Q3 2016 Results Presentation

17 October 2016

Emirates NBD

Important Information

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Emirates NBD delivered a solid set of results in Q3-16 amid a challenging environment

Q3 2016 YTD at a glance

		Q3 2016 YTD	vs. revised 2016 guidance
Profitability	**Net profit**	**AED 5.4 Bn** **+8%** y-o-y	
	Net interest margin	2.54%	2.55 – 2.65% range
	Cost-to-income ratio	32.7%	33% management target
Credit Quality	NPL ratio	6.4%	
	Coverage ratio	120.8%	
Capital & Liquidity	Tier 1 ratio	18.0%	
	Capital adequacy ratio	20.5%	
	AD ratio	92.8%	90-100% management target
Assets	Net Loan growth	7% ytd	mid-to-high single digit

2016 Macro themes

	Regional	Global
+	• Resilience of UAE economy due to non-oil sectors • UAE stock market movements correlated to changes in oil price	• Recovering US economy • Oil prices remained largely range bound since recovering from early 2016 lows
-	• Strong dollar impact on Dubai tourism counterbalanced by growth in visitors from new routes • Tighter banking system liquidity due to regional competition for deposits • Focus shifts to regional contracting sector; concerns on micro SMEs remain	• Global stock market volatility dampened investor confidence • Slowdown in global growth contributed to weaker business and investor sentiment • UK's decision to leave the E.U.

Q3-16 YTD Financial Results

Highlights

- Net profit of AED 5,382 million for Q3-16 YTD improved 8% y-o-y
- Net interest income improved 1% y-o-y as loan growth more than offset NIM contraction
- Non-interest income improved 1% y-o-y as higher core fee income, particularly from foreign exchange and derivatives, helped offset lower income from the sale of properties
- Costs grew 10% y-o-y on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality. Staff costs continue to improve as cost control measures implemented start to take effect. YTD cost trends within guidance and continue to be tightly managed
- Provisions of AED 2,184 million improved 22% y-o-y as net cost of risk continues to normalize on the back of improving asset quality
- NPL ratio improved to 6.4% and coverage ratio strengthened to 120.8%
- AD ratio of 92.8% within management range
- NIMs declined to 2.54% as loan spreads did not keep pace with the higher cost of deposits and wholesale funding

Key Performance Indicators

AED Mn	Q3-16 YTD	Q3-15 YTD	Better / (Worse)
Net interest income	7,651	7,572	1%
Non-interest income	3,634	3,582	1%
Total income	**11,285**	**11,155**	**1%**
Operating expenses	(3,693)	(3,362)	(10%)
Pre-impairment operating profit	**7,592**	**7,793**	**(3%)**
Impairment allowances	(2,184)	(2,808)	22%
Operating profit	**5,407**	**4,985**	**8%**
Share of profits from associates	86	113	(24%)
Taxation charge	(111)	(108)	(3%)
Net profit	**5,382**	**4,990**	**8%**
Cost: income ratio (%)	32.7%	30.1%	(2.6%)
Net interest margin (%)	2.54%	2.80%	(0.26%)

AED Bn	30-Sep-16	31-Dec-15	%
Total assets	446.0	406.6	10%
Loans	289.2	270.6	7%
Deposits	311.6	287.2	8%
AD ratio (%)	92.8%	94.2%	1.4%
NPL ratio (%)	6.4%	7.1%	0.7%

Q3-16 Financial Results Highlights

Highlights

- Net profit of AED 1,664 million for Q3-16 declined 1% y-o-y and 13% q-o-q
- Net interest income declined 2% y-o-y due to higher cost of fixed deposits and wholesale funding
- Non-interest income improved 5% y-o-y due to higher core fee income and declined 13% q-o-q due to lower one-off gains from the sale of properties, coupled with lower core fee income from foreign exchange and derivatives due to lower business volumes during the Q3 holiday period.
- Costs increased 8% y-o-y on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality. Costs improved 1% q-o-q as cost control measures implemented earlier take effect
- Provisions of AED 729 million improved 11% y-o-y as net cost of risk continues to normalize helped by further writebacks and recoveries
- NPL ratio improved to 6.4% and coverage ratio strengthened to 120.8%
- AD ratio of 92.8% within management range
- NIMs declined to 2.44% as loan spreads did not keep pace with the higher cost of deposits and wholesale funding

Key Performance Indicators

AED Mn	Q3-16	Q3-15	Better / (Worse)	Q2-16	Better / (Worse)
Net interest income	2,551	2,591	(2%)	2,544	0%
Non-interest income	1,063	1,009	5%	1,221	(13%)
Total income	**3,614**	**3,600**	**0%**	**3,766**	**(4%)**
Operating expenses	(1,218)	(1,126)	(8%)	(1,226)	1%
Pre-impairment operating profit	**2,397**	**2,474**	**(3%)**	**2,540**	**(6%)**
Impairment allowances	(729)	(822)	11%	(626)	(16%)
Operating profit	**1,668**	**1,652**	**1%**	**1,914**	**(13%)**
Share of profits from associates	25	39	(36%)	34	(28%)
Taxation charge	(29)	(18)	(61%)	(38)	23%
Net profit	**1,664**	**1,673**	**(1%)**	**1,910**	**(13%)**
Cost: income ratio (%)	33.7%	31.3%	(2.4%)	32.6%	(1.1%)
Net interest margin (%)	2.44%	2.75%	(0.31%)	2.55%	(0.11%)

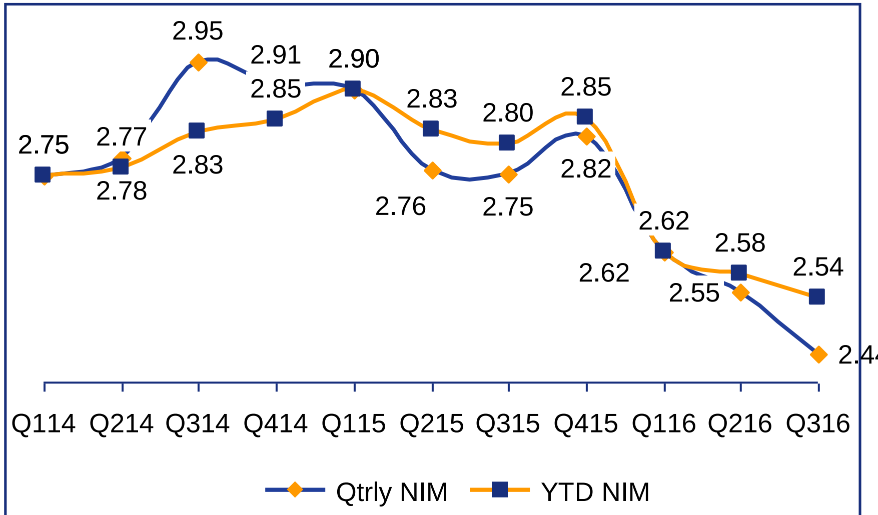
AED Bn	30-Sep-16	31-Dec-15	%	30-Jun-16	%
Total assets	446.0	406.6	10%	425.8	5%
Loans	289.2	270.6	7%	286.0	1%
Deposits	311.6	287.2	8%	297.6	5%
AD ratio (%)	92.8%	94.2%	1.4%	96.1%	3.3%
NPL ratio (%)	6.4%	7.1%	0.7%	6.6%	0.2%

Net Interest Income

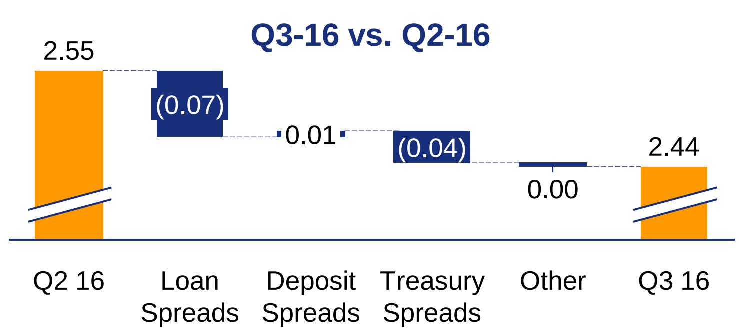
Highlights

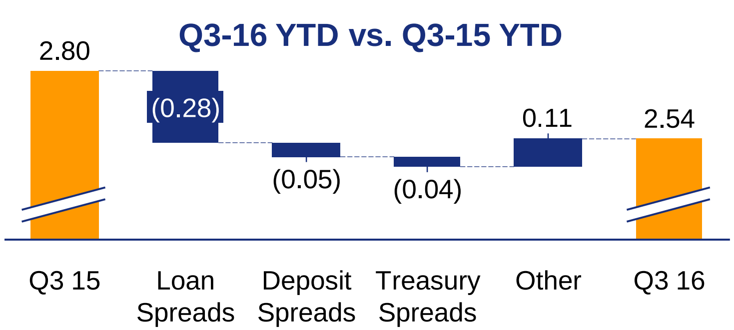
- NIMs declined to 2.54% in 2016 YTD and to 2.44% in Q3-16
- Loan spreads declined as loan margins across a range of products did not keep pace with rising EIBOR rates
- Deposit spreads improved q-o-q as strong CASA balances helped offset higher EIBOR rates and declined marginally y-o-y due to higher fixed deposit balances
- Treasury spreads declined q-o-q as excess liquidity was deployed at comparatively lower yields
- Treasury spreads declined y-o-y as liquid assets generated relatively lower yields; partially offset by cheaper term funding and a positive contribution from investments
- NIM guidance of 2.55-2.65% maintained as strong liquidity position allows Bank to selectively manage funding costs

Net Interest Margin (%)



Net Interest Margin Drivers (%)



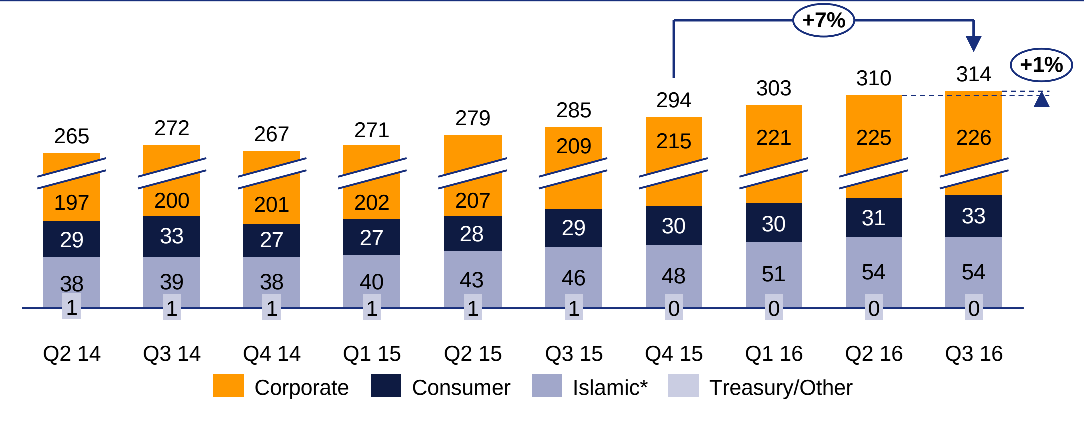


Loan and Deposit Trends

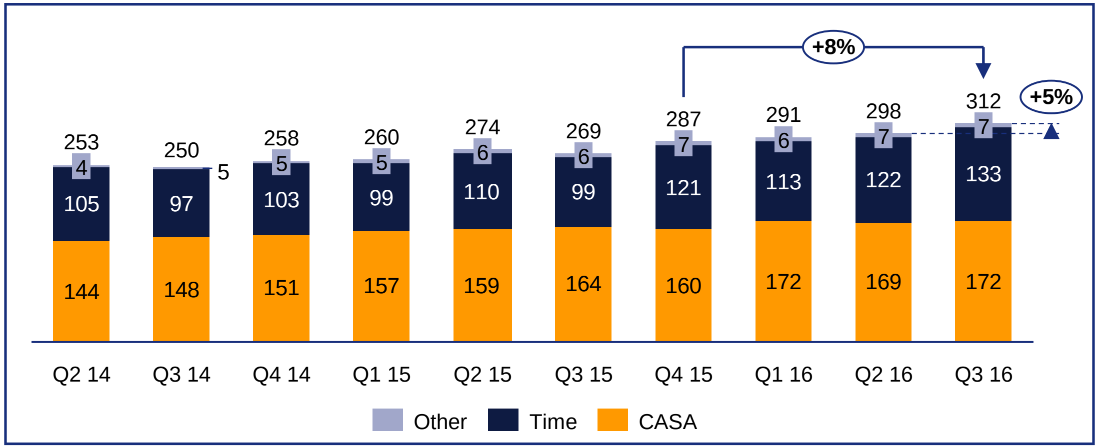
Highlights

- Gross loans grew 7% since end 2015 with good growth in Consumer and Islamic lending
- Islamic financing grew 11% since end 2015 due to growth in trade, services, personal and real estate sectors
- Corporate lending grew 5% since end 2015 due to growth in trade, services and sovereign sectors
- Consumer lending grew 10% since end 2015 across a range of products including mortgages, credit cards and personal loans
- Deposits increased 5% q-o-q and 8% since end 2015
- CASA deposits grew 7% since end 2015 and represent 55% of total deposits, up from 43% at end 2012

Trend in Gross Loans by Type (AED Bn)



Trend in Deposits by Type (AED Bn)



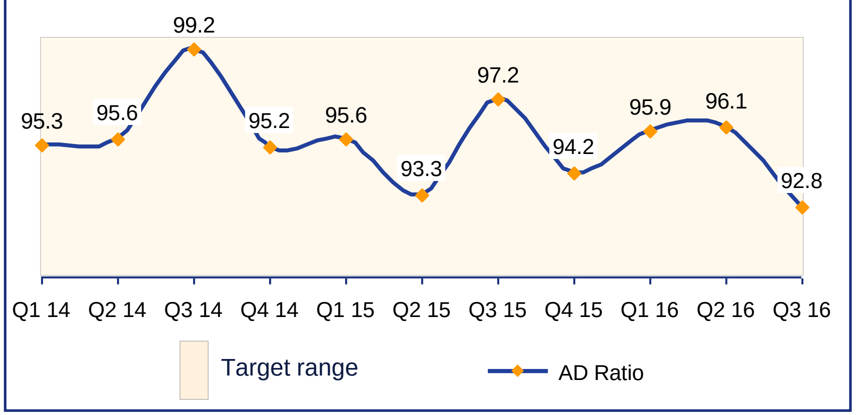
* Gross Islamic Financing Net of Deferred Income

Funding and Liquidity

Highlights

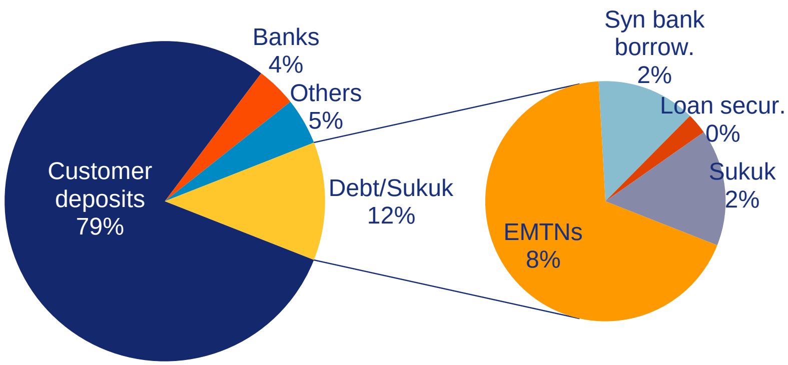
- AD ratio of 92.8% within 90-100% management target range
- Liquid assets* of AED 53.9 Bn as at Q3-16 YTD (13.7% of total liabilities)
- Debt & Sukuk term funding represent 12% of total liabilities
- In 2016, AED 5.1 Bn debt matured and a AED 2.9 Bn club loan was repaid. This was replaced with AED 19.7 Bn raised via AED 9.8 Bn of private placements issued in 6 currencies, a AED 3.7 Bn sukuk and tap issue and a AED 6.2 Bn club loan
- Maturity profile affords Emirates NBD ability to consider public and private debt issues opportunistically

Advances to Deposit (AD) Ratio (%)



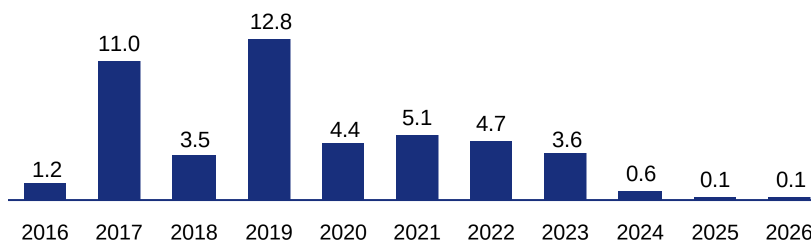
Composition of Liabilities/Debt Issued (%)

Liabilities (AED 392.9 Bn) Debt/Sukuk (AED 46.9 Bn)



Maturity Profile of Debt Issued (AED Bn)

Maturity Profile of Debt/Sukuk Issued
100% = AED 46.9 Bn



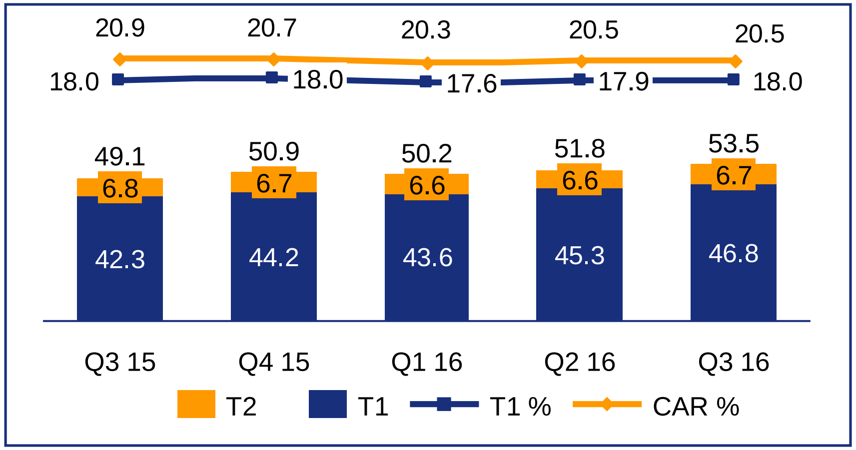
*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Capital Adequacy

Highlights

- In Q3-16, Tier 1 ratio increased by 0.1% to 18.0% and CAR remained at 20.5%.
- Increase in Tier 1 capital from retained earnings more than offset modest increase in risk weighted assets
- Increase in RWAs due to increase in Loans & Receivables and deployment of excess liquidity placed as short term deposits with local and foreign banks

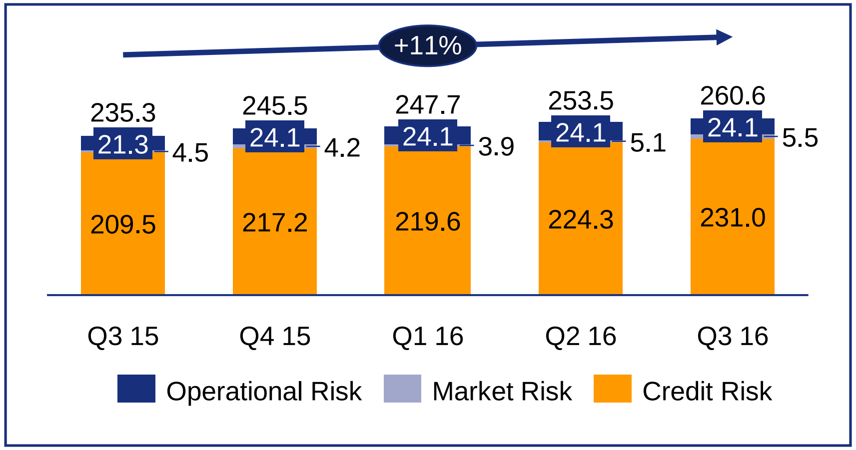
Capitalisation



Capital Movements

AED Bn	Tier 1	Tier 2	Total
Capital as at 31-Dec-2015	**44.2**	**6.7**	**50.9**
Net profits generated	5.4	-	**5.4**
FY 2015 dividend paid	(2.2)	-	**(2.2)**
Tier 1 Issuance/Repayment	-	-	**-**
Tier 2 Issuance/Repayment	-	-	**-**
Amortisation of Tier 2	-	-	**-**
Interest on T1 securities	(0.4)	-	**(0.4)**
Goodwill	0.1	-	**0.1**
Other	(0.3)	0.0	**(0.3)**
Capital as at 30-Sep-2016	**46.8**	**6.7**	**53.5**

Risk Weighted Assets – Basel II (AED Bn)



Non-Interest Income

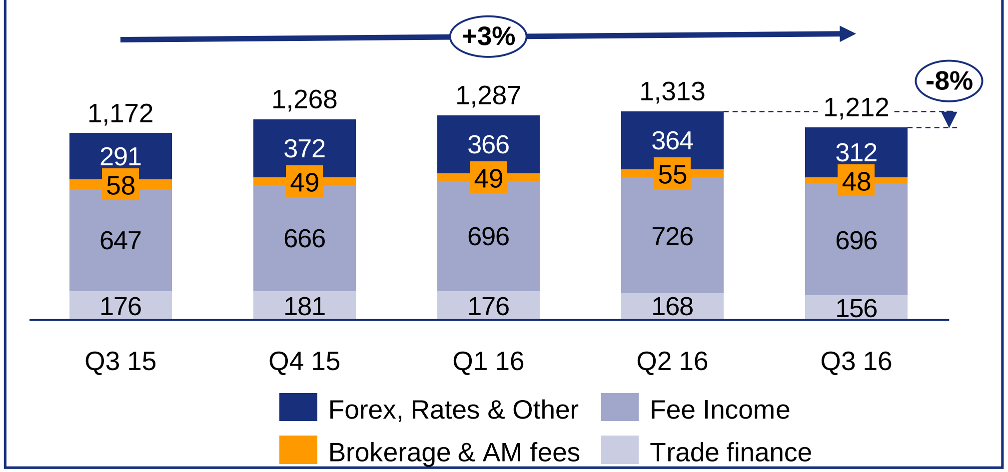
Highlights

- Non-interest income grew 1% y-o-y due to higher core fee income
- Core fee income improved 2% y-o-y driven by growth in credit card, foreign exchange and derivative volumes
- Core gross fee income declined 8% q-o-q due to lower business volumes during the Q3 holiday period.
- Property income declined on lower demand for bulk and individual property sales compared to 2015
- Income from Investment Securities improved y-o-y due to gains from the sale of investments in H1-16

Composition of Non Interest Income (AED Mn)

AED Mn	Q3-16 YTD	Q3-15 YTD	Better / (Worse)
Core gross fee income	3,811	3,630	5%
Fees & commission expense	(667)	(557)	(20%)
Core fee income	**3,144**	**3,073**	**2%**
Property income / (loss)	86	262	(67%)
Investment securities & other income	405	247	64%
Total Non Interest Income	**3,634**	**3,582**	**1%**

Trend in Core Gross Fee Income (AED Mn)

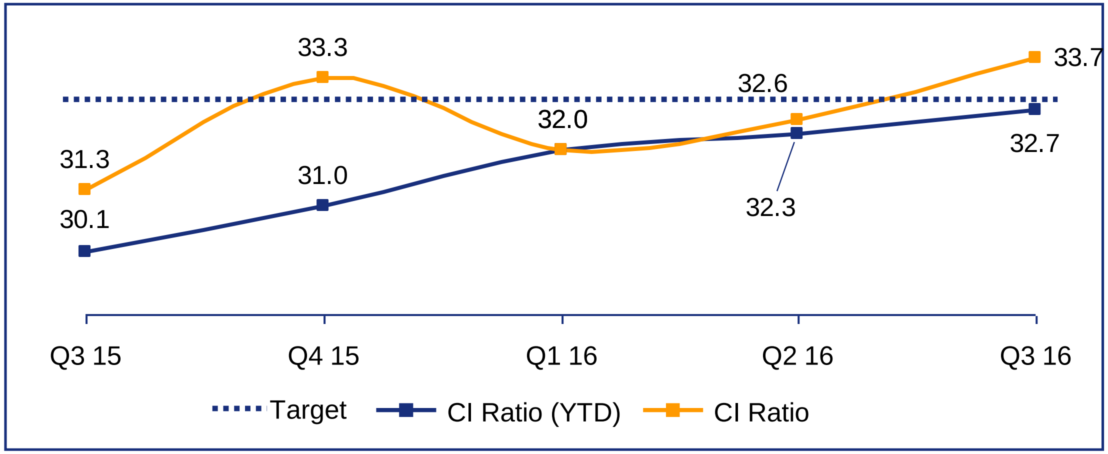


Operating Costs and Efficiency

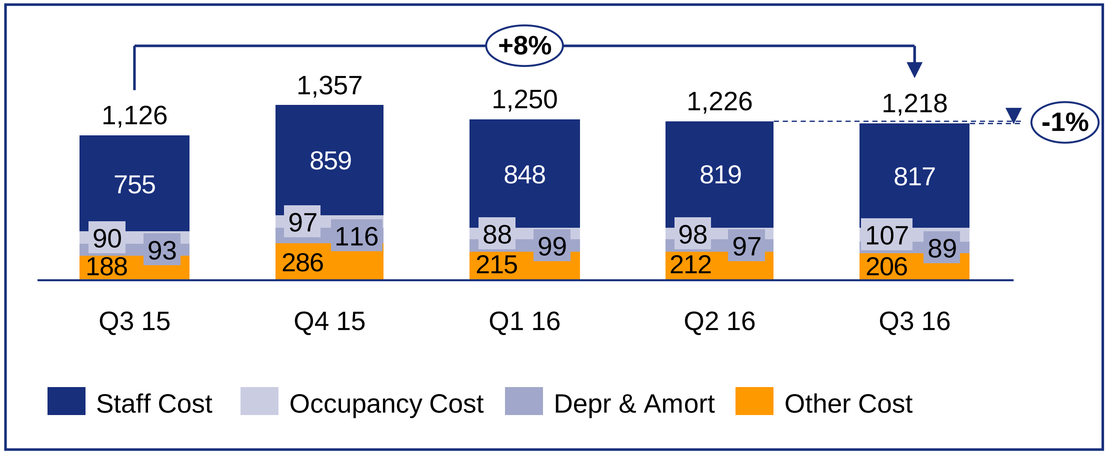
Highlights

- In Q3-16, costs improved by 1% q-o-q, helped by a further reduction in staff costs, following cost control measures implemented earlier in 2016.
- Costs increased by 8% y-o-y on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality
- Cost-to-Income Ratio rose by 1.1% q-o-q to 33.7% as lower non-interest income due to seasonality more than offset cost reductions
- Adjusted for one-offs, the Cost-to-Income Ratio for Q3-16 YTD was 33.0%
- Cost-to-Income Ratio expected to remain within 33% management target as recent cost reduction measures continue to take effect

Cost to Income Ratio (%)



Cost Composition (AED Mn)

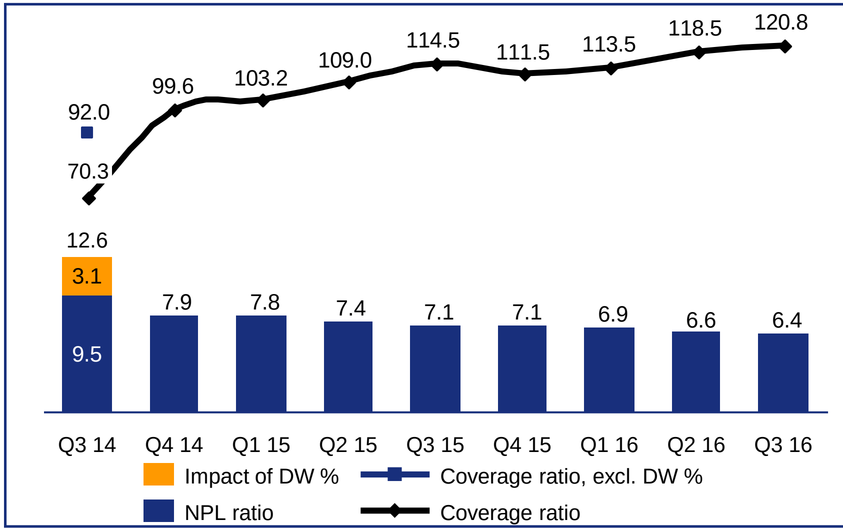


Credit Quality

Highlights

- NPL ratio improved to 6.4%
- Impaired loans improved to AED 20.1 Bn helped by AED 2,129 Mn of write backs & recoveries in Q3-16 YTD
- Q3-16 YTD cost of risk at 93 bps (annualized) continued to normalize as net impairment charge of AED 2,184 million in Q3-16 YTD improved 22% y-o-y
- Coverage ratio increased to 120.8%
- Total portfolio impairment allowances amount to AED 7.4 Bn or 3.20% of credit RWAs

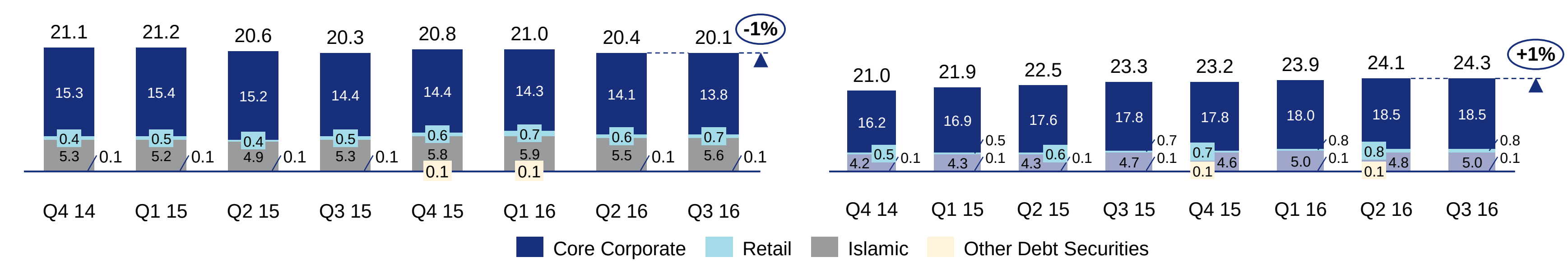
Impaired Loan & Coverage Ratios (%)



Impaired Loans and Impairment Allowances (AED Bn)

Impaired Loans

Impairment Allowances

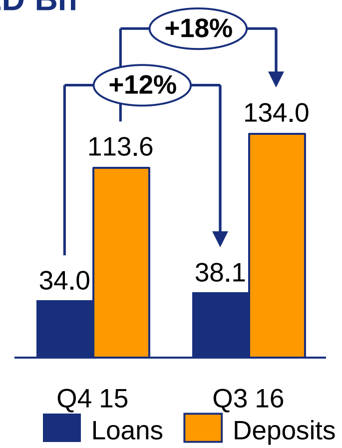


Divisional Performance

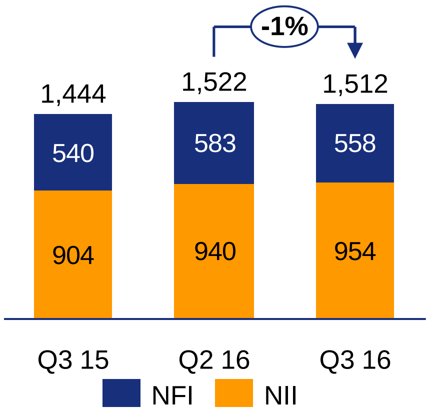
Retail Banking & Wealth Management

- RBWM revenues declined 1% q-o-q
- In Q3-16 YTD, fee income accounted for 37% of total RBWM revenue, compared to 30% in 2013
- Retail loans grew by 12% and deposits by 18% from end 2015
- The bank continues to optimize its distribution network with 565 ATMs and 97 branches as at 30-Sep-16
- RBWM further enhanced its award winning 'best-in-class' digital banking solution with initiatives such as Emirates NBD Pay; whilst earlier popular initiatives such as DirectRemit, FlexiLoan continue to gain traction. The bank continues develop its digital strategy through initiatives such as Future Lab and plans to launch UAE's first digital bank for millennials

Balance Sheet Trends AED Bn



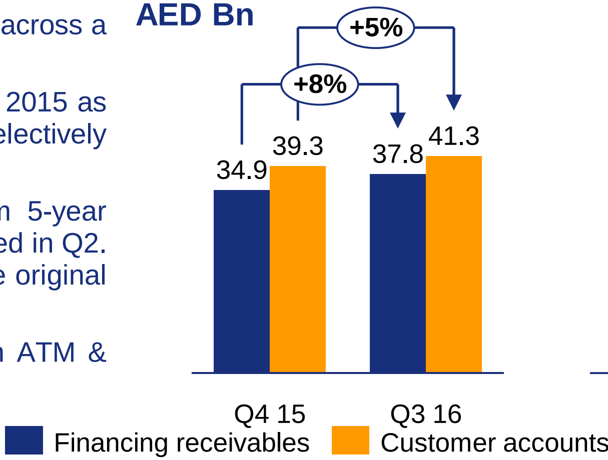
Revenue Trends AED Mn



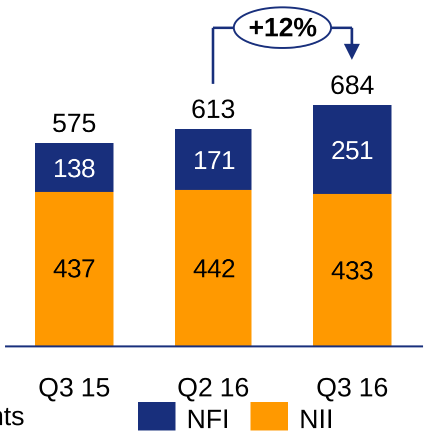
Islamic Banking

- Islamic Banking revenue grew 12% q-o-q
- Financing receivables grew 8% from end 2015 across a range of products
- Customer accounts increased by 5% from end 2015 as EI's strong liquidty position allows it to selectively manage the cost of liquidity
- In Q3, EI successfully raised another \$250m 5-year sukuk through a tap on their \$750m sukuk issued in Q2. The cost of the tap was 50bp pa lower than the original sukuk.
- As at 30-Sep-16, EI had 58 branches and an ATM & CDM network of 194

Balance Sheet Trends AED Bn



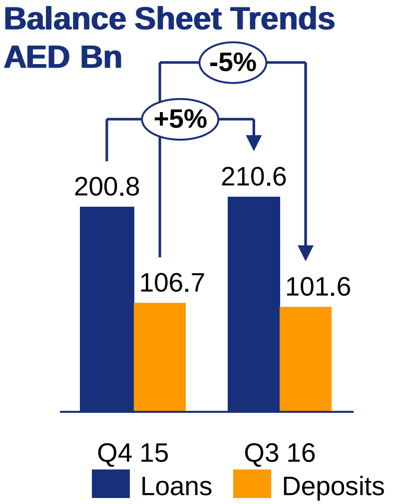
Revenue Trends AED Mn

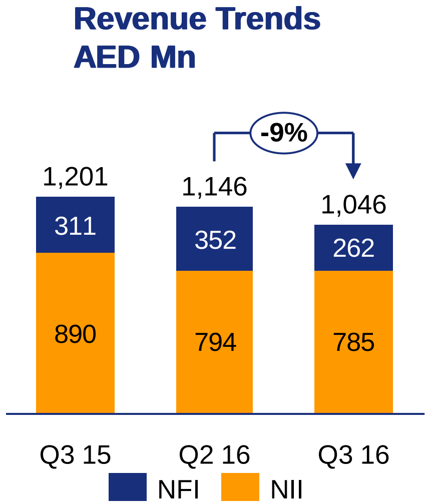


Divisional Performance (cont'd)

Wholesale Banking

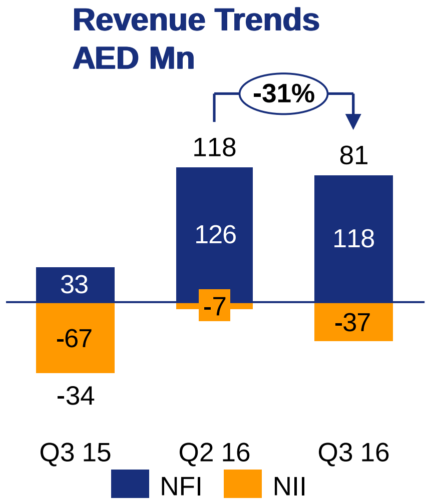
- Wholesale Banking revenues declined 9% q-o-q
- Loans grew 5% from end 2015
- Deposits declined 5% from end 2015, reflecting continued efforts to reduce the average cost of funding while maintaining liquidity at optimum levels
- Fee income fell in Q3 due to lower business volumes during the holiday period
- Focus in 2016 continues to be 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





Global Markets & Treasury

- GM&T revenues declined 31% q-o-q while showing growth y-o-y
- Sales revenues saw strong growth due to higher volumes in Interest Rate hedging products, Foreign Exchange & Fixed Income sales
- Trading and Investment revenues improved as both Credit Trading and FX Trading delivered a strong performance despite volatile market conditions
- Global Funding raised AED 19.7 Bn of term debt via AED 9.8 Bn of private placements, a AED 3.7 Bn of sukuk issue and tap and a AED 6.2 Bn club deal



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