

Emirates NBD
H1 2020 Results Presentation



Important Information

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Emirates NBD maintains strong balance sheet and good profitability despite increased impairments in H1-20

Key Metrics

2020 Macro themes

		H1 2020	2020 Guidance		Regional	Global
Profit	Operating Profit	AED 4.4 Bn -19% y-o-y		+	<ul style="list-style-type: none"> Strong Government and Regulatory support to mitigate effects of Covid-19 PMI back in expansion territory in June following five months of contraction 	<ul style="list-style-type: none"> Strong central bank and government efforts to cushion Covid-19 effects through monetary and fiscal stimulus
	Net Profit	AED 4.1 Bn -45% y-o-y				
	NIM	2.84%	2.55-2.65%			
	Cost to income	31.7%	33 %			
Credit Quality	NPL Ratio	5.8%	Increasing	-	<ul style="list-style-type: none"> Unprecedented economic impact due to Covid-19 related shutdowns GCC oil sector likely to contract as OPEC+ production cuts extended 	<ul style="list-style-type: none"> Sharp global GDP contraction in H1-20 Financial market volatility due to uncertain economic outlook
	Coverage Ratio	116.9%	Strong			
Capital	CET 1	15.3%				
	Tier 1	17.3%				
	CAR	18.5%				
Liquidity	LCR	152.5%				
	ADR	96.1%	Increasing			
Assets	Loan Growth	1%	Low/mid-single digit			

H1 2020 Financial results highlights

Highlights

- Operating profit of AED 4,418 was down 19% y-o-y, or 41% excluding DenizBank, mainly due to higher provisions. Operating profit 10% lower than the preceding half year
- Results include DenizBank revenue of AED 3,995 Mn and net profit of AED 929 Mn
- Net interest income improved 36% y-o-y on loan growth and higher NIMs from DenizBank and remained flat to H2-19. Excluding DenizBank, net interest income declined 7% y-o-y
- NIMs of 2.84% improved 7 bps y-o-y helped by the positive impact from DenizBank and declined 14 bps compared to H2-19
- Non-funded income improved 24% y-o-y and declined 7% compared to H2-19 on lower fee income due to Covid-19 shutdown. Excluding DenizBank, non-funded income declined 15% y-o-y
- Costs increased 42% y-o-y due to the DenizBank acquisition and improved 1% y-o-y excluding DenizBank
- Costs improved 9% compared to H2-19 on lower staff and marketing expenses, and lower costs from DenizBank
- Impairment allowance of AED 4,211 Mn increased 243% y-o-y and 17% over H2-19 reflecting higher ECL allowances post Covid-19. Excluding DenizBank, impairment allowances increased 110% y-o-y
- Net profit of AED 4,091 Mn was down 45% y-o-y, or 58% excluding DenizBank, mainly due to no repeat of the gain on disposal of Network International shares in 2019. Net profit was down 42% compared to H2-19
- NPL ratio increased to 5.8% in H1-20
- LCR of 152.5% and ADR of 96.1% demonstrate Group's healthy liquidity
- H1-20 net cost of risk is 172 bps as the Group continues to take strong level of provisions in anticipation of a potential deterioration in credit quality in subsequent quarters

Key performance indicators

AED Mn	H1-20	H1-19	Better / (Worse)	H2-19	Better / (Worse)
Net interest income	9,305	6,852	36%	9,336	0%
Non-funded income	3,323	2,676	24%	3,555	(7)%
Total income	12,628	9,527	33%	12,892	(2)%
Operating expenses	(3,999)	(2,826)	(42)%	(4,381)	9%
Pre-impairment operating profit	8,629	6,701	29%	8,510	1%
Impairment allowances	(4,211)	(1,226)	(243)%	(3,592)	(17)%
Operating profit	4,418	5,474	(19)%	4,919	(10)%
Gain on disposal of stake in NI and FV gain on retained interest	-	2,066	(100)%	2,323	(100)%
Share of profits from associates / Gain on bargain purchase	1	12	(90)%	99	(99)%
Taxation charge	(328)	(70)	(369)%	(320)	(2)%
Net profit	4,091	7,482	(45)%	7,022	(42)%
Cost: income ratio	31.7%	29.7%	(2.0)%	34.0%	2.3%
Net interest margin	2.84%	2.77%	0.07%	2.98%	(0.14)%
AED Bn	30-Jun-20	30-Jun-19	%	31-Dec-19	%
Total assets	694.3	537.8	29%	683.3	2%
Loans	442.9	337.7	31%	437.4	1%
Deposits	460.9	366.7	26%	472.2	(2)%
ADR (%)	96.1%	92.1%	(4.0)%	92.6%	(3.5)%
LCR (%)	152.5%	188.8%	(36.3)%	160.0%	(7.5)%
NPL ratio (%)	5.8%	5.9%	0.1%	5.6%	(0.2)%

Q2 2020 Financial results highlights

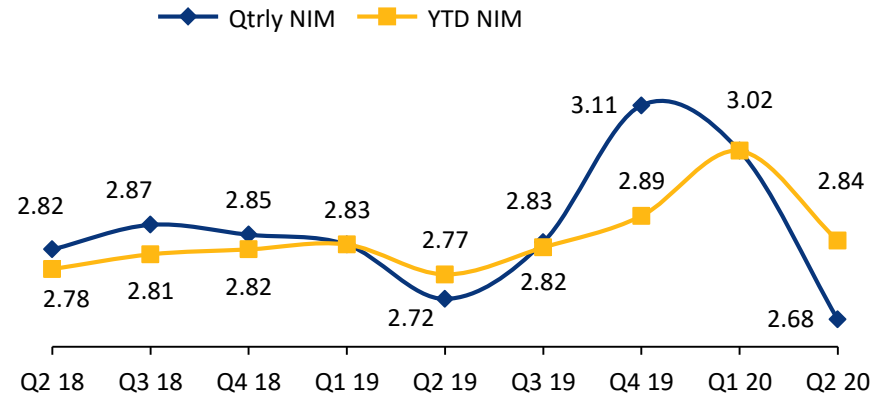
Highlights	Key performance indicators					
	AED Mn	Q2-20	Q2-19	Better / (Worse)	Q1-20	Better / (Worse)
• Operating profit of AED 2,140 was down 21% y-o-y, or 41% excluding DenizBank due to higher provisions. Operating profit was down 6% q-o-q	Net interest income	4,369	3,452	27%	4,936	(11)%
• Results include DenizBank revenue of AED 1,740 Mn and net profit of AED 425 Mn	Non-funded income	1,375	1,359	1%	1,948	(29)%
• Net interest income improved 27% y-o-y on loan growth and declined 11% q-o-q as lower interest rates fed through to loan book during Q2-20. Excluding DenizBank, net interest income declined 14% y-o-y	Total income	5,744	4,810	19%	6,885	(17)%
• NIMs of 2.68% declined 4 bps y-o-y as lower interest rates offset the positive impact from DenizBank. NIMs declined 34 bps q-o-q	Operating expenses	(1,951)	(1,430)	(36)%	(2,049)	5%
• Non-funded income improved 1% y-o-y and declined 29% q-o-q on lower fee income due to Covid-19 shutdown. Excluding DenizBank, non-funded income declined 25% y-o-y	Pre-impairment operating profit	3,793	3,380	12%	4,836	(22)%
• Costs increased 36% y-o-y due to the DenizBank acquisition, and improved 3% excluding DenizBank	Impairment allowances	(1,653)	(656)	(152)%	(2,558)	35%
• Costs improved 5% q-o-q on lower staff and marketing expenses, and lower costs from DenizBank	Operating profit	2,140	2,724	(21)%	2,278	(6)%
• Impairment allowance of AED 1,653 Mn increased 152% y-o-y including DenizBank, and was 35% lower q-o-q with strong Q1 provisions recorded and further Q2 charges being partially offset by a significant restructuring recovery. Excluding DenizBank, impairment allowances increased 52% y-o-y	Gain on disposal of stake in NI and FV gain on retained interest	-	2,066	n/a	-	n/a
• Net profit of AED 2,011 Mn was down 58% y-o-y, or 67% excluding DenizBank due to no repeat of the gain on disposal of Network International shares in Q2-19. Net profit down 3% q-o-q	Share of profits from associates	1	(15)	(107)%	0	913%
• NPL ratio increased to 5.8% in H1-20	Taxation charge	(131)	(36)	(265)%	(197)	34%
• LCR of 152.5% and ADR of 96.1% demonstrate Group's healthy liquidity	Net profit	2,011	4,739	(58)%	2,081	(3)%
• Q2-20 net cost of risk is 134 bps as the Group continues to take strong level of provisions in anticipation of a potential deterioration in credit quality in subsequent quarters	Cost: income ratio	34.0%	29.7%	(4.2)%	29.8%	(4.2)%
	Net interest margin	2.68%	2.72%	(0.04)%	3.02%	(0.34)%
	AED Bn	30-Jun-20	31-Dec-19	%	31-Mar-20	%
	Total assets	694.3	683.3	2%	691.7	0%
	Loans	442.9	437.4	1%	443.0	0%
	Deposits	460.9	472.2	(2)%	467.2	(1)%
	ADR (%)	96.1%	92.6%	(3.5)%	94.8%	(1.3)%
	LCR (%)	152.5%	160.0%	(7.5)%	149.7%	2.8%
	NPL ratio (%)	5.8%	5.6%	(0.2)%	5.5%	(0.3)%

Net interest income

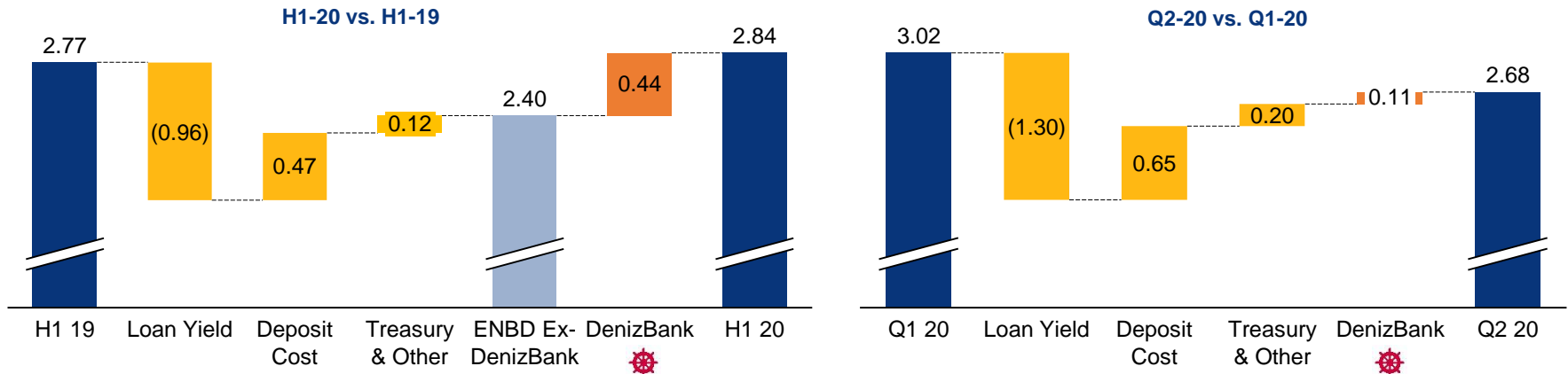
Highlights

- Q2-20 NIM of 2.68% declined 4 bps compared to Q2-19 as lower interest rates offset the positive contribution from DenizBank.
- H1-20 NIM of 2.84% improved 7 bps y-o-y helped by the positive impact from DenizBank. Excluding DenizBank, H1-20 NIM of 2.40% declined 37 bps y-o-y as lower loan yields offset the benefit from lower deposit costs
- Q2-20 NIM declined 34 bps q-o-q as the reduction in loan yields offset the impact of lower deposit costs and positive impact from DenizBank
- Fall in loan yields reflects one and three month EIBORs falling 141 and 149 bps respectively during 2020
- NIM guidance remains at 2.55-2.65% as we anticipate smaller impact on loan yields in H2-20 as earlier rate cuts have now largely flowed through to EIBOR rates

Net Interest Margin (%)



Net Interest Margin Drivers (%)

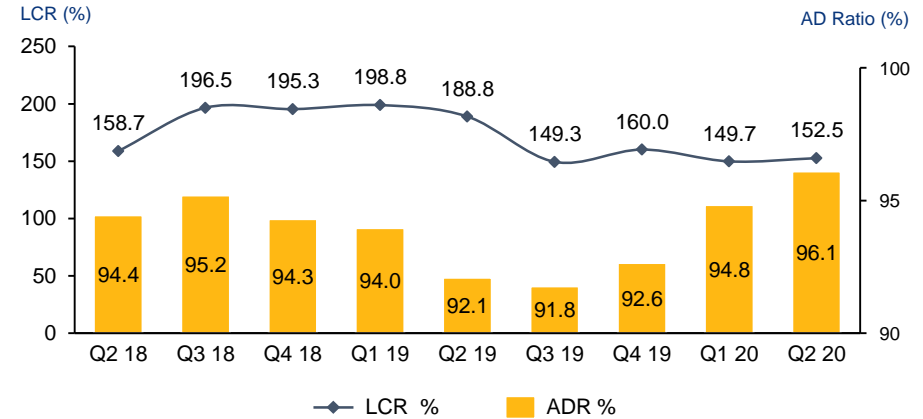


Funding and liquidity

Highlights

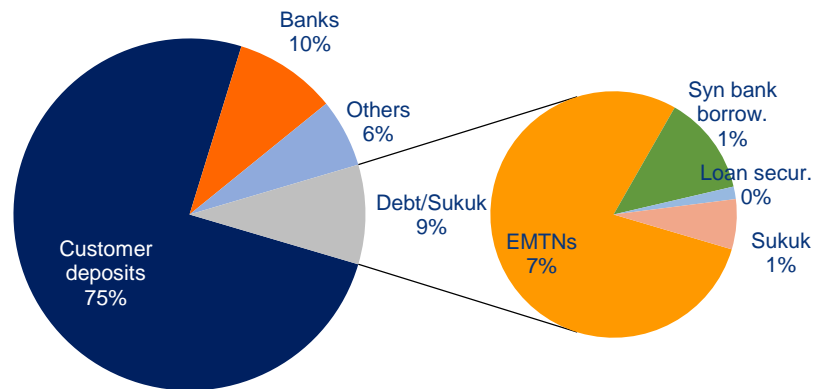
- Q2-20 LCR of 152.5% and AD ratio of 96.1% demonstrate the Group's continuing healthy liquidity
- Liquid assets* of AED 102 Bn as at Q2-20 (17% of total liabilities and 22% of total deposits)
- In H1-20, AED 10.9 billion of term funding issued including two benchmark senior public bond issues and AED 7.3 billion of private placements with maturities out to 20 years
- In Q2, we issued \$483m of private placements with a 12.1 year weighted average life
- 93% of term liabilities maturing in 2020 re-financed during H1-20. Only AED 800m to be re-financed

Advances to Deposit and Liquidity Coverage Ratio (%)



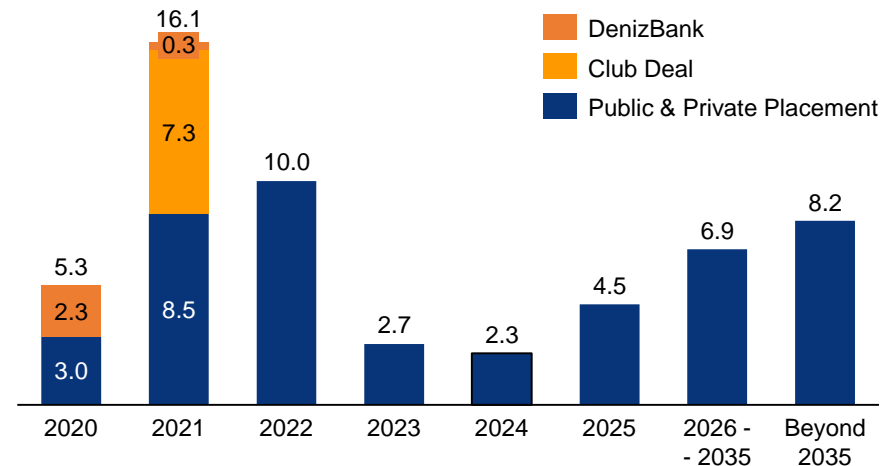
Composition of Liabilities/Debt Issued (%)

Liabilities (AED 612.9 Bn) Debt/Sukuk (AED 56.0 Bn)



Maturity Profile of Debt Issued (AED Bn)

Maturity Profile of Debt/ Sukuk Issued AED 56.0 Bn



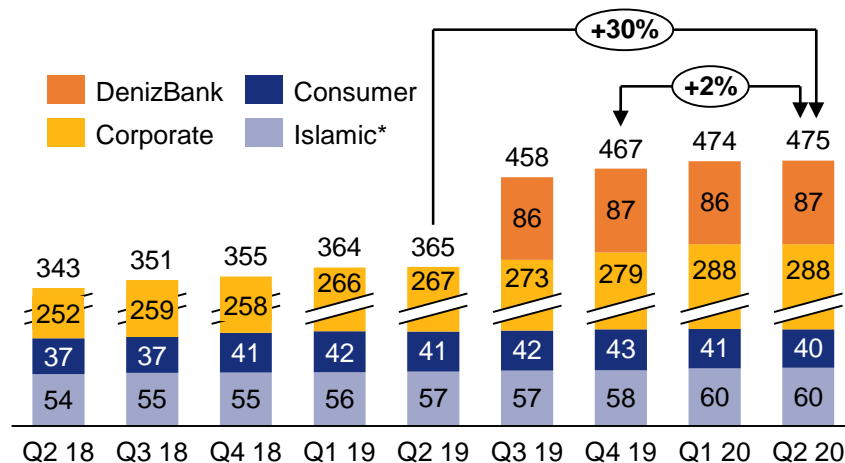
*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Loan and deposit trends

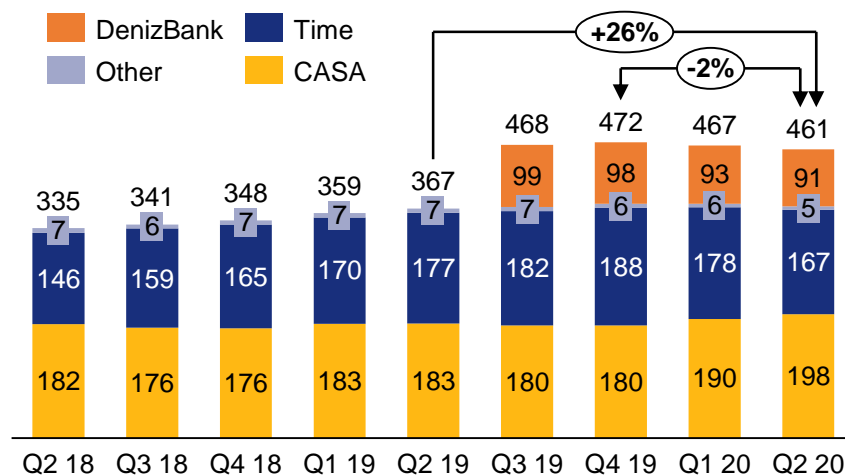
Highlights

- Gross loans grew 2% since start of the year due to growth in Corporate and Islamic financing
- Corporate lending grew 3% from end 2019 due to growth in transport and communication and financial institutions sectors
- Consumer lending declined 6% from end 2019 due to lower credit card and private banking activity
- Islamic financing grew 4% from end 2019 due to growth across a range of sectors
- CASA deposits represent 49% of total Group level deposits
- Domestic CASA engine remains strong at 57%

Trend in Gross Loans by Type (AED Bn)

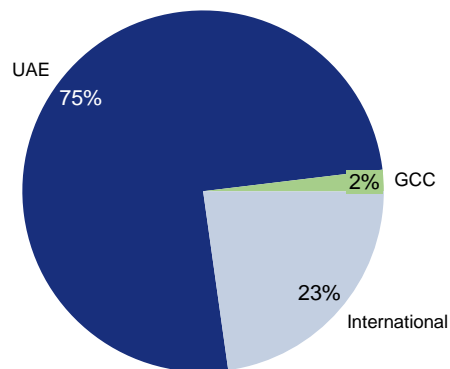


Trend in Deposits by Type (AED Bn)

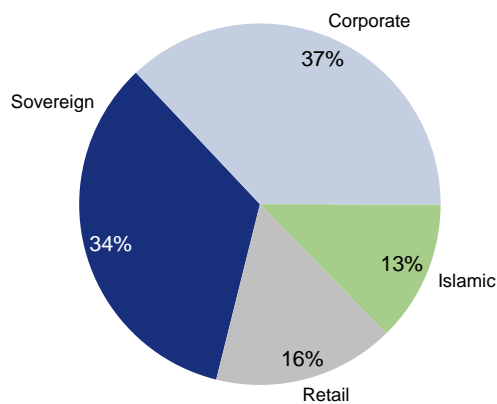


Loan composition

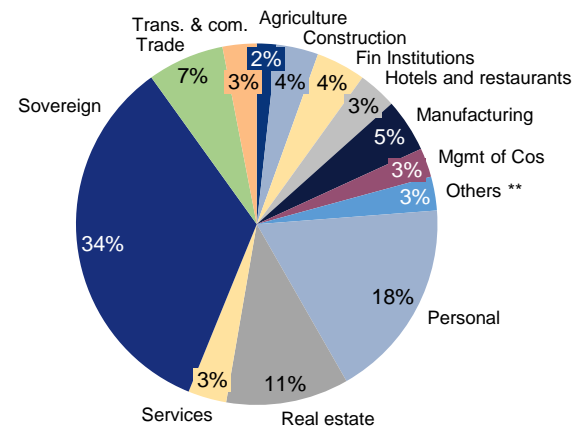
Net Loans by Geography Q2-20



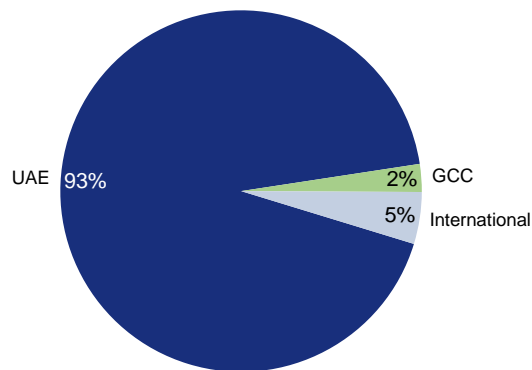
Gross Loans by Segment Q2-20



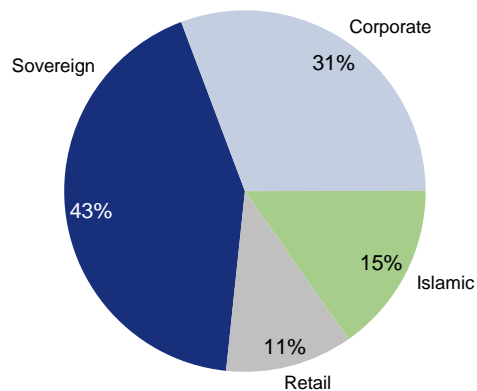
Gross Loans by Sector Q2-20



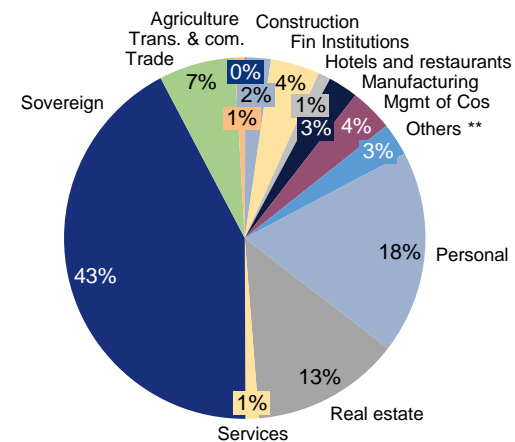
Net Loans by Geography Q2-19



Gross Loans by Segment Q2-19



Gross Loans by Sector Q2-19



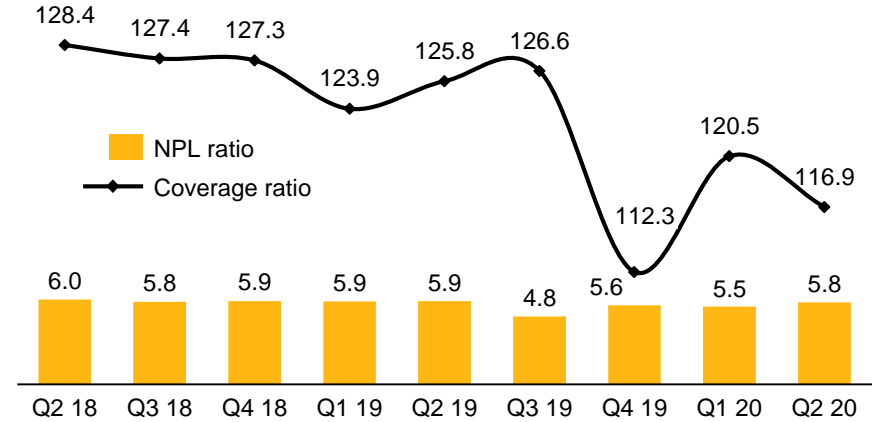
Note: Gross loans include Islamic financing gross of deferred income
 **Others include Mining & quarrying (and Agriculture for Islamic Loans)

Credit quality

Highlights

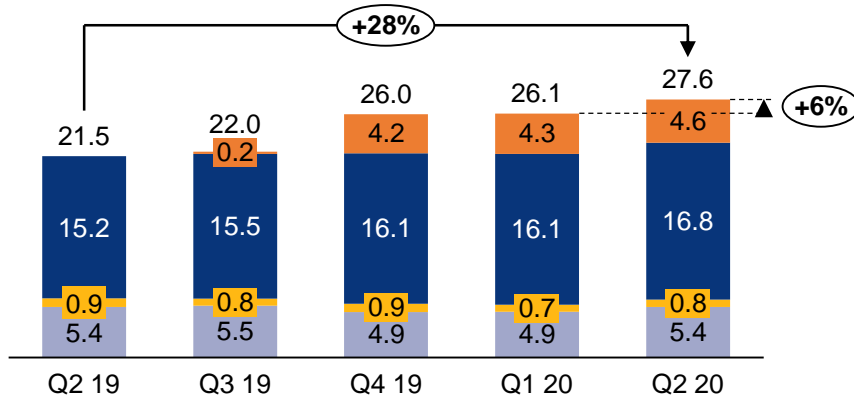
- During H1-20 NPL ratio increased from 5.6% to 5.8%
- Coverage ratio at 116.9% remains strong
- H1-20 net cost of risk increased to 172 bps (374 bps for DenizBank and 126 bps Emirates NBD only) on higher net impairment charge of AED 4,211 Mn
- AED 614 Mn of write backs & recoveries in H1-20 compared to AED 527 Mn during same period last year
- Stage 1 and 2 ECL allowances amount to AED 10.1 Bn or 2.6% of CRWA
- The Group continues to take strong level of provisions in anticipation of a potential deterioration in credit quality in subsequent quarters

Impaired Loan & Coverage Ratios (%)

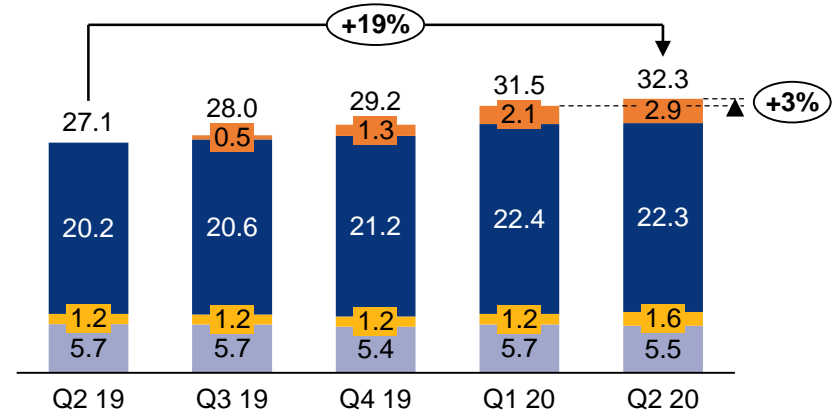


Impaired Loans and Impairment Allowances (AED Bn)

Impaired Loans*



Impairment Allowances



DenizBank Core Corporate Retail Islamic

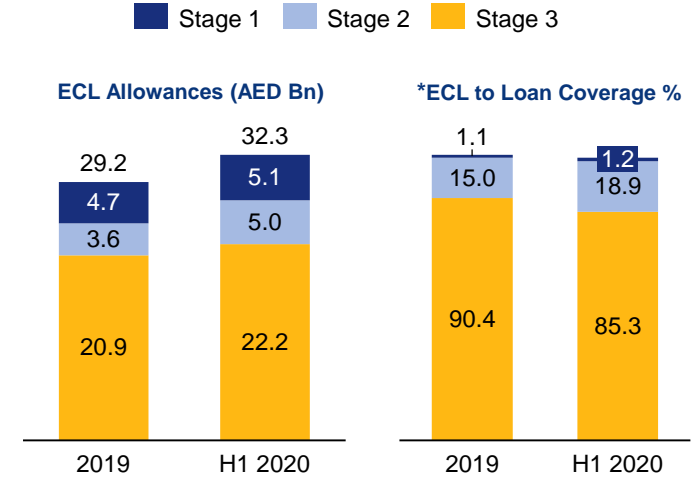
*Includes purchase originated credit impaired loans of AED 2.5 bn (Dec-19: AED 3 bn) acquired at fair value

Impairment allowances and Stage 1, 2 and 3 Coverage

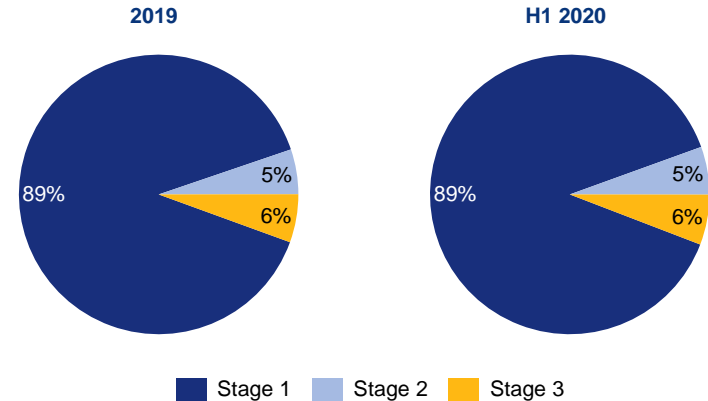
Highlights

- Stage 1 coverage ratio improved to 1.2% from 1.1% in H1-20 as Stage 1 impairment allowances increased to AED 5.1 bn from AED 4.7 bn
- Stage 2 coverage ratio improved to 18.9% from 15% in H1-20 as Stage 2 impairment allowances increased to AED 5.0 bn from AED 3.6 bn
- Continued strong Stage 3 coverage ratio at 85.3%
- Customers continue to be assessed closely for stage migrations on a case by case basis under the Covid-19 situation
- The Group has updated MEV forecasts to reflect the impact of Covid-19, using baseline, upside and downside scenarios with 40%, 30% and 30% weightings respectively
- The Group has also applied portfolio-level ECL adjustments to wholesale exposures based upon affected sectors, as well as to retail customers availing deferrals based upon employment status and level of salary inflows
- The Group continues to assess individually significant exposures for any adverse movements due to Covid-19

Impairment allowances and Coverage %



Total Gross Loans



Non-funded income

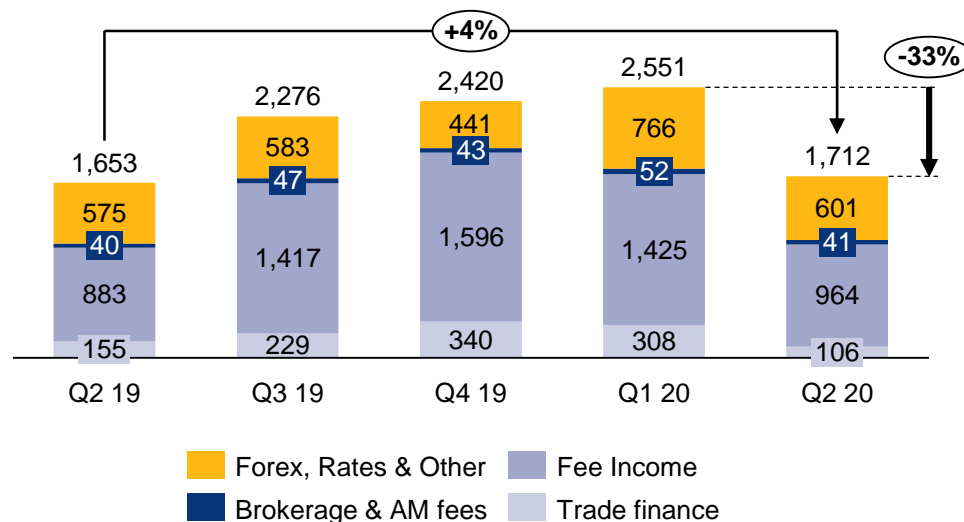
Highlights

- Core gross fee income declined 33% q-o-q as all sources of fee income were adversely impacted by the Covid-19 shutdown
- Core gross fee income up 4% y-o-y as the contribution from DenizBank offset lower volumes in Q2-20 due to the shutdown
- Investment securities income declined 29% y-o-y mainly due to changing interest rates
- Q2-20 non-funded income improved 1% y-o-y. Excluding DenizBank, non-funded income declined 25% y-o-y on account of lower fee, commission and investment securities related income

Composition of Non-Funded Income (AED Mn)

AED Mn	Q2-20	Q2-19	Better / (Worse)	Q1-20	Better / (Worse)
Core gross fee income	1,712	1,653	4%	2,551	(33%)
Fees & commission expense	(369)	(342)	(8)%	(604)	39%
Core fee income	1,342	1,311	2%	1,947	(31%)
Property income / (loss)	8	13	(37)%	(41)	120%
Investment securities & other income	25	35	(29)%	42	(41%)
Total Non-Funded Income	1,375	1,359	1%	1,948	(29)%

Trend in Core Gross Fee Income (AED Mn)

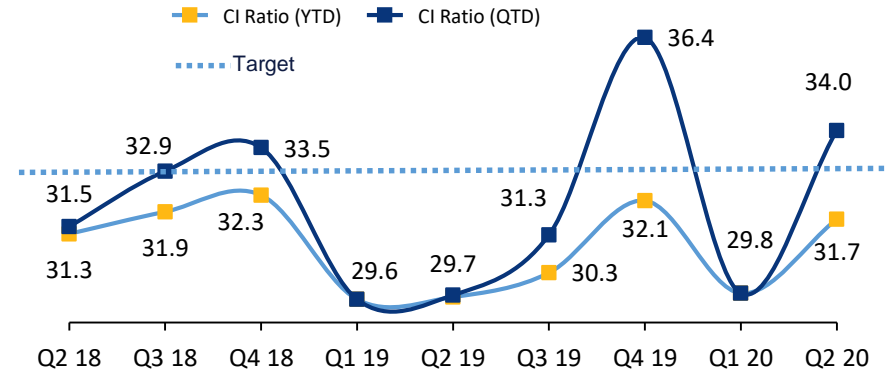


Operating costs

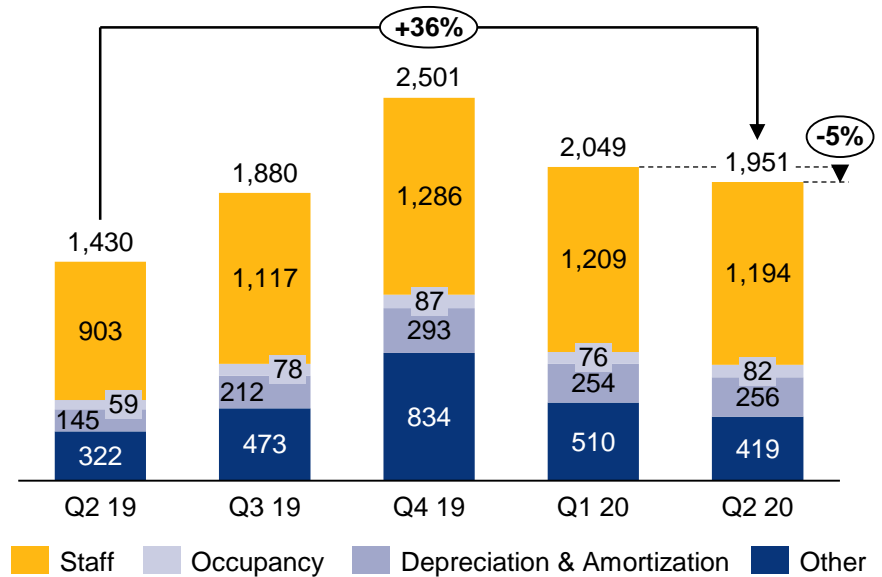
Highlights

- Q2-20 costs increased 36% y-o-y due to the DenizBank acquisition. Excluding DenizBank, costs improved 3% y-o-y mainly due to lower staff and marketing expenses
- Costs improved 5% q-o-q due to lower staff and marketing expenses, and lower costs from DenizBank
- Q2-20 cost to income ratio of 34% is above target but remedial action was taken in June
- The year-to-date cost to income ratio was 31.7% in H1-20 and is expected to increase in H2 towards the 33% management guidance on lower expected income partially offset as the recent cost management actions takes effect

Cost to Income Ratio (%)



Cost Composition (AED Mn)

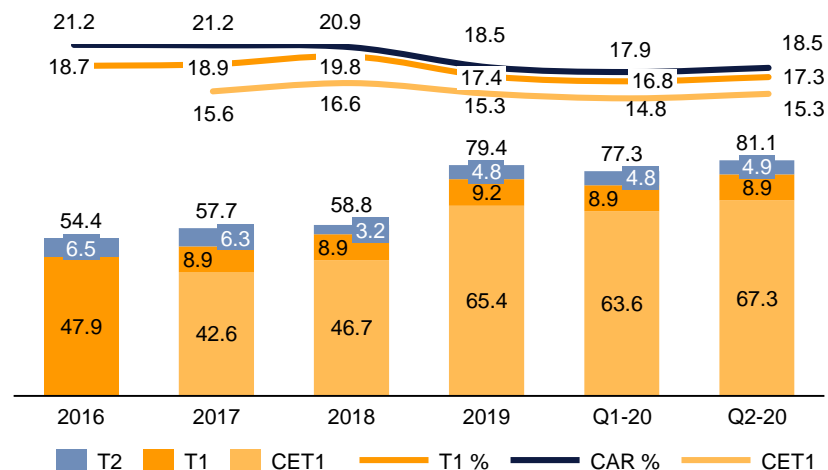


Capital adequacy

Highlights

- In Q2-20, capital ratios strengthened as retained earnings more than offset the impact of 2019 dividend and additional RWAs
- Capital ratios remain above original minimum regulatory requirements of 11% for CET-1 ratio, 12.5% for Tier 1 ratio and 14.5% for CAR
- Capital ratios not expected to weaken materially whilst TESS provides temporary relief of 3% from minima (1.5% CCB and 1.5% D-SIB)
- Capital ratios for Q2-20 excluding ECL add-back improved by 0.1% with CET-1 ratio at 14.9%, Tier 1 ratio at 16.9% and CAR at 18.0%

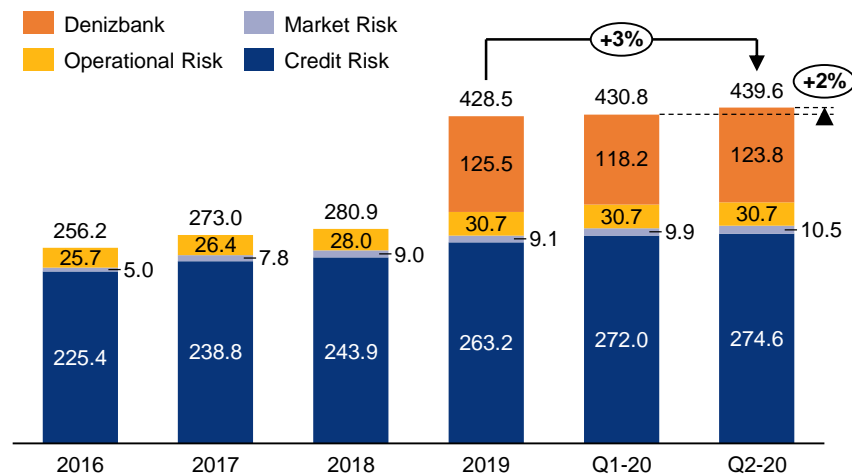
Capitalisation



Capital Movements table

AED Bn	CET1	Tier 1	Tier 2	Total
Capital as at 31-Dec-2019	65.4	74.6	4.8	79.4
Net profits generated	4.1	4.1	-	4.1
2019 Dividend	(2.5)	(2.5)	-	(2.5)
Interest on T1 securities	(0.3)	(0.3)	-	(0.3)
Amortisation of T1	-	(0.2)	-	(0.2)
ECL add-back	1.8	1.8	-	1.8
Other	(1.2)	(1.3)	0.1	(1.2)
Capital as at 30-Jun-2020	67.3	76.2	4.9	81.1

Risk Weighted Assets

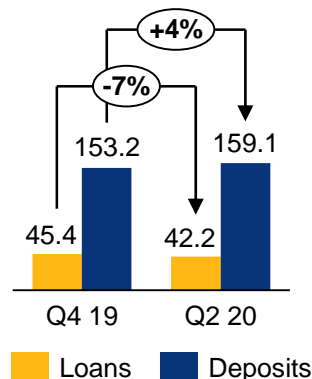


Divisional performance (Excluding DenizBank)

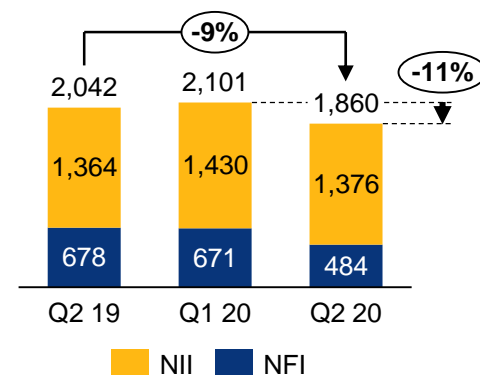
Retail Banking & Wealth Management

- RBWM income was down 9% y-o-y due to lower fee income as volumes were impacted by the C-19 shutdown
- Liabilities grew by 4% supported by customer campaigns and customer advances were lower by 7% due to reduced activity
- H1-20 cost to income ratio improved to 25.7% from 35.1% y-o-y
- Relief measures rolled out for customers to minimize the impact of ongoing Covid-19 pandemic

Balance Sheet Trends AED Bn



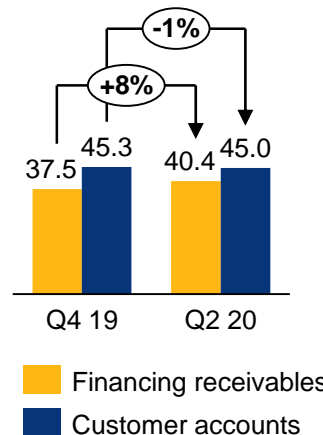
Income Trends AED Mn



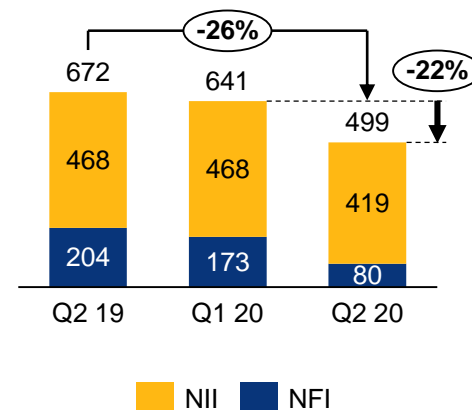
Emirates Islamic

- EI total income for Q2-20 was lower by 26% y-o-y reflecting the challenging market conditions due to Covid-19 that weighed on business activity and customer sentiment
- EI's total assets reached AED 64.2 billion at the end of Q2-2020
- Financing and Investing Receivables increased 8% to AED 40.4 billion from end 2019
- Customer deposits at AED 45 billion, were broadly flat from end 2019. CASA balances represent 69% of total customer accounts
- EI's headline Financing to Deposit ratio stood at 90% and is comfortably within the management's target range

Balance Sheet Trends AED Bn



Income Trends AED Mn

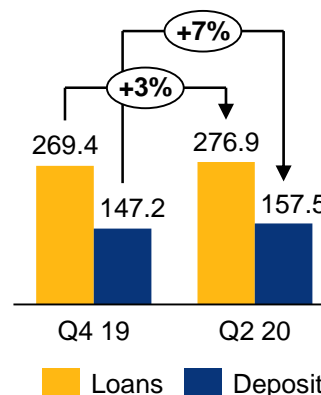


Divisional performance (Excluding DenizBank)

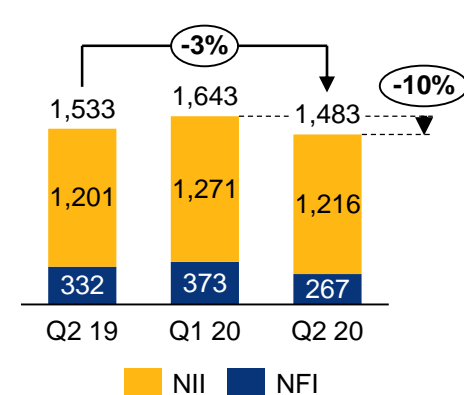
Corporate and Institutional Banking

- CIB income was down 3% y-o-y mainly due to lower non-funded income. Net interest income improved 1% y-o-y due to growth in lending activity
- Fee income declined 19% y-o-y as lower lending fees and trade commissions more than offset the increase in investment banking activity
- The division continued to spend on digitization programs and technology to enhance the Transaction Banking Services product offering
- Loans grew 3% during the year with stable momentum in lending activity
- Deposits grew 7% with continued focus on growing CASA balances reflecting the Group's aim to reduce the average cost of funding while maintaining liquidity at an optimum level

Balance Sheet Trends AED Bn



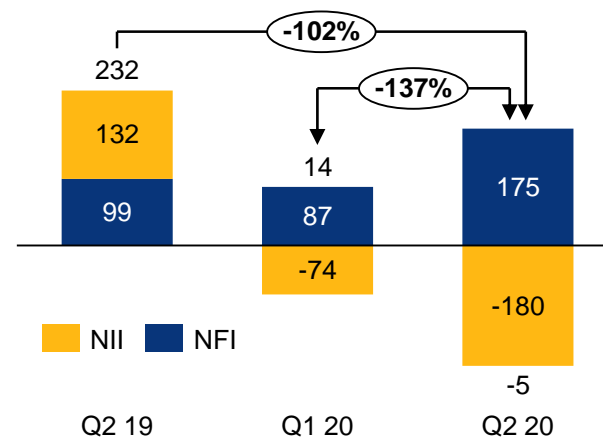
Income Trends AED Mn



Global Markets & Treasury

- GM&T income declined 102% y-o-y primarily due to the decrease in net interest income on account of lower interest rates. NFI improved 76% y-o-y
- Trading and Sales desks continued to deliver a solid performance despite significant market volatility
- The Global Funding Desk raised AED 10.9 billion of term funding in H1 2020, including two benchmark senior public bond issues and AED 7.3 billion of private placements with maturities out to 20 years

Income Trends AED Mn



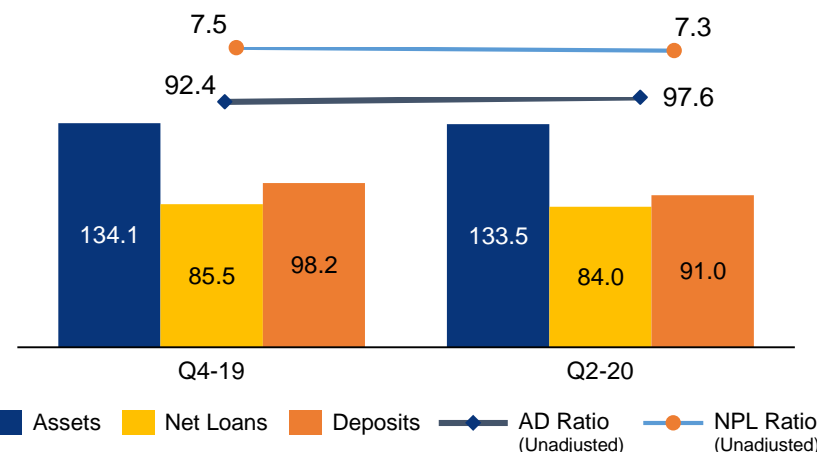
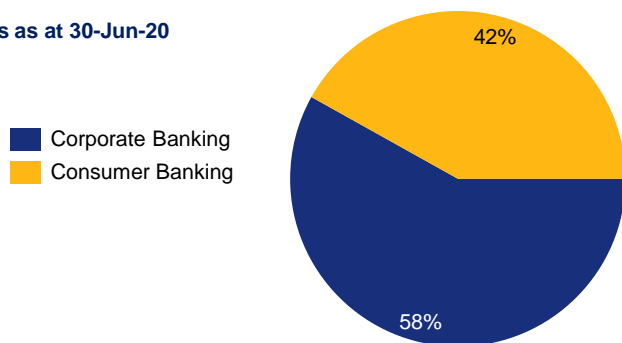
DenizBank Business Overview



Business Overview	Financial Highlights			
	AED Mn**	Q2-20	Q1-20	Better / (Worse)
<ul style="list-style-type: none"> DenizBank contributed total income of AED 1,740 million and net profit of AED 425 million to the Group for Q2-20 Operating expenses and impairment allowances amounted to AED 564 million and AED 655 million respectively for the same period Total assets of AED 134 billion, net loans of AED 84 billion and deposits of AED 91 billion at the end of Q2-20 DenizBank is the fifth largest private bank in Turkey with wide presence through a network of 743 branches and over 3,000 ATMs Operates with 708 branches in Turkey and 35 in other territories (Austria, Germany, Bahrain) Full service commercial banking platform of Corporate banking, Retail banking and Treasury Servicing around 14 million customers, through 14,000+ employees 				
	Net interest income	1,387	1,571	(12)%
	Non-funded income	353	684	(48)%
	Total income	1,740	2,255	(23)%
	Operating expenses	(564)	(627)	10%
	Pre-impairment operating profit	1,176	1,628	(28)%
	Impairment allowances	(655)	(981)	33%
	Operating profit	521	647	(20)%
	Taxation charge	(96)	(143)	33%
	Net profit	425	504	(16)%
	Cost: income ratio	32.4%	27.8%	(4.6)%
	Net interest margin	4.40%	4.92%	(0.52)%

Segment breakdown	Financial Highlights (AED Bn**)		
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Net Loans as at 30-Jun-20



All financial numbers post acquisition (1-Aug-19) include the fair value adjustments, unless otherwise stated.
 **Metrics converted to AED using spot / average exchange rate for balance sheet / income statement



Get in touch.

INVESTOR RELATIONS



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