

Q1 2017 Results Presentation

19 April 2017





Important Information

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Emirates NBD delivered a solid set of results in Q1-17 amid a challenging environment

Q1 2017 at a glance

		Q1 2017	vs. 2017 guidance
Profitability	Net profit	AED 1.87 Bn +4% y-o-y	
	Net interest margin	2.33%	2.35 – 2.45%
	Cost-to-income ratio	30.9%	33%
Credit Quality	NPL ratio	6.3%	
	Coverage ratio	122.5%	
Capital & Liquidity	Tier 1 ratio	17.8%	
	Capital adequacy ratio	20.2%	
	AD ratio	92.5%	90-100%
Assets	Loan growth (net)	2% ytd	mid-single digit

2017 Macro themes

	Regional	Global
+	<ul style="list-style-type: none"> Resilience of UAE economy underpinned by non-oil activity growth 	<ul style="list-style-type: none"> Emirates NBD's balance sheet positioned to benefit from rising interest rates
	<ul style="list-style-type: none"> Improved business sentiment due to higher and more stable oil prices 	<ul style="list-style-type: none"> Higher oil prices and revenues may alleviate banking system liquidity, to support private sector growth
	<ul style="list-style-type: none"> Regional growth opportunities 	
-	<ul style="list-style-type: none"> Strong dollar impact on Dubai tourism 	<ul style="list-style-type: none"> Execution of UK's Brexit decision
		<ul style="list-style-type: none"> Potential volatility in Euro area from further key government elections US policy impact on global trade

Q1-17 Financial Results Highlights

Highlights

- Net profit of AED 1,873 Mn for Q1-17 increased 1% q-o-q and 4% y-o-y
- Net interest income improved 1% q-o-q on loan growth coupled with an improvement in margins but declined 3% y-o-y due to NIM contraction
- Non-interest income improved 13% q-o-q due to the impact from the Egyptian Pound devaluation in Q4. Whilst core gross fee income grew 7%, non-interest income declined 16% y-o-y as a one-off gain on sale of investments in Q1-16 was not repeated.
- Costs improved 7% q-o-q and 11% y-o-y as cost control measures introduced in 2016 have taken effect
- Provisions of AED 639 Mn improved 23% y-o-y and increased 51% q-o-q which boosted the coverage ratio to 122.5%
- AD ratio of 92.5% demonstrates the Group's healthy liquidity position
- NPL ratio improved to 6.3% on further writebacks and recoveries in Corporate book
- NIMs improved 4 bps q-o-q as rate rises flowed into loan yields and funding pressures receded but tightened by 29 bps y-o-y on higher funding costs

Key Performance Indicators

AED Mn	Q1-17	Q1-16	Better / (Worse)	Q4-16	Better / (Worse)
Net interest income	2,486	2,555	(3%)	2,460	1%
Non-interest income	1,131	1,350	(16%)	1,003	13%
Total income	3,617	3,905	(7%)	3,463	4%
Operating expenses	(1,116)	(1,250)	11%	(1,194)	7%
Pre-impairment operating profit	2,501	2,655	(6%)	2,269	10%
Impairment allowances	(639)	(829)	23%	(424)	(51%)
Operating profit	1,862	1,826	2%	1,845	1%
Share of profits from associates	39	27	44%	49	(21%)
Taxation charge	(27)	(45)	39%	(37)	27%
Net profit	1,873	1,808	4%	1,857	1%
Cost: income ratio (%)	30.9%	32.0%	1.1%	34.5%	3.6%
Net interest margin (%)	2.33%	2.62%	(0.29%)	2.29%	0.04%

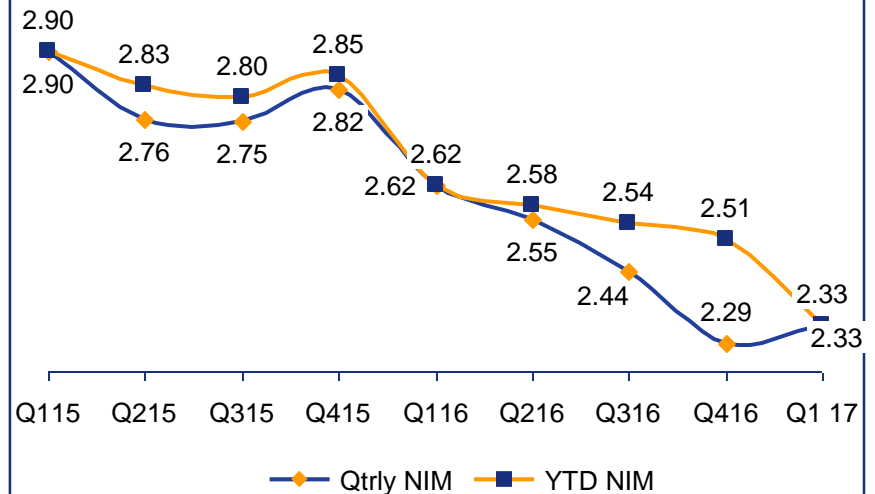
AED Bn	31-Mar-17	31-Mar-16	%	31-Dec-16	%
Total assets	452.0	414.5	9%	448.0	1%
Loans	295.3	279.1	6%	290.4	2%
Deposits	319.2	290.9	10%	310.8	3%
AD ratio (%)	92.5%	95.9%	3.4%	93.4%	(0.9%)
NPL ratio (%)	6.3%	6.9%	0.7%	6.4%	0.1%

Net Interest Income

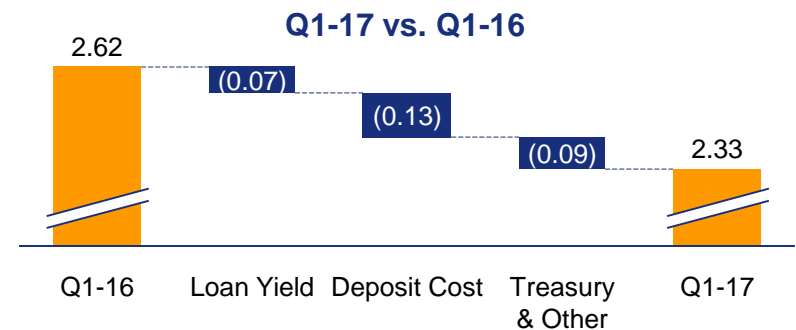
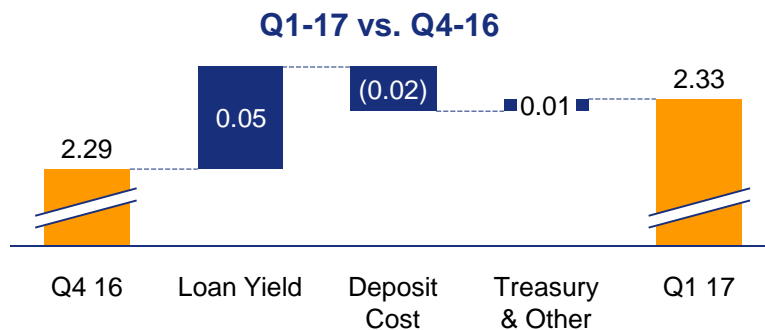
Highlights

- NIMs improved 4 bps q-o-q as rate rises flowed into loan yields and funding pressures receded but tightened by 29 bps y-o-y on higher funding costs
- Loan yields improved 5 bps q-o-q as loans reset at higher rates due to the recent rise in interest rates and declined 7 bps y-o-y due to competitive pressures
- Contribution from both Deposits and Treasury have improved as impact from higher funding costs eased
- We expect the improvement in NIMs to continue in subsequent quarters helped by rate rises and a more stable liquidity environment
- NIM guidance is maintained at the 2.35-2.45% range

Net Interest Margin (%)



Net Interest Margin Drivers (%)

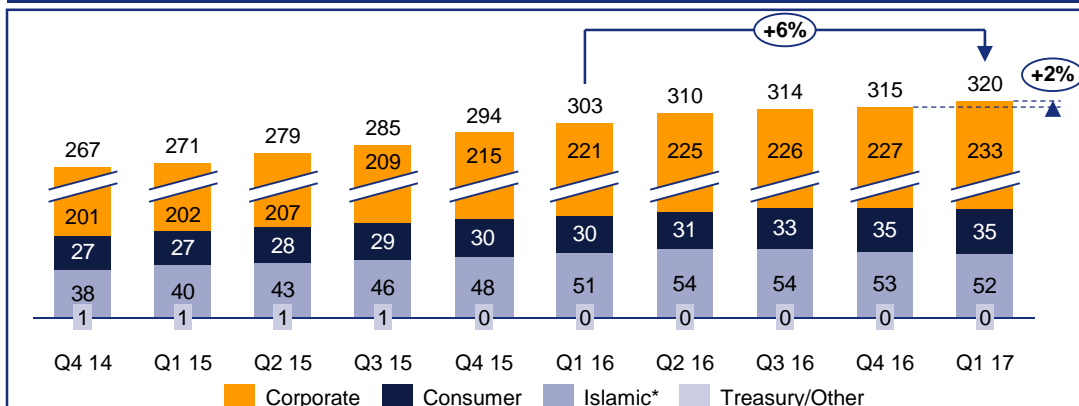


Loan and Deposit Trends

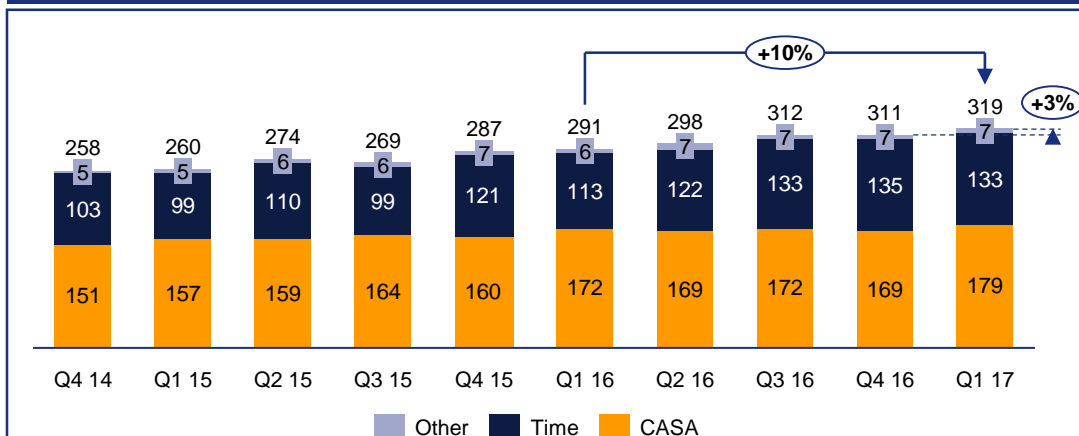
Highlights

- Gross loans grew 2% since end 2016 with good growth in Corporate lending
- Corporate lending grew 2% since end 2016 due to growth in real estate, trade and FI sectors
- Consumer lending grew 2% since end 2016 across a range of products particularly mortgages
- Islamic financing declined 2% since end 2016 due to a slowdown in new business being underwritten as Emirates Islamic tightened underwriting standards
- Deposits grew 3% q-o-q and 10% y-o-y
- CASA deposits grew 6% since end 2016 and represent 56% of total deposits

Trend in Gross Loans by Type (AED Bn)



Trend in Deposits by Type (AED Bn)



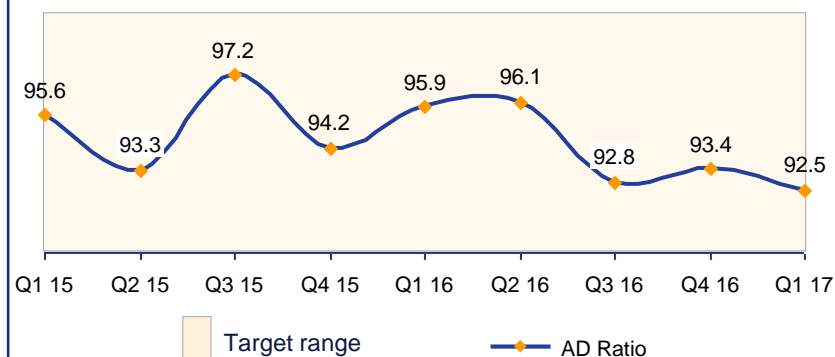
* Gross Islamic Financing Net of Deferred Income

Funding and Liquidity

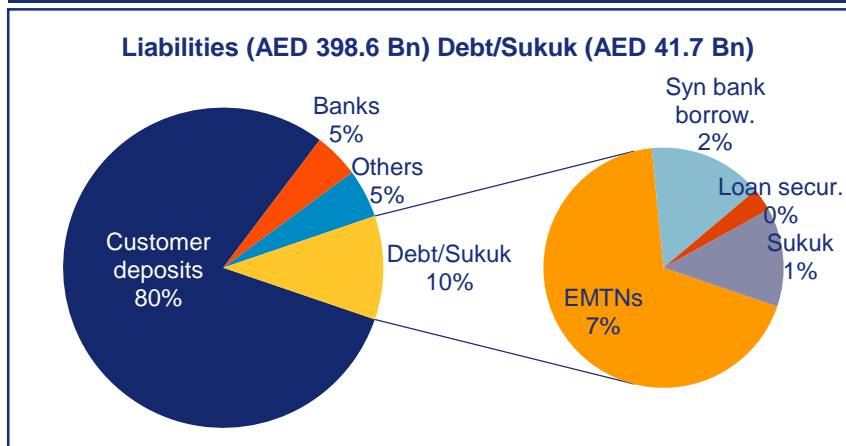
Highlights

- AD ratio of 92.5% comfortably within 90-100% management target range and demonstrates healthy liquidity position
- Liquid assets* of AED 62.6 Bn as at Q1-17 (15.7% of total liabilities)
- Debt & Sukuk term funding represent 10% of total liabilities
- 2017 maturities largely pre-funded in 2016. In Q1-17, AED 7.9 Bn of expensive term debt matured and AED 3.3 Bn of private placements issued in 4 currencies with maturities between 1 and 10 years
- Maturity profile for 2017 and 2018 affords the Group ability to consider public and private debt issues opportunistically

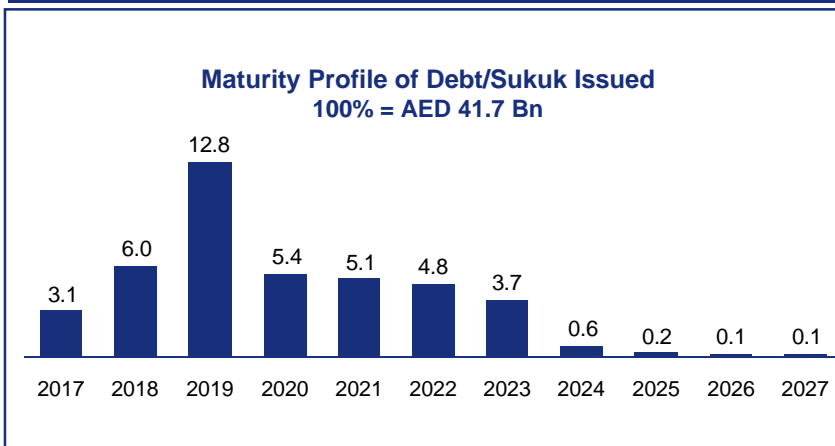
Advances to Deposit (AD) Ratio (%)



Composition of Liabilities/Debt Issued (%)



Maturity Profile of Debt Issued (AED Bn)



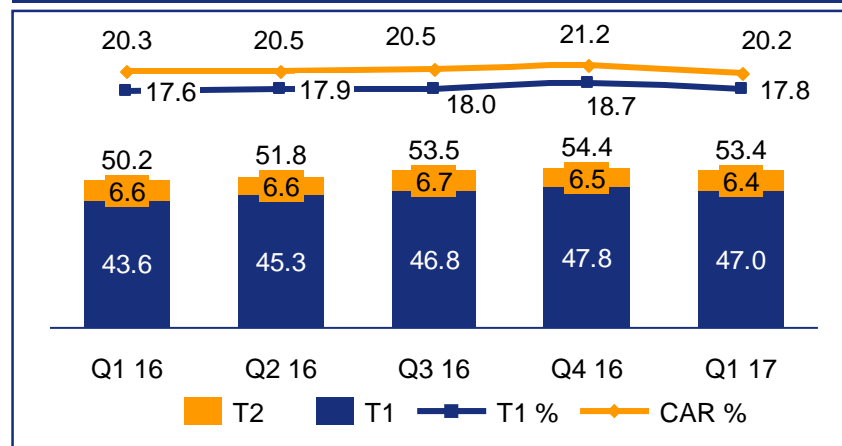
*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Capital Adequacy

Highlights

- In Q1-17, Tier 1 ratio decreased by 0.9% to 17.8% and CAR decreased by 1.0% to 20.2% due to:
 - Annual dividend payment exceeding Q1-17 retained profit
 - Marginal increase in credit and market risk weighted assets

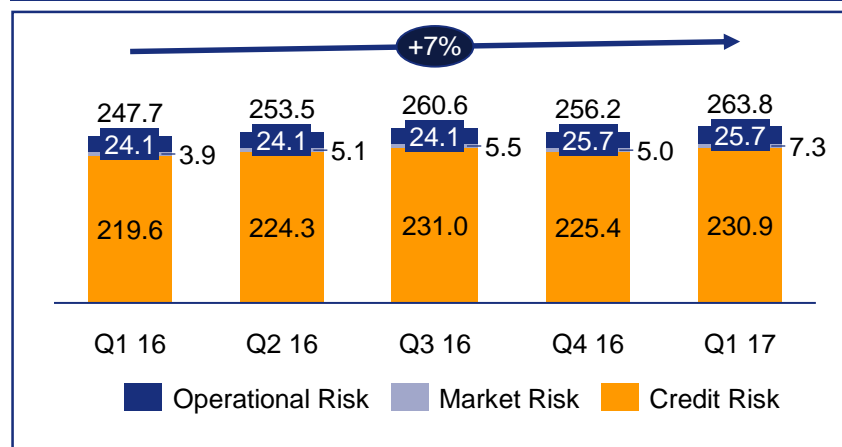
Capitalisation



Capital Movements

AED Bn	Tier 1	Tier 2	Total
Capital as at 31-Dec-2016	47.8	6.5	54.4
Net profits generated	1.9	-	1.9
FY 2016 dividend paid	(2.2)	-	(2.2)
Tier 1 Issuance/Repayment	-	-	-
Tier 2 Issuance/Repayment	-	-	-
Amortisation of Tier 2	-	-	-
Interest on T1 securities	(0.1)	-	(0.1)
Other	(0.3)	(0.2)	(0.5)
Capital as at 31-Mar-2017	47.0	6.4	53.4

Risk Weighted Assets – Basel II (AED Bn)



Non-Interest Income

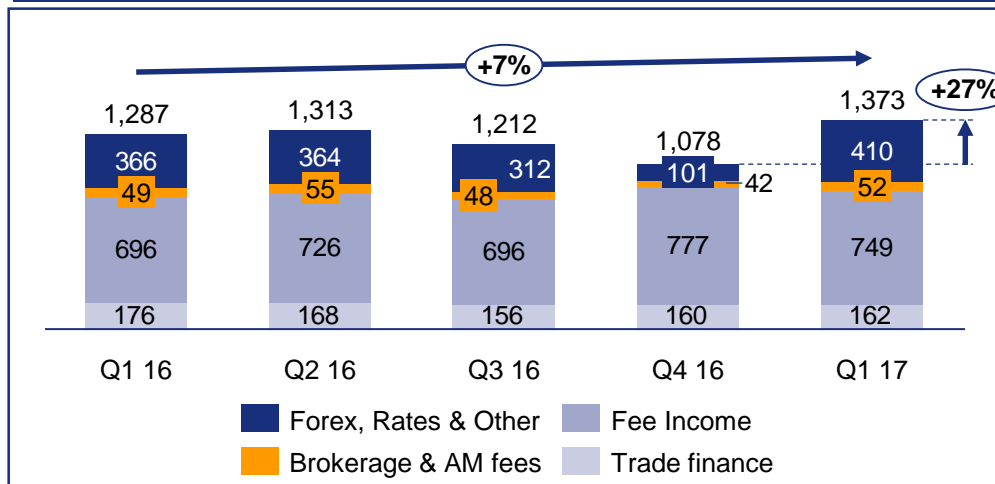
Highlights

- Core gross fee income increased 27% q-o-q and 7% y-o-y on account of higher income from forex and rates
- Non-interest income improved 13% q-o-q due to higher income from foreign exchange and rates coupled with the impact from last year's Egyptian Pound devaluation. Whilst core gross fee income grew 7%, non-interest income declined 16% y-o-y as a one-off gain on sale of investments in Q1-16 was not repeated.
- Income from property declined on lower demand for bulk and individual property sales compared to 2016 and changes to valuation of illiquid inventory

Composition of Non Interest Income (AED Mn)

AED Mn	Q1-17	Q1-16	Better / (Worse)	Q4-16	Better / (Worse)
Core gross fee income	1,373	1,287	7%	1,078	27%
Fees & commission expense	(232)	(195)	(19%)	(219)	(6%)
Core fee income	1,141	1,092	4%	859	33%
Property income / (loss)	(109)	35	(408%)	124	(188%)
Investment securities & other income	100	223	(55%)	19	423%
Total Non Interest Income	1,131	1,350	(16%)	1,003	13%

Trend in Core Gross Fee Income (AED Mn)

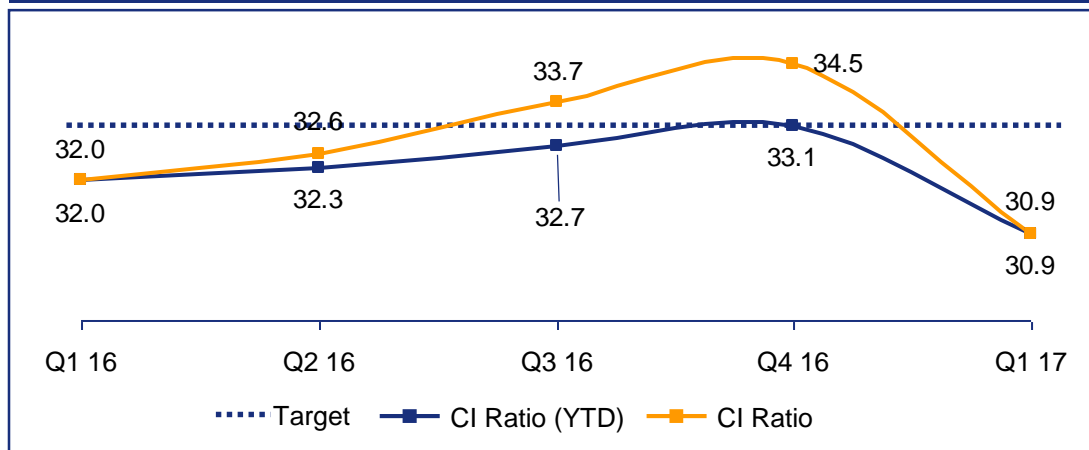


Operating Costs and Efficiency

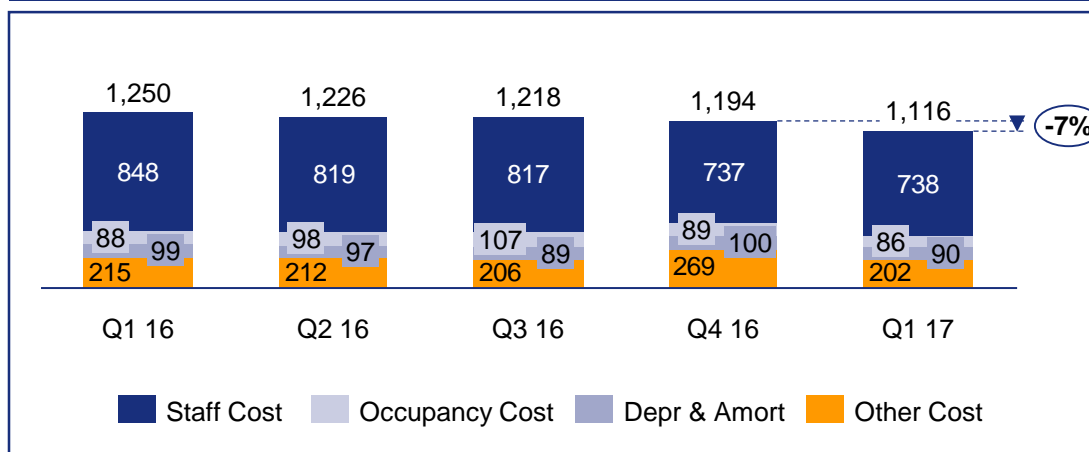
Highlights

- In Q1-17, costs improved by 7% q-o-q and 11% y-o-y, helped by a containment in staff costs, following cost control measures implemented in 2016
- Cost-to-Income Ratio improved by 3.6% q-o-q to 30.9%
- Costs expected to be within 2017 guidance range as cost base is now right sized and enables us to invest to support future growth

Cost to Income Ratio (%)



Cost Composition (AED Mn)

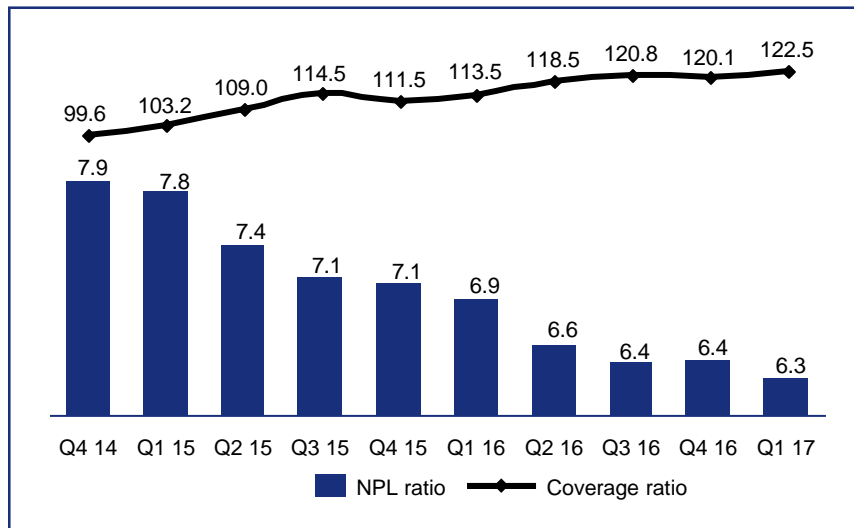


Credit Quality

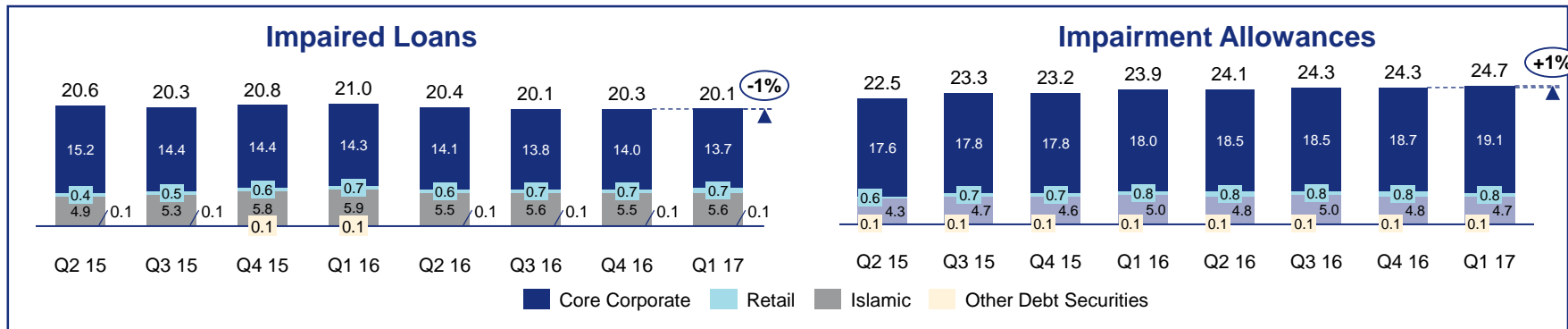
Highlights

- NPL ratio improved to 6.3%
- Impaired loans improved to AED 20.1 Bn during the quarter helped by AED 364 Mn of write backs & recoveries in Q1-17
- Q1-17 cost of risk at 80 bps (annualized) continued to improve as net impairment charge of AED 639 million improved 23% y-o-y
- Coverage ratio strong at 122.5%
- Total portfolio impairment allowances amount to AED 7.4 Bn or 3.19% of credit RWAs

Impaired Loan & Coverage Ratios (%)



Impaired Loans and Impairment Allowances (AED Bn)

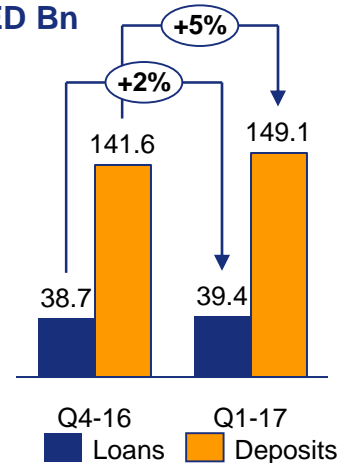


Divisional Performance

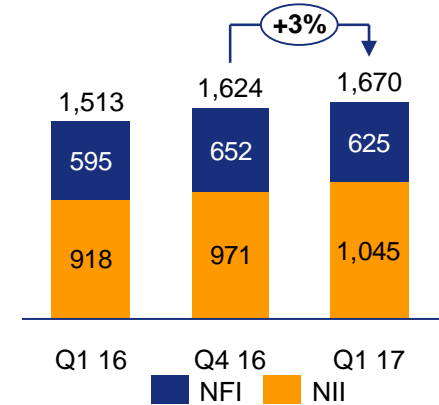
Retail Banking & Wealth Management

- RBWM revenues increased 3% q-o-q and 10% y-o-y
- In Q1-17, fee income grew 5% y-o-y and accounted for 37% of total RBWM revenue
- Loans grew by 2% across a range of products particularly mortgages; and deposits by 5% from end 2016
- The bank continues to optimize its distribution network with 575 ATMs and 94 branches as at 31-Mar-17
- RBWM enhanced its digital banking platform with the launch of EVA, the region's first voice-based virtual assistant; and continue to focus on offering innovative solutions such as paperless Personal Loan applications with same day disbursement

Balance Sheet Trends
AED Bn



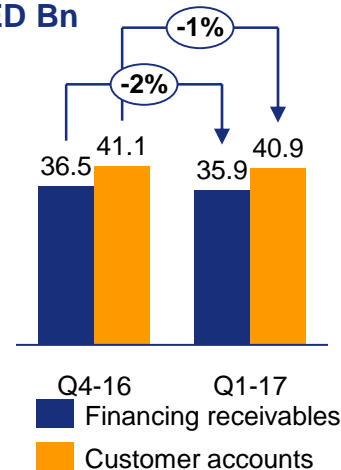
Revenue Trends
AED Mn



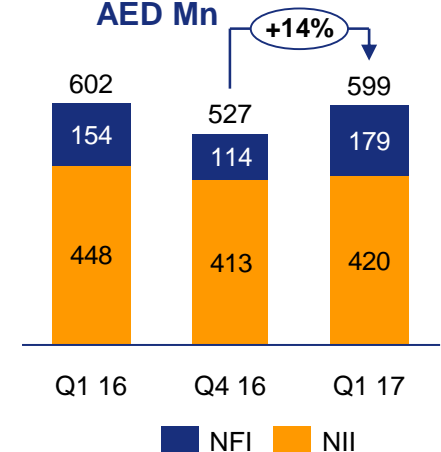
Islamic Banking

- Islamic Banking revenues increased 14% q-o-q and held steady y-o-y
- Financing receivables declined 2% from end 2016 due to a slowdown in new business being underwritten as EI tightened underwriting standards
- Customer accounts declined 1% 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 incremental CASA balances. As at end Mar-17, CASA represented 69% of EI's total customer accounts
- As at 31-Mar-17, EI had 64 branches and an ATM & CDM network of 204

Balance Sheet Trends
AED Bn



Revenue Trends
AED Mn

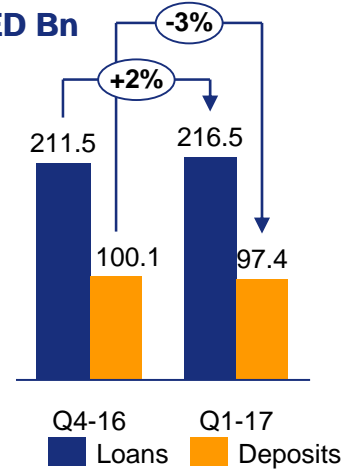


Divisional Performance (cont'd)

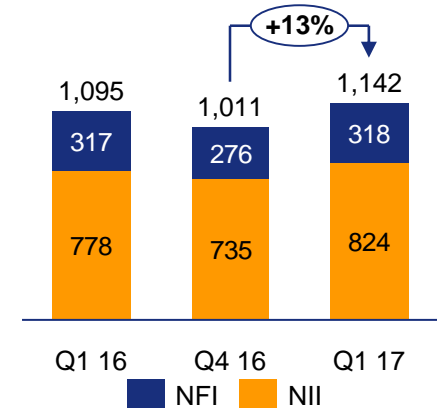
Wholesale Banking

- Wholesale Banking revenues increased 13% q-o-q and 4% y-o-y
- Loans grew 2% from end 2016 due to growth in real estate, trade and FI sectors
- Deposits declined 3% from end 2016, reflecting efforts to optimize both the mix and cost of funding by reducing high yield deposits and building CASA balances
- Fee income grew 15% q-o-q and held steady y-o-y
- 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



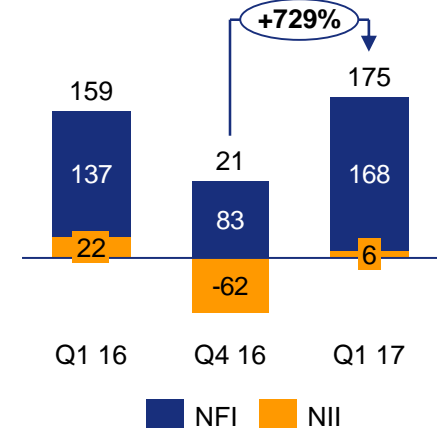
Revenue Trends AED Mn



Global Markets & Treasury

- GM&T revenues increased 729% q-o-q and 10% y-o-y
- NFI increased 102% q-o-q and 22% y-o-y
- Sales revenues saw strong growth due to higher volumes in Fixed Income sales & FX products
- Trading and investment delivered a good performance from Credit, Derivatives and FX Trading
- Global Funding raised AED 3.3 Bn of term debt via private placements

Revenue Trends AED Mn



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