

# H1 2017 Results Presentation

19 July 2017





# Important Information

## Disclaimer

The material in this presentation is general background information about the activities of Emirates NBD Bank PJSC (Emirates NBD), current at the date of this presentation, and believed by Emirates NBD to be accurate and true. It is information given in summary form and does not purport to be complete. Some of the information that is relied upon by Emirates NBD is obtained from sources believed to be reliable, but Emirates NBD (nor any of its directors, officers, employees, agents, affiliates or subsidiaries) does not guarantee the accuracy or completeness of such information, and disclaims all liability or responsibility for any loss or damage caused by any act taken as a result of the information. The information in this presentation is not intended to be relied upon as advice or a recommendation to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. An investor should seek independent professional advice when deciding if an investment is appropriate.

Due to rounding, numbers and percentages presented throughout this presentation may not add up precisely to the totals provided.

## Forward Looking Statements

Certain matters discussed in this presentation about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute “forward-looking statements”. Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “seek”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar meaning. Undue reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements, such as changes in the global, political, economic, business, competitive, market and regulatory forces; future exchange and interest rates; changes in tax rates; and future business combinations or dispositions.

Emirates NBD undertakes no obligation to revise or update any statement, including any forward-looking statement, contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.



## Emirates NBD delivered a strong set of results in H1-17 amidst an uncertain environment

### H1 2017 at a glance

		H1 2017	vs. 2017 guidance
Profitability	<b>Net profit</b>	<b>AED 3.89 Bn</b> <b>+5% y-o-y</b>	
	Net interest margin	2.41%	2.35 – 2.45%
	Cost-to-income ratio	30.2%	33%
Credit Quality	NPL ratio	6.1%	✓
	Coverage ratio	123.5%	✓
Capital & Liquidity	Tier 1 ratio	18.3%	
	Capital adequacy ratio	20.7%	
	AD ratio	95.0%	90-100%
	LCR ratio	157.3%	
Assets	Net Loan growth	5% ytd	mid-single digit

### 2017 Macro themes

	Regional	Global
+	<ul style="list-style-type: none"> <li>Resilience of UAE economy underpinned by non-oil activity growth</li> <li>Robust business sentiment</li> <li>Improving liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Emirates NBD's balance sheet positioned to benefit from rising interest rates</li> <li>Improved banking system liquidity to support private sector growth</li> </ul>
	<ul style="list-style-type: none"> <li>Impact on GCC of prolonged standoff with Qatar</li> <li>Strong dollar impact on Dubai tourism</li> </ul>	<ul style="list-style-type: none"> <li>Potential Euro area volatility from implementation of Brexit and key government elections</li> <li>Tensions in the Korean Peninsula</li> </ul>
	-	



## H1-17 Financial Results

### Highlights

- Net profit of AED 3,894 Mn for H1-17 improved 5% y-o-y
- Net interest income improved 2% y-o-y as loan growth more than offset NIM contraction
- Non-interest income declined 12% y-o-y due to lower one-off gains from the sale of investment securities. Non-interest income improved 10% compared to H2-16 as the earlier period was impacted by the devaluation of the Egyptian Pound
- Costs improved 9% y-o-y as cost control measures introduced in 2016 have taken effect. This gives Emirates NBD headroom as we embark on a multi-year planned investment in our digital offering and a technology refresh
- Provisions of AED 1,260 Mn improved 13% y-o-y as cost of risk continues to normalize on the back of improving asset quality metrics
- NPL ratio improved to 6.1% and coverage ratio strengthened to 123.5%
- Liquidity Coverage Ratio (LCR) of 157.3% and AD ratio of 95% demonstrates healthy liquidity position
- NIMs widened since the beginning of the year as loans reset at higher EIBOR rates and Deposit and Wholesale funding costs receded on improved liquidity

### Key Performance Indicators

AED Mn	H1-17	H1-16	Better / (Worse)	H2-16	Better / (Worse)
Net interest income	5,185	5,099	2%	5,012	3%
Non-interest income	2,268	2,572	(12%)	2,065	10%
<b>Total income</b>	<b>7,453</b>	<b>7,671</b>	<b>(3%)</b>	<b>7,077</b>	<b>5%</b>
Operating expenses	(2,253)	(2,476)	9%	(2,412)	7%
<b>Pre-impairment operating profit</b>	<b>5,201</b>	<b>5,195</b>	<b>0%</b>	<b>4,665</b>	<b>11%</b>
Impairment allowances	(1,260)	(1,456)	13%	(1,152)	(9%)
<b>Operating profit</b>	<b>3,940</b>	<b>3,739</b>	<b>5%</b>	<b>3,513</b>	<b>12%</b>
Share of profits from associates	12	61	(80%)	74	(83%)
Taxation charge	(58)	(82)	29%	(66)	12%
<b>Net profit</b>	<b>3,894</b>	<b>3,718</b>	<b>5%</b>	<b>3,521</b>	<b>11%</b>
Cost: income ratio (%)	30.2%	32.3%	2.1%	34.1%	3.9%
Net interest margin (%)	2.41%	2.58%	(0.17%)	2.37%	0.04%

AED Bn	30-Jun-17	30-Jun-16	%	31-Dec-16	%
Total assets	456.2	425.8	7%	448.0	2%
Loans	304.0	286.0	6%	290.4	5%
Deposits	319.9	297.6	7%	310.8	3%
AD ratio (%)	95.0%	96.1%	1.1%	93.4%	(1.6%)
NPL ratio (%)	6.1%	6.6%	0.5%	6.4%	0.3%

## Q2-17 Financial Results Highlights

### Highlights

- Net profit of AED 2,021 Mn for Q2-17 increased 8% q-o-q and 6% y-o-y
- Net interest income improved 6% y-o-y as loan growth and higher EIBORs offset NIM contraction. Net interest income improved 9% q-o-q due to loan growth coupled with an improvement in NIMs
- Non-interest income declined 7% y-o-y due to lower gains from sale of investment securities in Q2-16
- Costs improved 7% y-o-y as cost control measures introduced in 2016 have taken effect
- Provisions of AED 621 Mn improved 1% y-o-y and 3% q-o-q as cost of risk continues to normalize on the back of improving asset quality metrics
- NPL ratio improved to 6.1% and coverage ratio strengthened to 123.5%
- Liquidity Coverage Ratio (LCR) of 157.3% and AD ratio of 95% demonstrates healthy liquidity position
- NIMs widened since the beginning of the year as loans reset at higher EIBOR rates and Deposit and Wholesale funding costs receded on improved liquidity

### Key Performance Indicators

AED Mn	Q2-17	Q2-16	Better / (Worse)	Q1-17	Better / (Worse)
Net interest income	2,699	2,544	6%	2,486	9%
Non-interest income	1,137	1,221	(7%)	1,131	0%
<b>Total income</b>	<b>3,836</b>	<b>3,766</b>	<b>2%</b>	<b>3,617</b>	<b>6%</b>
Operating expenses	(1,136)	(1,226)	7%	(1,116)	(2%)
<b>Pre-impairment operating profit</b>	<b>2,699</b>	<b>2,540</b>	<b>6%</b>	<b>2,501</b>	<b>8%</b>
Impairment allowances	(621)	(626)	1%	(639)	3%
<b>Operating profit</b>	<b>2,078</b>	<b>1,914</b>	<b>9%</b>	<b>1,862</b>	<b>12%</b>
Share of profits from associates	(26)	34	(176%)	39	(168%)
Taxation charge	(31)	(38)	17%	(27)	(14%)
<b>Net profit</b>	<b>2,021</b>	<b>1,910</b>	<b>6%</b>	<b>1,873</b>	<b>8%</b>
Cost: income ratio (%)	29.6%	32.6%	3.0%	30.9%	1.3%
Net interest margin (%)	2.49%	2.55%	(0.06%)	2.33%	0.16%

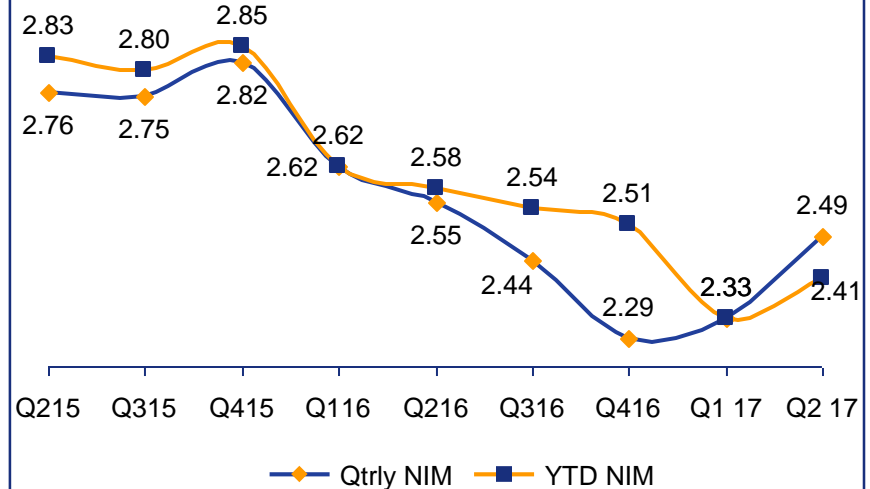
AED Bn	30-Jun-17	31-Dec-16	%	31-Mar-17	%
Total assets	456.2	448.0	2%	452.0	1%
Loans	304.0	290.4	5%	295.3	3%
Deposits	319.9	310.8	3%	319.2	0%
AD ratio (%)	95.0%	93.4%	(1.6%)	92.5%	(2.5%)
NPL ratio (%)	6.1%	6.4%	0.3%	6.3%	0.2%

# Net Interest Income

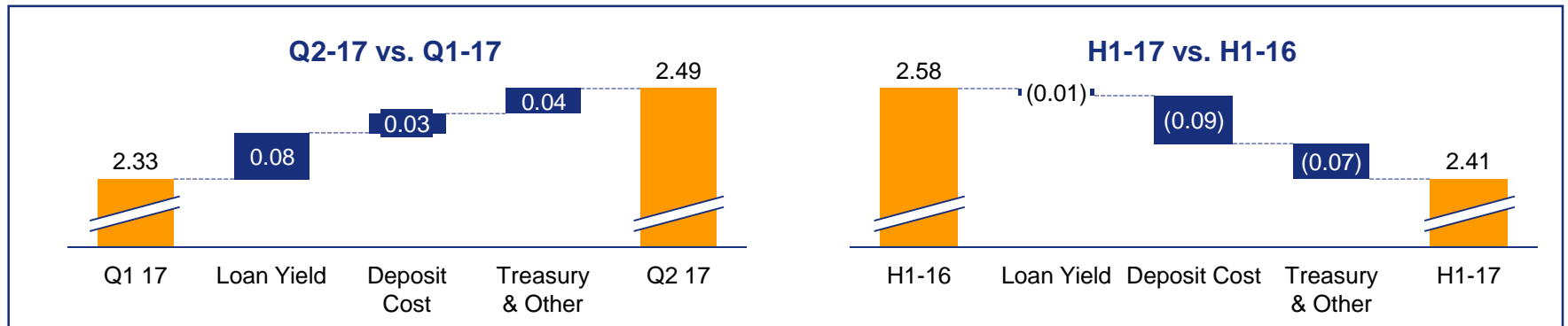
## Highlights

- NIMs improved 16 bps q-o-q as rate rises flowed into loan yields and funding pressures receded. NIMs tightened 17 bps y-o-y on higher funding costs
- Loan yields improved 8 bps q-o-q as loans reset at higher rates due to the recent rise in interest rates and were flat y-o-y
- Contribution from both Deposits and Treasury have improved as impact from higher funding costs eased
- We expect some further improvement in NIMs in subsequent quarters as the effect of recent rate rises flow through
- NIM guidance is maintained at the 2.35-2.45% range

## Net Interest Margin (%)



## Net Interest Margin Drivers (%)



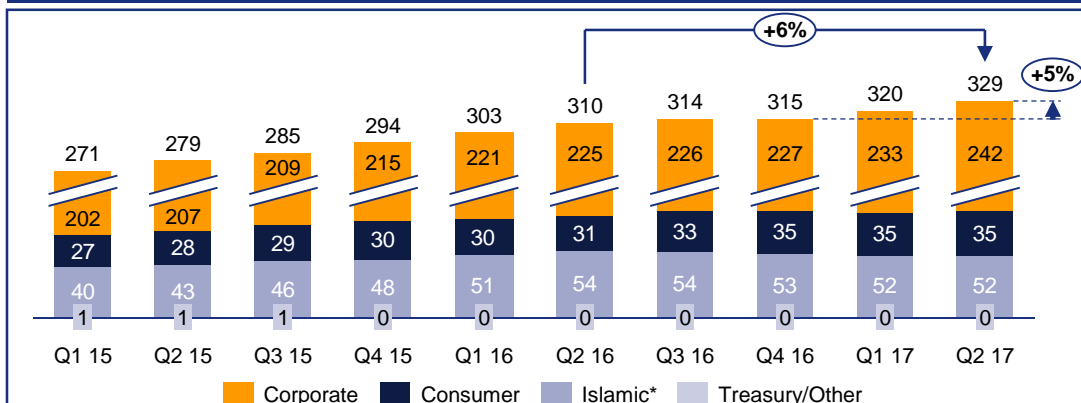


# Loan and Deposit Trends

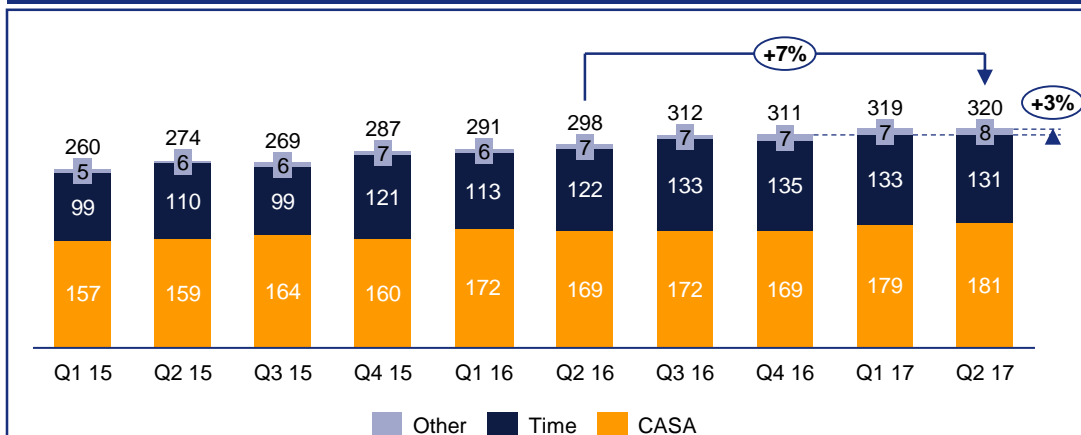
## Highlights

- Gross loans grew 5% in H1-17 with good growth in Corporate lending
- Corporate lending grew 6% in H1-17 due to growth in real estate, trade and FI sectors
- Consumer lending grew 1% in H1-17 across a range of products, particularly mortgages
- Islamic financing declined 1% in H1-17 due to a slowdown in new business as Emirates Islamic tightened underwriting standards
- Deposits grew 3% since the start of the year and 7% y-o-y
- CASA deposits grew 7% since the start of the year and represent 56% of total deposits

## Trend in Gross Loans by Type (AED Bn)



## Trend in Deposits by Type (AED Bn)



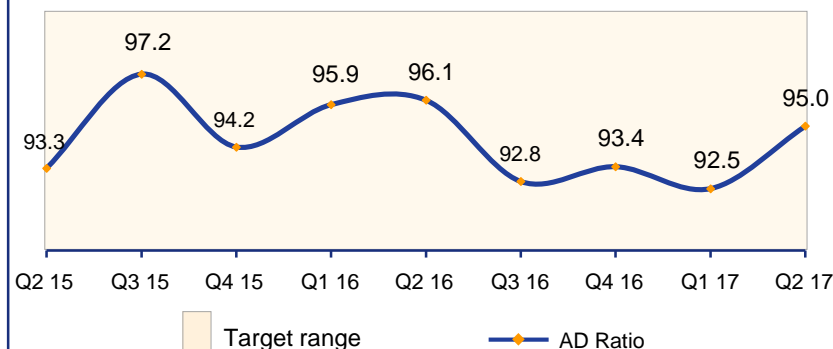
\* Gross Islamic Financing Net of Deferred Income

## Funding and Liquidity

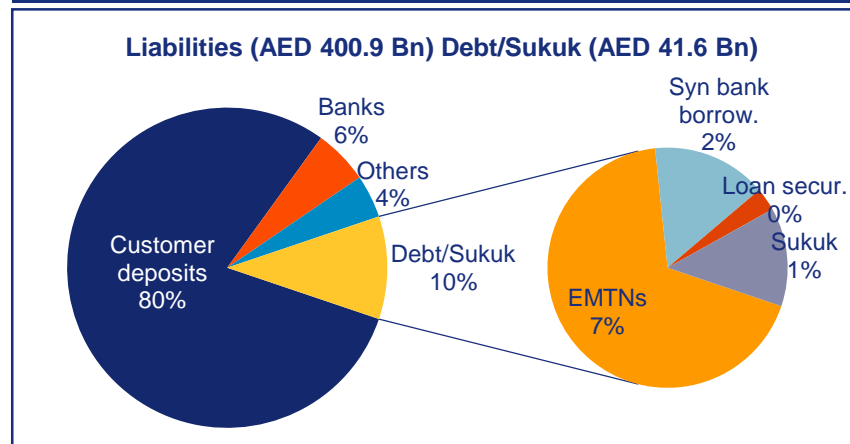
### Highlights

- Liquidity Coverage Ratio (LCR) of 157.3% and AD ratio of 95% demonstrates healthy liquidity position
- Liquid assets\* of AED 63.1 Bn as at Q2-17 (15.7% of total liabilities)
- Debt & Sukuk term funding represent 10% of total liabilities
- AED 1.6 Bn of term debt maturing in remainder of 2017. In H1-17, AED 4.8 Bn of private placements issued in 4 currencies with maturities out to 10 years
- Maturity profile for 2017 and 2018 affords the Group ability to consider public and private debt issues opportunistically

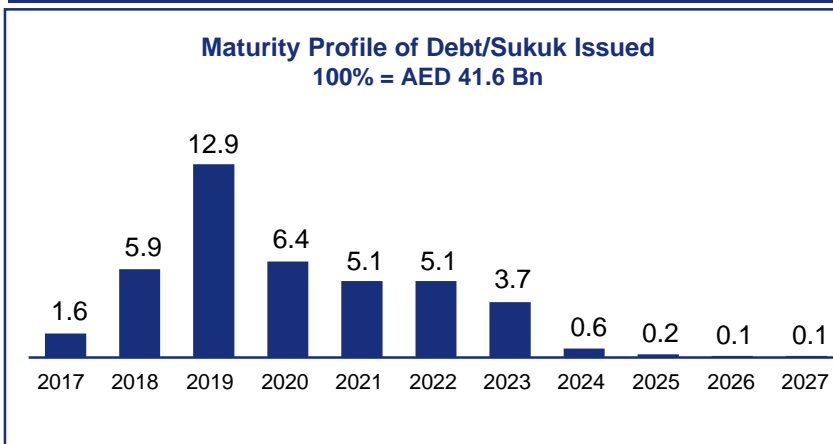
### Advances to Deposit (AD) Ratio (%)



### Composition of Liabilities/Debt Issued (%)



### Maturity Profile of Debt Issued (AED Bn)



\*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

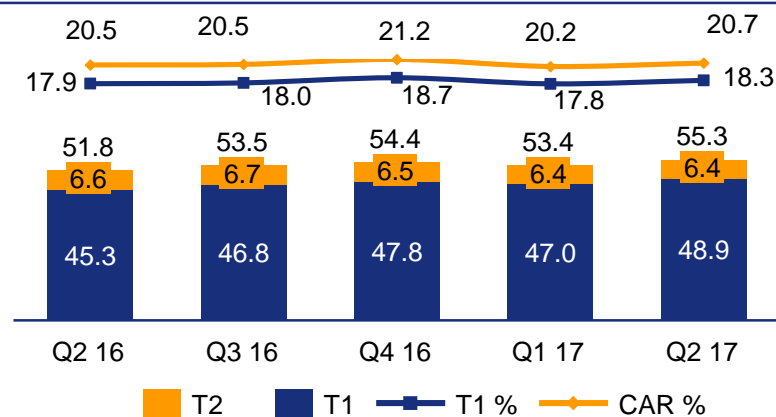


## Capital Adequacy

### Highlights

- In Q2-17, Tier 1 ratio improved by 0.5% to 18.3% and CAR increased by 0.5% to 20.7%
- Increase in Tier 1 capital from retained earnings more than offsetting modest increase in risk weighted assets

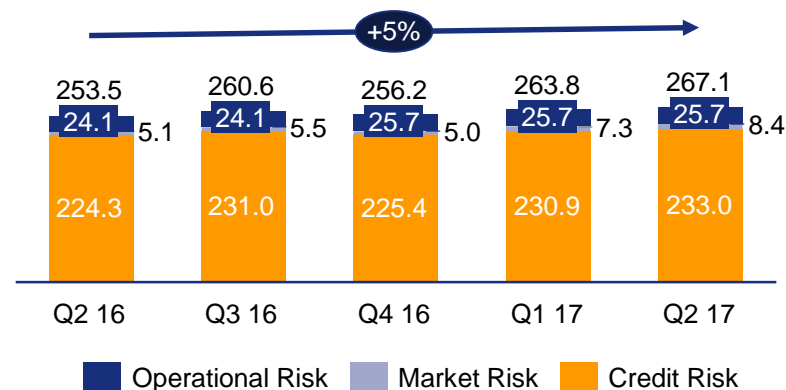
### Capitalisation



### Capital Movements

AED Bn	Tier 1	Tier 2	Total
<b>Capital as at 31-Dec-2016</b>	<b>47.8</b>	<b>6.5</b>	<b>54.4</b>
Net profits generated	3.9	-	<b>3.9</b>
FY 2016 dividend paid	(2.2)	-	<b>(2.2)</b>
Tier 1 Issuance/Repayment	-	-	-
Tier 2 Issuance/Repayment	-	-	-
Amortisation of Tier 2	-	-	-
Interest on T1 securities	(0.3)	-	<b>(0.3)</b>
Other	(0.3)	(0.1)	(0.4)
<b>Capital as at 30-Jun-2017</b>	<b>48.9</b>	<b>6.4</b>	<b>55.3</b>

### Risk Weighted Assets – Basel II (AED Bn)



## Non-Interest Income

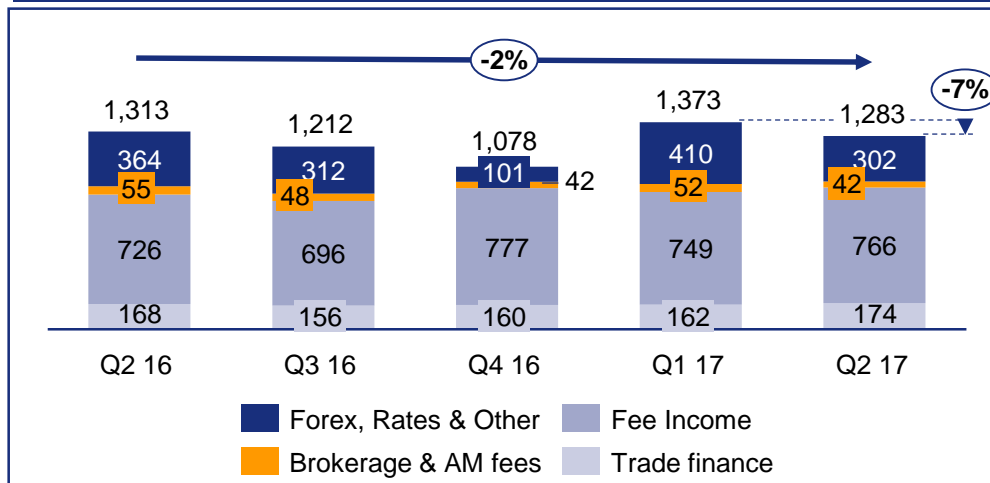
### Highlights

- Core gross fee income declined 2% y-o-y and 7% q-o-q on lower income from foreign exchange and derivatives partly due to fewer working days and from increased volatility in global FX trading markets
- Income from property declined 23% y-o-y on lower demand for property sales and improved 121% q-o-q due to a downward revaluation of illiquid inventory in Q1-17
- Investment securities & other income was 33% lower y-o-y due to the one-off gain from the sale of investment securities in Q2-16

### Composition of Non Interest Income (AED Mn)

AED Mn	Q2-17	Q2-16	Better / (Worse)	Q1-17	Better / (Worse)
Core gross fee income	1,283	1,313	(2%)	1,373	(7%)
Fees & commission expense	(236)	(221)	(7%)	(232)	(2%)
<b>Core fee income</b>	<b>1,047</b>	<b>1,091</b>	<b>(4%)</b>	<b>1,141</b>	<b>(8%)</b>
Property income / (loss)	23	30	(23%)	(109)	121%
Investment securities & other income	67	100	(33%)	100	(33%)
<b>Total Non Interest Income</b>	<b>1,137</b>	<b>1,221</b>	<b>(7%)</b>	<b>1,131</b>	<b>0%</b>

### Trend in Core Gross Fee Income (AED Mn)

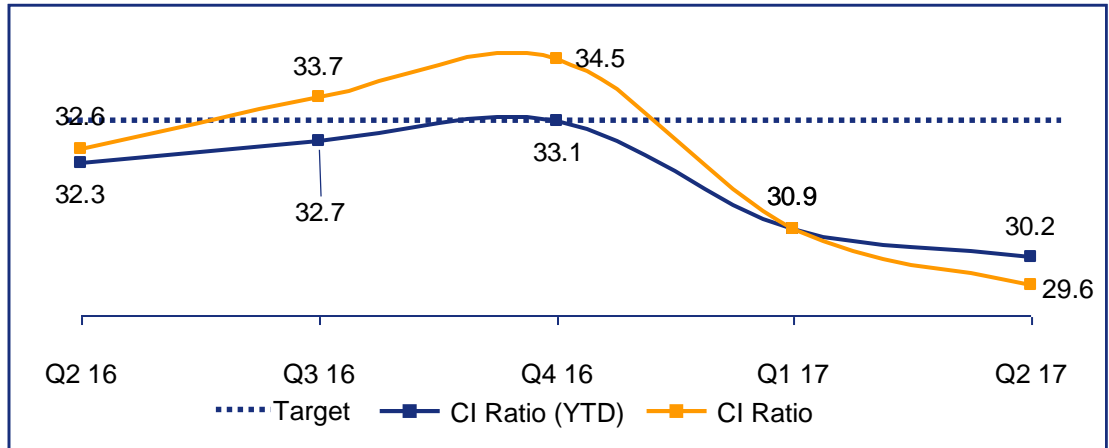


# Operating Costs and Efficiency

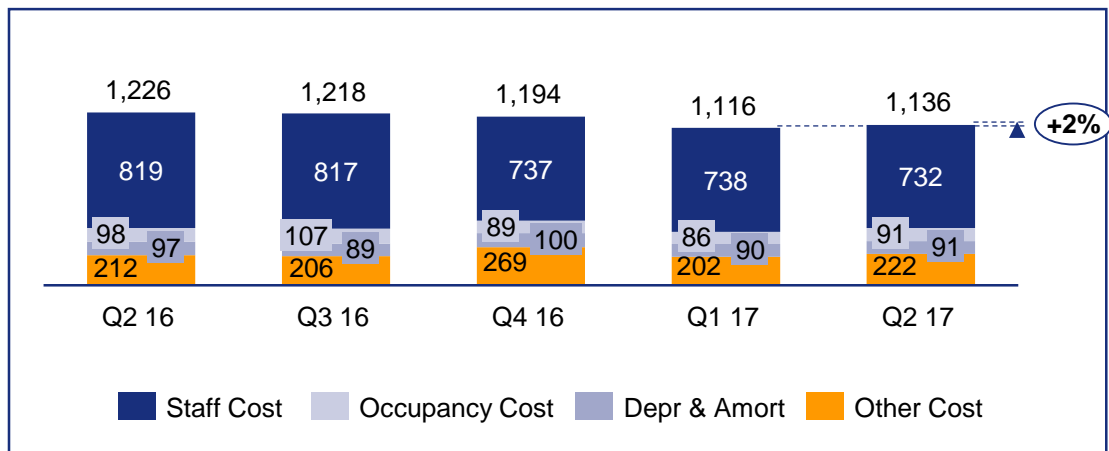
## Highlights

- In Q2-17, costs improved by 7% y-o-y helped by a containment in staff costs following cost control measures implemented in 2016
- Cost-to-Income Ratio improved further in Q2-17 as the 2% increase in costs was more than offset by 6% increase in income
- Costs expected to be within 2017 guidance range as cost base is now right sized
- This gives Emirates NBD headroom as we embark on a multi-year planned investment in our digital offering and a technology refresh

## Cost to Income Ratio (%)



## Cost Composition (AED Mn)

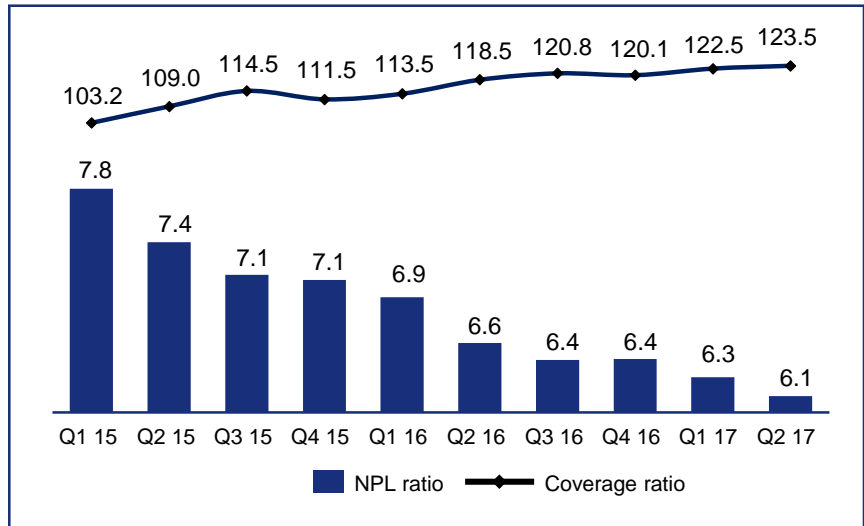


# Credit Quality

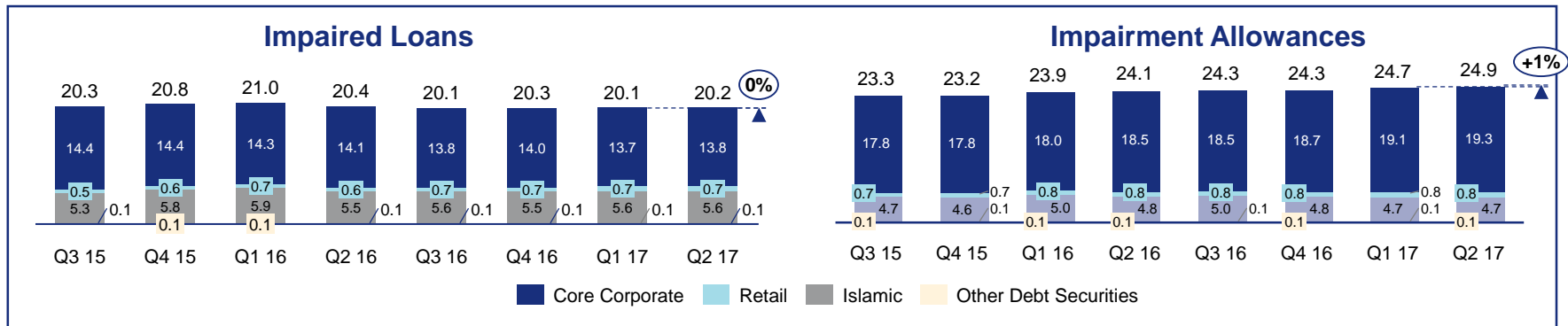
## Highlights

- NPL ratio improved to 6.1%
- Impaired loans were steady at AED 20.2 Bn during 2017 helped by AED 696 Mn of write backs & recoveries in H1-17
- H1-17 cost of risk at 76 bps (annualized) continued to improve as net impairment charge of AED 1,260 Mn improved 13% y-o-y
- Coverage ratio strong at 123.5%
- Total portfolio impairment allowances amount to AED 7.4 Bn or 3.18% of credit RWAs

## Impaired Loan & Coverage Ratios (%)



## Impaired Loans and Impairment Allowances (AED Bn)

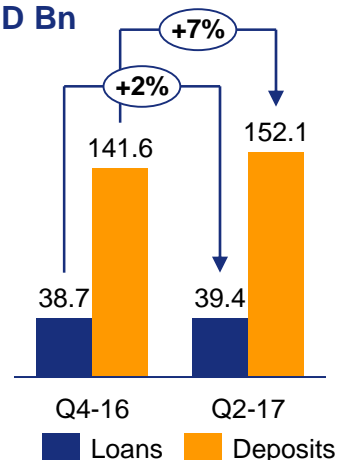


## Divisional Performance

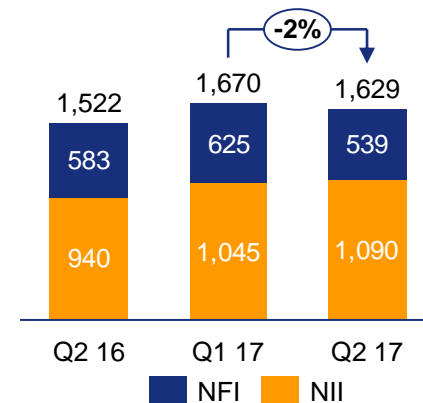
### Retail Banking & Wealth Management

- Revenues increased 7% y-o-y and declined 2% q-o-q
- In Q2-17, fee income accounted for 33% of total RBWM revenue
- Loans grew 2% across a range of products particularly mortgages; and deposits by 7% from end 2016
- The bank continues to optimize its distribution network with 580 ATMs and 94 branches as at 30-Jun-17
- RBWM enhanced its digital banking leadership by launching a new online platform featuring a rich user interface, intuitive widgets and FaceBanking (video banking facility). In May 2017, the bank launched SkyShopper, an e-commerce platform enabling shopping across multiple stores from the same portal

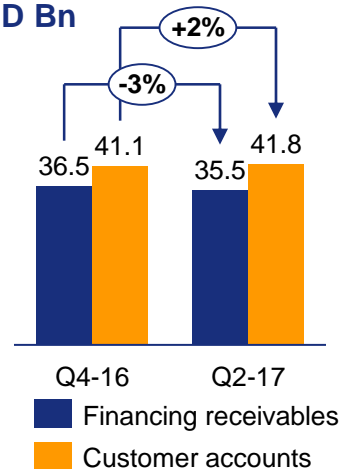
#### Balance Sheet Trends AED Bn



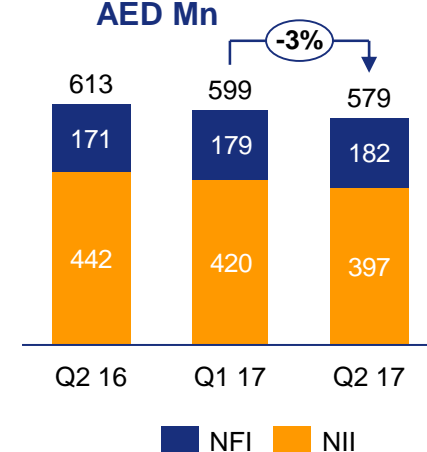
#### Revenue Trends AED Mn



#### Balance Sheet Trends AED Bn



#### Revenue Trends AED Mn



### Islamic Banking

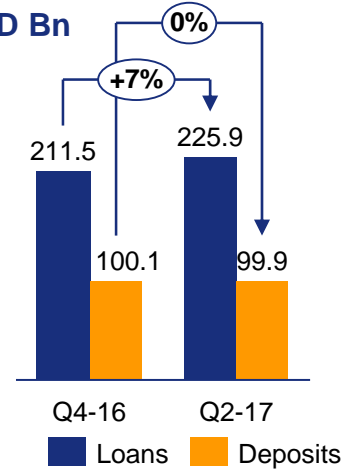
- EI well positioned after the 2016 business review as reflected by the 182% increase in half-year net profit
- Revenues declined 3% q-o-q and declined 6% y-o-y
- Financing receivables declined 3% from end 2016 due to a slowdown in new business as EI tightened underwriting standards
- Customer accounts increased 2% from end 2016 as EI's focused approach to improve liabilities mix and cost of funding led to a shift from expensive wakala deposits to CASA balances. As at end Jun-17, CASA represented 69% of EI's customer deposits
- As at 30-Jun-17, EI had 63 branches and an ATM & CDM network of 206

## Divisional Performance (cont'd)

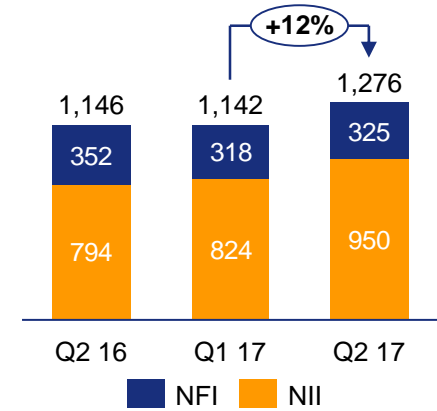
### Wholesale Banking

- Wholesale Banking revenues increased 12% q-o-q and 11% y-o-y
- Loans grew 7% from end 2016 due to growth in real estate, trade and FI sectors
- Deposits held steady from end 2016
- Net Interest Income grew 20% y-o-y reflecting improved loan yields and better cost of funding as high yield deposits rolled off
- Focus in 2017 on enhancing customer service quality in key sectors, share of wallet, increased cross-sell of Treasury and Investment Banking products and larger Cash Management and Trade Finance penetration

#### Balance Sheet Trends AED Bn



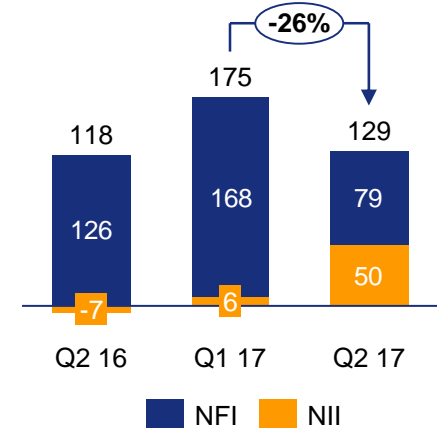
#### Revenue Trends AED Mn



### Global Markets & Treasury

- GM&T revenues increased 9% y-o-y and declined 26% q-o-q
- NII showed strong growth due to positioning of balance sheet and higher interest rates in H1-17
- NFI decreased 53% q-o-q and 38% y-o-y largely due to decline in trading and investment revenues from Credit Derivatives and FX Trading due to increased volatility in regional and global markets
- Sales revenues saw strong growth due to higher volumes in FX products
- Global Funding raised AED 4.8 Bn of term debt via private placements

#### Revenue Trends AED Mn



# Investor Relations

PO Box 777

Emirates NBD Head Office, 4th Floor

Dubai, UAE

Tel: +971 4 201 2606

Email: [IR@emiratesnbd.com](mailto:IR@emiratesnbd.com)

