

**EMIRATES NBD H1 2021 RESULTS ANALYSTS & INVESTOR CONFERENCE
CALL & WEBCAST
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CORPORATE PARTICIPANTS

Shayne Nelson – Emirates NBD – Group CEO

Patrick Sullivan – Emirates NBD – Group CFO

Patrick Clerkin – Emirates NBD – Head of Investor Relations

Operator

Ladies and Gentlemen, welcome to the Emirates NBD first half of 2021 results call and webcast for analysts and investors. Today's call is being recorded. Please note that this call is open to analysts and investors only. Any media personnel should disconnect immediately. I will now pass the call over to our host, Mr Shayne Nelson, Group CEO of Emirates NBD.

Shayne Nelson

Thank you operator and welcome to this briefing call for Emirates NBD's First Half results. Joining me as usual are Patrick, the Group CFO and Paddy, our Head of Investor Relations. I know you all have a very busy agenda today, given how many banks have all gone on the same day, so we'll try to rattle through this as quickly as we can, because I know you have lots of work and spreadsheets to do as we go through the day.

Today we announced a 17% increase in profit to 4.8 billion dirhams. This improvement is driven by stable margins, disciplined cost management and a significant improvement in the cost of risk. There are many pleasing components in these results.

Retail lending recorded its best ever quarter, including record disbursements for credit cards, personal loans and home loans. Corporate lending started to grow again in the second quarter, despite significant repayments of support funding. International locations contributed over one-third of Group income, with DenizBank representing over one-quarter of Group income and one-fifth of Group profit. Margin compression from low interest rates is now factored in and we expect stable margins for the remainder of the year. Expenses continue to be managed effectively. Provisions reduced 38% y-o-y with cost of risk substantially improving to 114bp, the lowest since 2019 pre-pandemic, while we still maintained best-in-class coverage ratios. Despite the challenges of the last 18 months, NPLs have only marginally increased, illustrating the success of the Bank's deferral support.

These results demonstrate the Group's financial resiliency and the success of our diversified business model. As the economy expands, we will keep supporting our customers and enable them to take advantage of new opportunities as Expo approaches. We will continue to invest in digital and in our international network to support future growth.

The UAE economy has remained open thanks to the speed and success of the UAE's vaccination programme. With 70% of the population fully vaccinated, the world's highest, and with one of the highest testing rates globally, the UAE continues to be a safe place for residents and visitors. Indeed, we have been back in the office for over a year and have gradually increased attendance to around 50%. Hotel occupancy rates have recovered from last year's lows, helped by an increase in staycations, and the UAE looks forward to welcoming more international tourists when they are resume travelling.

We expect the non-oil sector to grow by 3 and half % this year. This optimism is reflected in the recent rise in residential real estate prices. The UAE has also benefitted from a sharp rebound in global trade in recent months, back to pre-pandemic levels. As well as these strong results and optimistic economic outlook, we have delivered a number of strategic achievements.

Underlining our commitment to ESG, we were the first bank in the UAE to launch an eco-friendly debit card made from recycled plastic. EmCap, our investment bank, has led 68 bond and loan transactions in the first half, raising 50 billion dollars for sovereigns, quasi-sovereigns, corporates and financial institutions in multiple currencies. EmCap also led 12 ESG transactions. DenizBank became the first Turkish Bank to include a Renminbi denominated tranche in its multicurrency syndicated loan, reflecting its appeal amongst international investors. Liv. grew its UAE customer base to more than 470,000, with the customer base in KSA growing to 75,000. We expanded our branch network in Saudi Arabia to seven with the opening of a third branch in Riyadh, which is on top of the ones we opened last quarter of Mecca and Medina.

In summary, Emirates NBD has delivered a strong operating performance in the first half and made progress on many strategic fronts. We continue to support our customers with our strong balance sheet, enabling them to benefit from the expanding economy.

I will now hand you over to Patrick to go through the results in more detail. Patrick.

Patrick Sullivan

Thank you, Shayne, and very good afternoon to all of you. I will start on page 4 with the usual financial snapshot for the first half of 2021, and we will then turn to the component parts in more detail shortly.

Just starting at the top of the results table. Total income of 11.5 billion dirhams is down 9% year on year, but it is up 9% on H2 last year. While Interest income is down 12% year on year for the first half, it is in line with the rate cuts in Q1 2020. It is flat to H2 last year, and as we will see shortly, margins have stabilised. We have had a very strong start to the year in non-funded income, resulting in H1 being up 2% on last year and 41% up on H2 last year. Costs tracking well and down 6% year on year, benefiting from the actions we took last year.

We continue to maintain our track record of discipline but also have capacity for investment in our International and Digital strategies. Impairment of 2.6 billion dirhams is down 38% year on year, and down 30% on H2 as we have seen credit migration moderate. This equates to a cost of risk of 114bps for the first half, continuing the improving trend. Of course, we remain cautious and continue our leading coverage levels. So overall net profit for the first half of 4.8 billion dirhams, up 17% on H1 2020. Touching on a few of the key balance sheet metrics there. Loans and deposits both down 1% on year-end, mainly from the impact of a weaker Turkish Lira while translating to AED. But as we will see later we do have underlying loan growth in Q2 after seeing strong levels of deferral repayments, and we have a strong deposit mix which keeps cost of funding optimised in this low rate environment, and positions us very well for future interest rate rises.

Liquidity remains strong with LCR at 159%, well above the 100% minimum levels. The NPL ratio has increased 10bps since 2020 year-end to 6.3%. Capital remains very strong with a CET1 ratio of 15.6%. Now just a few overall comments on Q2 versus Q1 2021 on page 5. The more obvious observations here are firstly the lower Q2 income and secondly the significantly lower impairment. We did note at the Q1 results presentation that it was a particularly strong quarter, especially for DenizBank which had strong mark-to-market gains made on interest rate hedges during the market dislocation experienced in March with an expectation that these would reverse or at least not recur as the market settled. And the additional impact of the 200bps policy interest rate rise in Turkey, now flowing into Q2. And on impairment, we have the benefit of almost a halving of the quarterly net charges after very strong Q1 provisions and then strong recoveries in Q2.

So let's look at these components in a bit more details, firstly turning to page 6. The bottom right chart shows that margins declined 2 basis points in Q2. Loan yields declined 4 basis points reflecting a modest drop in EIBOR rates during the quarter, funding costs improved 9 basis points on higher CASA balances and Treasury yields declined 6 basis points as liquid assets were deployed at lower yields. DenizBank margins declined 1 basis point as earlier rate rises have now largely flowed through to the loan book.

On the bottom left chart we see that, year on year, lower interest rates impacted loan spreads by 108 basis points. This, combined with lower margins from DenizBank, more than offset the 75 basis point improvement in deposit and funding costs. We have revised our full-year guidance up by 5 basis points to 2.40-2.50% as we expect stable margins for the remainder of the year will be. Turkey's monetary policy may be a factor in the final outcome of 2021.

Slide 7 shows that the Group continues to operate with strong liquidity. We have 82.6 billion dirhams of liquid assets which cover 14% of liabilities and 18% of deposits. The healthy LCR and ADR are reflective of strong sector liquidity. TESS has helped ensure good liquidity within the banking system. Following the UAE Central Bank's decision to extend the Zero Cost Facility until the end of December 2021, and until June 2022 for new loans to customers affected by Covid, Emirates NBD will continue to actively support customers.

We have taken advantage of favourable conditions in the first half to raise 20.3 billion dirhams of term funding which covers this year's maturities and one-third of next year's maturities. DenizBank recent multi-currency syndicated loan, as Shayne mentioned, is the first from a Turkish bank to include a Renminbi tranche, demonstrates DenizBank's appeal amongst international investors.

On the bottom right of slide 8, we see that deposits are broadly stable during the second quarter and down 1% during the year, due to Turkish Lira depreciation. DenizBank grew its deposits by 8% in local currency terms, but when translated into dirhams this represents a 7% decline. Emirates NBD's deposit mix continued to improve in the second quarter, with CASA growing by a further 9 billion dirhams, enabling the Group to replace 9 billion dirhams of more expensive fixed deposits. At the Group level, CASA represents 58% of total deposits with domestic CASA up at 67%, the highest ever level.

Gross lending grew 1% during the second quarter with growth across all segments. Gross lending declined 1% during the year due to currency translation, repayment of deferral support funding and EmCap's success in helping corporates access the capital markets. Retail lending grew a very strong 6% in the first half on higher demand for personal loans, auto loans and mortgages. Islamic Financing increased 2% and Corporate lending declined by 1% due to repayments due to stronger deferral support payments. DenizBank's gross loans grew by 9% in local currency but then declined by 7% in terms of translation.

Turning to credit quality, slide 9 shows, as mentioned earlier, that the NPL ratio increased slightly by 0.1% to 6.3% during the first half due to stage migrations. We have updated full year guidance and we expect NPLs to finish the year in the mid-6% area. Despite the reduction in the annualised cost of risk to 114 basis points for the first half, coverage has risen by 5.2% to 122.5% in 2021. This

improvement in cost of risk is across the Group, with DenizBank's 206 basis point cost of risk for H1-21 improving significantly from 374 bp a year ago. Emirates NBD's cost of risk improved to 95 basis points from 126 bps for the first half of last year.

Turning the page, slide 10 provides more detail on Staging. The chart on the top right shows that Stage 1, 2 and 3 impairment allowances have grown by 1.4 billion dirhams during the first half to 36.4 billion. Within that, Stage 1 coverage has reduced to 0.9% with AED 3.8 billion of impairment allowances due to a combination of improved macroeconomic variables and stage migrations. Stage 2 ECL allowances increased by 1.2 billion dirhams to 6.9 billion dirhams, increasing stage 2 coverage to 21.9% while Stage 2 loans increased by 1% to 7% of total gross loans. Stage 3 ECL allowances increased by 1 billion, increasing the stage 3 coverage to 88.4% as impaired loans declined slightly on FX translation compared to the 2020 yearend.

Just on the bottom left chart, it shows that we have giving deferrals support on 10.7 billion of repayments to over 120,000 customers since Q2 last year, note 6.8 billion has been repaid. Further information on staging and grouping is contained in note 25 of the financial statements. Just finally, at the end of the first half we were holding 2.7 billion dirhams of zero cost funding from Central Bank and we will continue to pass the benefit from such funding to customers.

And I'll hand you over to Paddy to take you through the remaining slide.

Patrick Clerkin

Thanks Patrick. Slide 11 shows core gross income is up 6% year on year on higher transaction volumes and higher income from Trade Finance, Brokerage and Asset Management. Fee income improved due to investment banking activity and retail volumes recovering to pre-Covid levels. In Q2, core gross income declined 28% on lower foreign exchange and derivative income from hedging and swaps relating to DenizBank. Investment securities income improved y-o-y and declined q-o-q due to the non-recurrence of disposals in the first quarter.

On slide 12 we see that costs for the second quarter increased 2% over the previous quarter on incentives related to strong retail growth and higher costs from DenizBank. Costs improved 3% year on year following earlier cost management exercises. The cost to income ratio for Q2 increased to 35.3% on lower non-funded income, particularly from DenizBank. The cost to income ratio was 32.6% for the first half and we do expect it to increase towards the 35% level in the second half.

Slide 13 shows that the common equity tier-1 ratio improved 0.6% in the first half, as the 4.8 billion dirhams of retained earnings more than offset a 7 billion dirham increase in risk weighted assets. 1.7 billion dirhams of the increase in risk weighted assets relates to the recent change in Basel regulations on foreign currency government debt. Increased retail lending consumes much of the remaining increase. The Group issued \$750m of Basel-III compliant, AT1 notes and retired 4 billion dirhams of legacy Tier 1 notes. Reported capital ratios include an accumulated total ECL add-back of 2.4 billion dirhams as permitted by the Central Bank. Excluding ECL add-back, the CET-1 ratio would be 0.5% lower at 15.1%.

Moving to divisional performance on Slide 14, we see that, RBWM revenue improved 3% quarter on quarter and 9% year on year due to higher transaction volumes. Loans grew 7% with increased volumes across all retail products. Q2 was the busiest ever quarter for credit cards, personal loans and mortgages. Deposits grew 3% helped by successful domestic usage campaigns. Emirates Islamic total income improved 5% quarter on quarter on account of lower cost of funds and higher foreign exchange revenue. Total income improved 21% year on year due to higher transaction volumes. Financing and investing receivables grew 2% whilst customer accounts grew 4%. EI has a healthy 78% of customer deposits coming from CASA accounts.

On slide 15, we see that the Corporate and Institutional Banking income declined by 2% quarter on quarter and 3% year on year as improved non funded income due to higher business volumes was more than offset by lower interest rates. Loans declined 1% due to repayments, including loans receiving support. Deposits declined 5% as CIB grew CASA base whilst retiring more expensive fixed deposits. Global Markets & Treasury revenue declined quarter on quarter and year on year due to a decline in non-funded income. Net interest income improved following more stable interest rates.

Slide 16 shows that during the first half, DenizBank contributed over 3.3 billion dirhams in revenue and 1 billion dirhams of net profit to the Group's performance. This represents 29% of income and 22% of profits for the first half. Quarterly income declined 37% in Q2 due to non-recurrence of Q1 mark to market gains and increased funding costs following earlier rate rises. Total income was down 27% year on year on both lower net interest income and non funded income.

DenizBank cost of risk improved to 125 basis point in the second quarter compared to 320 basis points in Q2 of last year reflecting the strong coverage and improved economic outlook. Margins declined by 1 basis point during the second quarter to 4.12% as the impact from earlier rate rises has largely flowed through.

With that I will pass you to Shayne for his closing remarks.

Shayne Nelson

Thanks Paddy. So to summarise. The 17% increase in profit is driven by stable margins, disciplined cost control and a significant improvement in the cost of risk. Margin compression from low interest rates is now factored in and we expect stable margins in the coming quarters. Retail lending recorded its best ever quarter, including record disbursements for credit cards, personal loans and home loans. Corporate lending has started to grow again despite significant repayments.

International locations contributed over one-third of Group income, with DenizBank representing over one-quarter of total income. Provisions reduced 38% on improving economic conditions. Despite the challenging last 18 months, NPLs have only marginally increased and coverage ratios remain very strong. These results demonstrate the Group's financial resiliency and the success of our diversified business model. We remain well placed to enable customers to take advantage of new opportunities. We will continue to invest in digital and in our international network to support future growth.

With that I would like to open the call to your questions. Operator please go ahead.

QUESTIONS AND ANSWERS

Operator

Our first question comes from Naresh Bilandani of JP Morgan. Please go ahead.

Naresh Bilandani of JP Morgan

Thank you for taking my questions. A few questions from my side, please. One is, sorry to come back again on the non interest income in DenizBank. I know you didn't mention it a few times in the presentation and you alluded to FX and derivative losses. I would much appreciate if you could please offer some more colour on what exactly caused the weakness. Should I be just looking at the cross-currency swaps and try to form a trend of how your FX and derivatives income should trend in a DenizBank franchised? Because it seems to be generally going opposite in the direction of the cross-currency swap. So any further details that have been provided there, that would be extremely helpful. And also some outlook on how should we see this trend into the third quarter? That's the first.

Second is it would also be very helpful to understand the reasons for a limited volume growth despite recovery trends in Dubai. I know your retail division has been extremely busy and that you had prepayments on the corporate side. So my question is more on the lines of how should we think about the potential trend going into the second half of the year? That would be helpful.

And the third question is, would much appreciate if you could share the numbers that Shayne highlighted with regards to Liv. I'll take this opportunity to check if you can provide some further metrics on the Liv franchise like deposits or loans or revenues. How should we think of this beyond the subscriber numbers? And since you are expanding further into Saudi Arabia, it would be very helpful if you can throw some light on the competitive trends that you're seeing in the digital banking space in Saudi Arabia amid Liv expansion there. Thank you.

Patrick Sullivan

I'll maybe have a go at the first two questions and then to hand over to Shayne on third. So just in respect to DenizBank, I appreciate that it's a little bit hard for you to pin that down. It is mainly a factor of the market dislocation that they had in March when there was the replacement of the Central Bank Governor, that the management team there is very adept at their risk management. They had some hedges in place on the Lira interest rates. And because the longer ends of the curve rose quite sharply, normally at the shorter ends in Turkey, that created the gains that gave us the very strong Q1 for DenizBank.

Moving then to Q2. That is not repeated, happily, and some of that has reversed. There's also the element of the 200 basis point cost of risk that comes through non funded income because it's through their cross-currency swaps. And the third element in there that sort of continues because of the ongoing depreciation of Turkish lira, when they're translating their foreign currency liabilities into Turkish Lira, there is an element, a component in that NFI of this sort of Lira depreciation loss on that. So there was 11% depreciation in Q1, 5-6% in Q2. So we saw that still coming through. Having said all of that DenizBank does have a really strong underlying fees and commission business. And that was particularly strong in Q1 with the some of their foreign currency payments as well. And as the economy sort of opens and closes a bit with pandemic, that can move around a bit. And Deniz has been substantially the main variable in the non-funded income between our Q1 and Q2. So it's been quite positive in the UAE otherwise.

So looking forward on that line, it is perhaps more a function of continuing the strong underlying fee income, but how much there will be of currency depreciation could management teams then looks to mitigate as much of that is possible. Plus, loan repricing for the 200 basis points should start coming through as well to offset – that would be in the interest income line. So that's just your first question.

On volume growth in Dubai, I think you met sort Yeah, UAE. Yeah. So, it has really been a story of two halves in a way where retail, which through last year with personal consumption and individuals and consumers being hit hard by the pandemic that has recovered significantly into this half across all the business lines in retail, in both ENBD and the EI in the UAE. We have seen very strong volume growth. So that's been really positive that they come back from last year. And I think with CIB side of things and the wholesale lend borrowing, I think we have indicated through the last quarters that it has remained relatively muted for the time being. And it's perhaps more dependent on the wider global reopening for corporates, invest more in working capital and their investment, and also some of the constraints around supply chain, as well as holding that a little bit as well. Now, the flip side of that is the corporate have a lot more cash at the moment and we have benefited from that. And that is part of our increase in our funding, which has also helped our cost of funding profile as well. So maybe for the third one hand over to Shayne

Shayne Nelson

Sure. I think just on the loan growth, we are seeing of working capital facilities have declined, the usage is quite low. I think a lot of that is clients aren't restocking at the pace they would probably like themselves because of supply chain blockages. So I think the logistical side of the supply chain is causing some impact. And I'm sure if you live here, you'll have heard that trying to buy car is pretty difficult, etc, etc. So there's a lot of supply chain issues at the moment flowing in, that does certainly affect some of our growth. However, if you look at the system growth itself, it's very muted, right? So the whole

loan -- the loan system growth is very low. And it's certainly evident from the retail side when we're writing our best ever quarter that we're taking market share from other banks in the retail space. In the corporate space, the whole market is pretty flat and we're pretty flat. However, we to see growth opportunities in Turkey, we see growth opportunities in Saudi especially in the corporate space. And we're starting to ramp that up quite aggressively.

On Liv, as I said earlier, we were over 500,000 clients now. We also launched Liv Prime which is a fee based with more benefits to improve the base there. We don't disclose deposits or loans in there. But what I would say to you is it's a profitable standalone entity, which is pretty rare in this world in digital only bank. So we make money out of it. It's a huge amount of money? No, at this stage, but it is profitable. But when I look at Liv, I'd say strategically we have a lot of new banks coming in the UAE and also in Saudi, and banks in Saudi.

Just to give you an update of where we are on technology, we're about 90% cloud native now. So I think what a start-up would normally have the benefit of, is that a technology advantage. I think from our perspective, that's not there anymore. We've got one major project left to do in our technology space, and that's Egypt. And we'd expect to complete basically the whole transformation by the first quarter of next year. So what that means as we go into the second quarter is being cloud, now we have the capacity to really ramp up our digital offering. And I think Liv is one that we will do a complete rebuild on. We've build on Liv platforms. So there's a lot of work to do for us to ramp that up even further and give far better benefits and functionality than it currently has. And we have been doing a lot of work in the space of strikethrough processing, online credit cards, personal loans, account opening.

So what's that space you'll see us not just in Liv but across the board in the next 6-12 months, really ramping up out straight through online platforms for both deposits and lending and the workspace. So that's really our next drive strategically when it comes to technology. I don't think there's much more I can say about that.

Patrick Clerkin

We have a few questions coming in on the webcast, so we'll just pause from the telephone and I'll just read out a few of the questions. There's a question from Alok from Ghobash in terms of what the cost of risk evolution expected in the second half of this year. And then in terms of deferral requests, we've seen some increase in that, we've seen some repayments. And from what sectors are those originating and Patrick if you --

Patrick Sullivan

Yeah, I'll take that one, Paddy, thank you. Look, just on the cost of risk evolution into the second half. Well, the first half at 114 basis points is now back at the pre Covid levels of -- that we saw about between 100 and 125 basis points. And we would expect a similar cost of risk for the remainder of the year. And that's with the background of a robust provisioning through last year. So we'll see that as being more consistent through the rest of the year.

And then just the part about loan deferrals. Loan deferrals, you can see that out of 10.7 point of deferrals, 76.8 already being repaid, which is a good indicator from a credit risk point of view. The extension of the test scheme and deferrals did not at all affect our judgments around credit staging in the migration and our impairments at all. So what we know today is baked into the impairments that we have. The overall TESS scheme deferrals and the other components of it, continues to provide good support to liquidity within the banking system, which is good as we recover from the pandemic.

Shayne Nelson

Just to reiterate just on that TESS support, we do stage our accounts according to the risk profiles and not on whether or not its TESS supports, so our underlines are all correctly stage when it comes to risk management

Patrick Clerkin

There's a few more questions. There was a question from Vijay from Al Tayer, regarding the 1.7 billion increase in credit risk weighted assets. What's the motivation from the central bank on this new requirement? Does this include Tier 1 perpetual securities? Certainly from our point of view, we typically would not hold perpetual Tier 1 securities. So there would be no impact from that. Regarding the motivation, I'd really just refer you back to the Central Bank on that question.

Patrick Sullivan

Paddy just to elaborate, so the one the 1.7 is the change in the rules that have come in the first half, which is being long expected and as part of an overall... part of the implementation of Basel III. And that relates to sovereign debt in foreign currency that now gets risk weighted, when before it was 0% risk weighted. So that was anticipated. There will be more changes coming later through the rest of the year as well, particularly in market risk. And that, again, will increase some of the risk weighted assets. And look, just while..... the other drivers of the increase in risk weighted assets with a strong loan growth in retail in ENBD and EI, and also some of the off balance sheet letters of credit, etc., on the CIB side, and an increase in the pipeline of committed lending as well.

Patrick Sullivan

Before we go back to the questions on the line, one more question is from the web. Cost to income ratio is below 33% for the half year, but our guidance is still 35. Should we some abnormal cost in H2?

Patrick Sullivan

About abnormal costs, you can see through the quarters what we were 30% at Q1, we're at 35 in Q2. So that rounded up on average was at the 32.6 for the half. There are some costs that we would expect to come through in the second half. We have had very strong growth on the retail side, with that growth come some of our incentive payments as well. So when we grow any cost in the second half I'd classify them as good cost, if you like.

The guidance of 35% was sort of top end of the range, so it's sort of up to 35%. Of course it's more sensitive to -- in this environment, to income as well. So that that's just how we are thinking about the cost income ratio. Not saying that will be exactly 35%, we will look to see if we can bring it in slightly under.

Operator

Our next question comes from Hootan Yazhari of Bank of America Merrill Lynch. Go ahead.

Hootan Yazhari of Bank of America Merrill Lynch

Hi there gentlemen, few things that I wanted to check up with. First of all, on the broader, you were you were alluding to 30% of the business now residing outside of the UAE with some of the dynamics there. I wanted to really get a feeling for some of the corporate loan growth dynamics that you see outside of the UAE, which could present some opportunities for you in the second half.

The second question I had was with regards to NIM dynamics. Obviously you've been talking about a very strong retail growth book and you're talking about a slight pick-up in the second half for loan growth. If you're to end the year low single digits, it looks like you've got some growth ahead. Can you maybe talk about, do you expect this to come from the retail side, will that start to push some upside opportunities on NIMs? And maybe if you can discuss around what are some of the dynamics on NIMs we should be watching out for in the second half, that could cause NIMs to veer away from the expectation that they're going to remain flat in the second half. Thank you.

Shayne Nelson

So I was just talking about loan growth. I think this more loan growth in Saudi that we can get, but we were also very prudent on our risk management. So getting the right price for us there is important. Egypt I think is growth. But frankly, there's not many large corporates in Egypt. The retail space there we continue to grow quite well. Retail space in Saudi, we continue to grow quite well. But of course, there was a question around, okay, so where are you -- is your growth going to come from? I think I'll -- maybe there's a capital question in there as well. To me, it's like we are very well capitalized at the moment. We've made no secret that a bolt on in Saudi or Turkey or Egypt would play into hands we'd like it.

If we look at the banking market of both Turkey and Egypt, they both very fractured market. We've looked, I think, four times now in Egypt, different acquisitions. We're also very price sensitive when it comes to acquisitions. And we have walked away from full transactions in Egypt because it didn't meet our pricing requirements. And I think if you look at Turkey, banks are priced below book there substantially. There are some opportunity in the consolidation of that market as we go forward, in my opinion. And to me, it's about -- in any market that we want to make a significant market, we need market share, we need volume. And certainly as we go forward, those three offshore markets are something that that we want to grow and we want to get bigger.

And the reality in a market like we're here in the UAE, it's now a pretty mature market. We're not going to get those huge GDP growth and loan growth that we've got historically. And our capital is better ability to better opportunities in larger populations with the right demographics. Do we want to be an international bank going all over the world? No, we don't. We're sticking to our core, main markets, we'll expand slightly in India. But again, India for us is just trade and capital flows that comes into our core markets.

So I think there's opportunities there. But the growth in our home market is slow and I don't anticipate we're going to ramp up loan growth in the corporate space very much in the second half, a bit more. But retail is continuing to fire on all engines, we're really very happy both in - from Turkey to Egypt to Emirates Islamic to the main bank here. We're really firing very well on all cylinders on the retail space. And we would expect with the momentum we've got at the moment to continue to grow in that space.

Patrick Sullivan

And Hutan, you had a third point there on margins for the second half and any risks around that, if I'm correct. I think you've seen for the last two quarters the margins are relatively stable. We've updated the guidance to reflect that. You can see what the midpoint of that is. Some of the risks to that, I think probably more around Turkish monetary policy, maybe a variable. If interest rates went up further, that

would compress margins in the short term that I am not sure there's much appetite there for increasing interest rates. If they were able to tame inflation with the current levels of interest rates, then they could bring them down. They may just bring them down any way. But inflation is stubbornly still high in Turkey.

Shayne Nelson

But if rates do come down in Turkey, that does -- it's the opposite to the UAE provides a NIM pick up in Turkey.

Operator

Our next question comes from Kate Carpenter of Morgan Stanley

Kate Carpenter of Morgan Stanley

Just a quick follow up question on NIMs and competition. And just given what you said about the UAE market becoming more mature and the fact that loan growth is slowing down, I'm just wondering if you could give any colour on what you're seeing from the competitive side of things on new lending, whether you're seeing any asset compression and whether that's factored into your NIM guidance and to what extent you expect that asset yield compression to be offset by lower funding costs from cash balances.

And then my other question is on the retail segment. I was wondering if you can give any colour around which kind of customers groups have been driving the rebound, whether it's more in the high net worth, ultra high net worth segment, or if you're just seeing the rebound kind of across the board, across all income segments. That's it. Thank you.

Shayne Nelson

Let's start with the retail segment first. I think I'd say we're seeing it across the board from private bank right down to normal customers. It's pretty much across the board. Card spend, debit credit, are back to an above historical levels. Obviously international spend still aren't what they were. But localized spending, it's bounced back really strongly. Housing loans have been extremely strong. And I think most of you all live here and you've seen the jump in property prices and property demand there.... but there's a lot of demand out there at the moment, but it's really across the board from personal loans. And car loans are a bit more problematic because there's not enough cars. People struggling to get stock. But personal loans, credit cards, housing loans, extremely strong. CASA momentum in retail in the first half of the main bank was huge. It was over 10 billion grow in CASA in retail. So the retail engine is really firing well. And it's not just ENBD. EI is doing a fantastic job as well, very much the exact same growth patterns that we're seeing ENBD. So I think from a retail segment

basis, pretty much across the board, and it's better than we've ever had. They have been pretty good at pandemic levels.

On NIM competition, I think in any market where there is low growth and lots of liquidity, you're going to get some pricing pressure at the top end of the market where people will try to buy growth. From our perspective, we'd be very defensive on any lower pricing. Because one thing that we do remember is because of our deposit mix when rates increase, that those slimmer margins will actually expand out given our deposit mix. So we also do not want to lose any clients to just pure pricing pressure. But it's certainly from our perspective pricing for risk is important, but also making sure we don't lose our good customers because of low growth is also an important part of it, because for us risk is -- pricing the risk is not just about what do you charge for the loan, it's also the ancillary business that we build off the back of that loan. It's very important to us.

Patrick Clerkin

Let me just finish wrap up the questions on the web. Patrick let me push this one to you. Positive changes in ECL models because of the improvement in the economic situation. Before you answer that, I'll just finish with Sawsan's questions. We've covered your points about borrowing demand, the Turkish operating environment. You had one question on provisioning related to NMC. We don't disclose individual provisioning for any individual customer, but we have disclosed our total exposure, covering both Emirates NBD and Emirates Islamic is \$206 million. And I would point you to the 122.5% coverage for NPLs. Patrick, in terms of the ECL.

Patrick Sullivan

Yes. On the ECL and the modelled input, we have seen an improvement across, I think almost all the major macroeconomic variables, particularly on the downside risk components. So there's three components, the base, upside, downside. So even oil, GDP, consumption, hotel occupancy, real estate, we saw an uptick in all of those for the model inputs for this quarter. So that's really what's driving that. And we know that with IFRS 9 and the models approach, it is typically more volatile the good with the bad. So last year you saw, we very quickly at H1 last year went back to a moderate approach, had the negative inputs in that. And now as the economy, global economies are coming back, we're seeing the positive side of that. Having said that, we are mindful that the global economies are not out of the woods yet. And so that could still bounce around a little bit for the rest of the year.

Operator

Last question comes from Shabbir Malik from EFG Hermes.

Shabbir Malik - EFG Hermes

Thank you. Just one question for me. Was there any financial impact from the buy-back sale this quarter, or can we expect this in the third quarter? Thank you.

Patrick Sullivan

No, there was no financial impact in Q2. We do expect that close in H2 and more likely in Q3. So we'll update you at this time in the next quarter.

Shayne Nelson

So if there's no question, I'd like to thank you all for joining us for the call and I'll hand you back to the Operator to provide details, if you have any further follow up questions and to conclude the call. Thank you very much.

Operator

For any further questions, please contact our investor relations department, whose contact details can be found on the Emirates NBD website and on the results press release. A replay of this call and webcast will also be available on the Emirates NBD website next week. Ladies and gentlemen, that concludes today's conference. Thank you for your participation

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