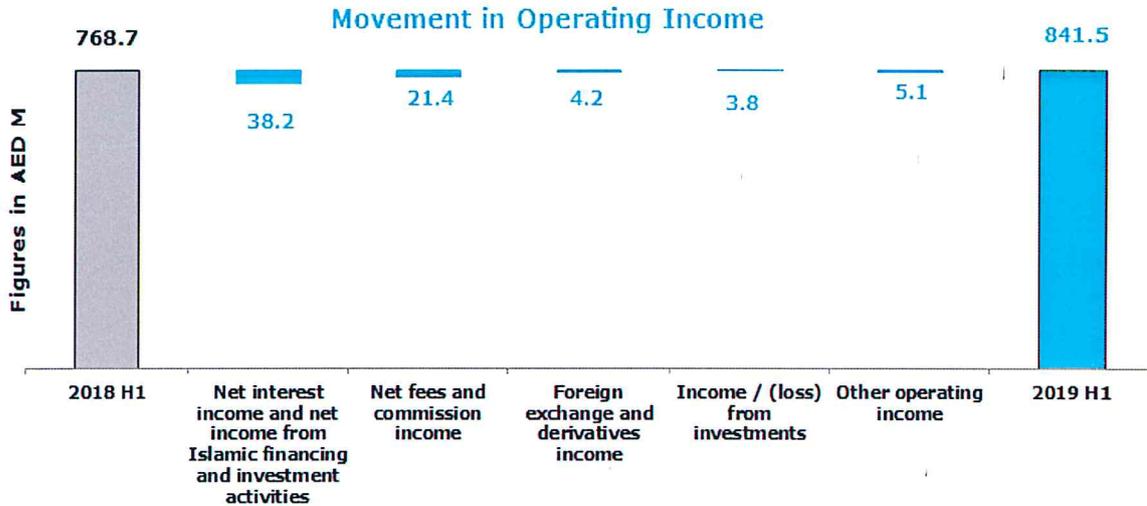
NBF recorded a year-on-year growth of 15.1% to close the half year ended 30 June 2019 at a net profit of AED 357.1 million compared to AED 310.2 million in the corresponding period of 2018. This reflects a high level of resilience in the bank's core business and enhanced balance sheet management with the bank's focus on exceptional customer service.

NBF also recorded its best ever half year operating profit of AED 567.0 million which increased by 9.1% compared to AED 519.9 million in the corresponding period of 2018 driven by focus on steady quality business growth.

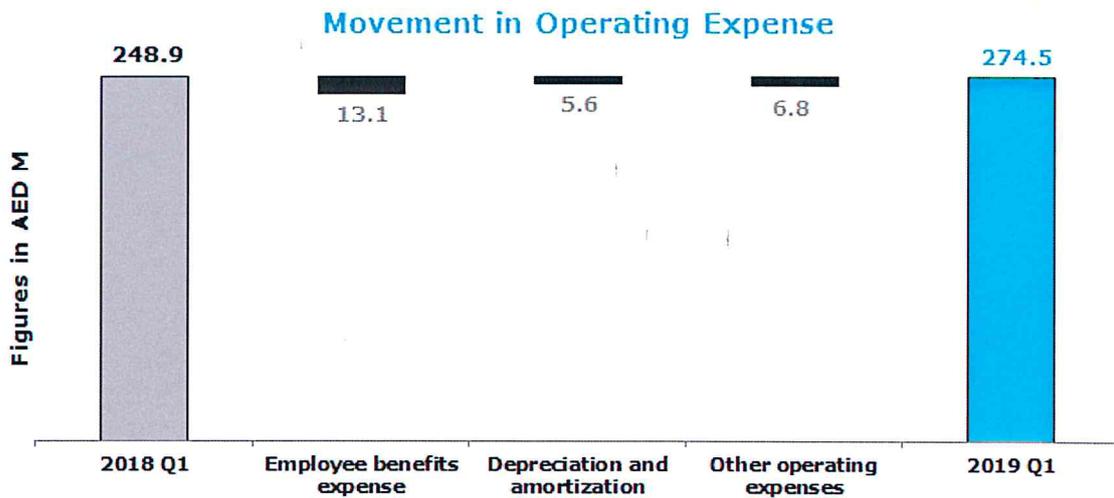


Performance Highlights

- Operating income for the six month period was AED 841.5 million which saw a growth of 9.5% compared to the corresponding period of 2018. This was achieved by growth in core business volumes, proactive asset and liability management and effective pricing strategies. Net interest income and net income from Islamic financing and investment activities grew by 7.3% and net fees and commission income by 13.8% 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 improved by AED 50.3 million during the six month period ended 30 June 2019.



- Foreign exchange and derivatives income experienced a growth of 6.0% reaching AED 74.2 million for the six month period compared with AED 70.0 million in 2018.
- Income from investments and Islamic instruments classified as FVTPL marked a significant bounce back achieving 5.6 million income compared to the 1.7 million income in corresponding period of 2018.



- Operating expenses increased by 10.3%, reflecting NBF's investments in businesses, infrastructure and digitalisation initiatives to provide exceptional customer service and enhanced experience in line with the changing market demands. Cost-to-income ratio stood at 32.6% compared to 32.4% in the corresponding period of 2018 and 33.2% for the year ended 31 December 2018.

- NBF maintained net impairment provisions of AED 209.9 million for the six month period compared to AED 209.7 million in 2018 which reflects the growth in business as well as prudent credit risk management. Total provision coverage ratio (including impairment reserves) stood at 108.6% compared to 102.0% as at 31 December 2018. The NPL ratio improved to 4.77% compared to 5.13% as at 31 December 2018. Total impairment reserves under the equity reduced from AED 266.4 million at 31 December 2018 to AED 238.5 million at 30 June 2019 and retained profit increased by AED 28.0 million, reducing the overall impact of impairment to equity to AED 181.9 million for the six months period ended 30 June 2019.

STATEMENT OF FINANCIAL POSITION – HIGHLIGHTS

Figures in AED M

	JUN-19	DEC-18	Change %	JUN-'19	MAR-'19	JUN-'18	QoQ	Vs JUN-18
Total Assets	42,539	39,783	6.9%	42,539	40,043	38,092	6.2%	11.7%
Loans and Advances and Islamic Financing Receivables	27,919	26,202	6.6%	27,919	26,206	26,048	6.5%	7.2%
Customer Deposits and Islamic Customer Deposits	30,995	30,472	1.7%	30,995	30,220	28,186	2.6%	10.0%
Total Shareholders' Equity	5,382	5,122	5.1%	5,382	5,176	4,870	4.0%	10.5%

- Loans and advances and Islamic financing receivables rose 6.6% from AED 26.2 billion at 2018 year end to AED 27.9 billion, and up by 7.2% from 30 June 2018. The growth compares well relative to the marginal increase in credit growth at the industry level, reported in May 2019 in the UAE Central Bank's statistics report.
- Customer deposits and Islamic customer deposits depicted a growth of 1.7% at AED 31.0 billion compared to AED 30.5 billion at 2018 year end, up by 10.0% from 30 June 2018.
- Assets reached AED 42.5 billion; a rise of 6.9% from AED 39.8 billion at 2018 year-end, up by 11.7% from 30 June 2018.
- Shareholders' equity rose 5.1% from AED 5.1 billion at 2018 year-end to AED 5.4 billion, up by 10.5% from 30 June 2018.

KEY PERFORMANCE INDICATORS

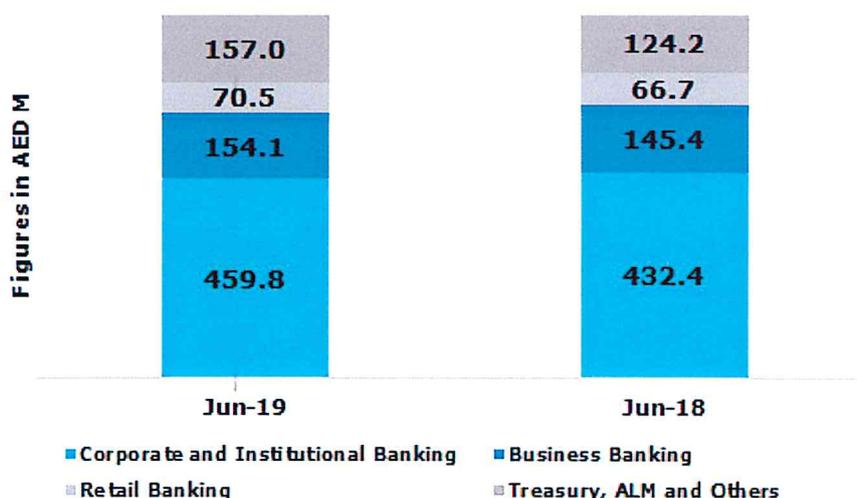
- Strong capital adequacy and lending to stable resources ratios were maintained at 15.6% (Tier 1 ratio of 14.5% and CET 1 ratio of 13.0%) and 89.6% respectively, well ahead of CBUAE minimum requirements. Further, eligible liquid assets ratio (ELAR) and advances to deposits ratio remained strong at 19.7% and 90.1% respectively.
- Return on average assets improved to 1.74% from 1.66% while return on average equity rose to 13.60% from 12.71% 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.

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 six month period ended 30 June 2019 was AED 614.0 million, up 6.3% compared to the corresponding period of 2018. Operating income from retail banking has grown by 5.7%, while Treasury, ALM & others have increased by 26.4% compared to 30 June 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 was ranked second at the Top CEO Award 2019 by Mediaquest in the category for Top 10 Banking Companies in the GCC and the first in the banking sector in the UAE.
- The Bank recently won the International Employee Engagement Award and achieved the runner up spot for the Best Employer accolade at the International Business Excellence Awards 2019, underscoring its leading employer brand in the UAE and the bank's focus on nurturing the best talent in the market as well as its commitment to creating a great place to work.



Vince Cook
Chief Executive Officer



Adnan Anwar
Chief Financial Officer