

Emirates NBD
H1 2019 Results Presentation



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Emirates NBD delivered a strong set of results in H1-19

Key Metrics		2019 Macro themes	
		H1 2019	2019 Guidance
Profit	Net Profit	AED 7.5 Bn +49% y-o-y	
	NIM	2.77%	2.75-2.85%
	Cost to income	29.7%	33%
Credit Quality	NPL	5.9%	Stable
	Coverage	125.8%	✓
Capital	CET 1	17.4%	
	Tier 1	20.4%	
	CAR	21.5%	
Liquidity	AD Ratio	92.1%	90-100%
	LCR Ratio	188.8%	
Assets	Loan Growth	3.0%	mid-single digit

Regional	Global
 <ul style="list-style-type: none"> • GCC growth supported by stable oil production 	 <ul style="list-style-type: none"> • Slowing but still growing US economy • Positive outlook on Emerging Markets
 <ul style="list-style-type: none"> • Geo-politics • Softening UAE real estate prices 	 <ul style="list-style-type: none"> • Impact of US-China trade war on markets • Brexit uncertainty

H1-19 Financial results highlights

Highlights

- Net profit of AED 7,482 Mn for H1-19 increased 49% y-o-y and 49% over the preceding half year
- The results include a gain on disposal of a stake in Network International of AED 2.1 billion
- Core Operating Profit grew 8% y-o-y supported by strong asset growth and higher fee income
- Net interest income improved 10% y-o-y and 3% compared to H2-18 on asset growth that more than offset a small decline in net interest margin
- Non-interest income advanced 20% y-o-y and 17% over H2-18 due to higher foreign exchange revenue and increased investment banking activity
- Costs increased 7% y-o-y due to a rise in staff costs relating to international expansion, digital and technology
- Provisions of AED 1,226 Mn increased 62% y-o-y as the net cost or risk increased to an annualized 82 bps. AED 527 Mn of write backs and recoveries in H1-19
- NPL ratio stable at 5.9%.
- LCR of 188.8% and AD ratio of 92.1% demonstrates the Group's healthy liquidity position

Key performance indicators

AED Mn	H1-19	H1-18	Better / (Worse)	H2-18	Better / (Worse)
Net interest income	6,852	6,229	10%	6,659	3%
Non-interest income	2,676	2,222	20%	2,292	17%
Total income	9,527	8,451	13%	8,951	6%
Operating expenses	(2,826)	(2,646)	(7%)	(2,974)	5%
Pre-impairment operating profit	6,701	5,805	15%	5,978	12%
Impairment allowances	(1,226)	(755)	(62%)	(994)	(24%)
Operating profit	5,474	5,050	8%	4,984	10%
Gain on disposal of stake in jointly controlled entity	2,066	0	100%	0	100%
Share of profits from associates	12	49	(76%)	87	(86%)
Taxation charge	(70)	(82)	15%	(47)	(49%)
Net profit	7,482	5,018	49%	5,024	49%
Cost: income ratio	29.7%	31.3%	1.6%	33.2%	3.5%
Net interest margin	2.77%	2.78%	(0.01%)	2.86%	(0.09%)
AED Bn	30-Jun 2019	30-Jun 2018	%	31-Dec 2018	%
Total assets	537.8	477.5	13%	500.3	7%
Loans	337.7	316.4	7%	327.9	3%
Deposits	366.7	335.0	9%	347.9	5%
AD ratio (%)	92.1%	94.4%	2.3%	94.3%	2.2%
NPL ratio (%)	5.9%	6.0%	0.1%	5.9%	0.0%

Q2-19 Financial results highlights

Highlights

- Net profit of AED 4,739 Mn for Q2-19 increased 80% y-o-y and 73% q-o-q
- The results include a gain on disposal of a stake in Network International of AED 2.1 billion
- Core Operating Profit grew 2% year-on-year, supported by strong asset growth and higher fee income
- Net interest income improved 6% y-o-y and 2% q-o-q on asset growth that more than offset a decline in net interest margin
- Non-interest income advanced 23% y-o-y and 3% q-o-q due to higher foreign exchange revenue coupled with increased investment banking activity
- Costs increased 4% y-o-y and 2% q-o-q due to a rise in staff costs relating to international expansion, digital and technology
- Provisions of AED 656 Mn were 108% higher y-o-y and increased 15% q-o-q. The coverage ratio strengthened to 125.8%
- AED 197 Mn of write backs and recoveries in Q2-19

Key performance indicators

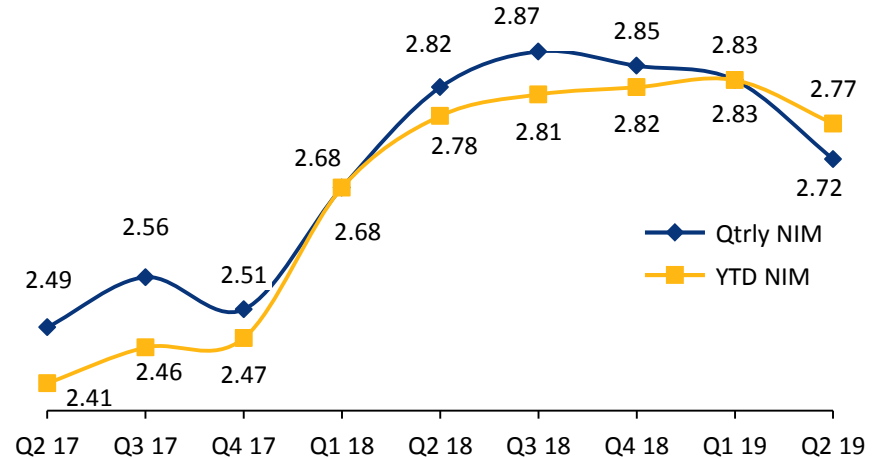
AED Mn	Q2-19	Q2-18	Better / (Worse)	Q1-19	Better / (Worse)
Net interest income	3,452	3,245	6%	3,400	2%
Non-interest income	1,359	1,103	23%	1,317	3%
Total income	4,810	4,348	11%	4,717	2%
Operating expenses	(1,430)	(1,370)	(4%)	(1,397)	(2%)
Pre-impairment operating profit	3,380	2,977	14%	3,320	2%
Impairment allowances	(656)	(315)	(108%)	(570)	(15%)
Operating profit	2,724	2,663	2%	2,750	(1%)
Gain on disposal of stake in jointly controlled entity	2,066	0	100%	0	100%
Share of profits from associates	(15)	18	(185%)	27	(156%)
Taxation charge	(36)	(50)	28%	(34)	(6%)
Net profit	4,739	2,631	80%	2,743	73%
Cost: income ratio	29.7%	31.5%	1.8%	29.6%	(0.1%)
Net interest margin	2.72%	2.82%	(0.10%)	2.83%	(0.11%)
AED Bn	30-Jun 2019	31-Dec 2018	%	31-Mar 2019	%
Total assets	537.8	500.3	7%	525.8	2%
Loans	337.7	327.9	3%	337.7	0%
Deposits	366.7	347.9	5%	359.4	2%
AD ratio (%)	92.1%	94.3%	2.2%	94.0%	1.9%
NPL ratio (%)	5.9%	5.9%	0.0%	5.9%	0.0%

Net interest income

Highlights

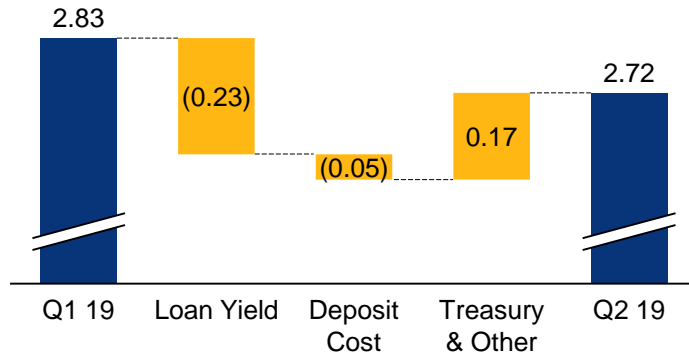
- NIMS have followed a similar pattern to short term interest rates, rising during 2018 as the US Fed increased rates, before declining to 2.77% in 2019. NIM in H1-2019 is 1 basis point lower than in 2018
- Q2-19 NIM of 2.72% declined 11 bps q-o-q which more than offset a rise in income from investments and bank placements
- Loan yields improved 31 bps y-o-y and declined 23 bps q-o-q due to moves in short term interest rates
- Deposit costs increased 43 bps y-o-y and 5 bps q-o-q due to a change in CASA - Fixed Deposit mix and short term interest rates
- NIM guidance of 2.75-2.85% unchanged, despite market uncertainty on next rate move, as Bank can retire more expensive forms of funding

Net Interest Margin (%)



Net Interest Margin Drivers (%)

Q2-19 vs. Q1-19



H1-19 vs. H1-18

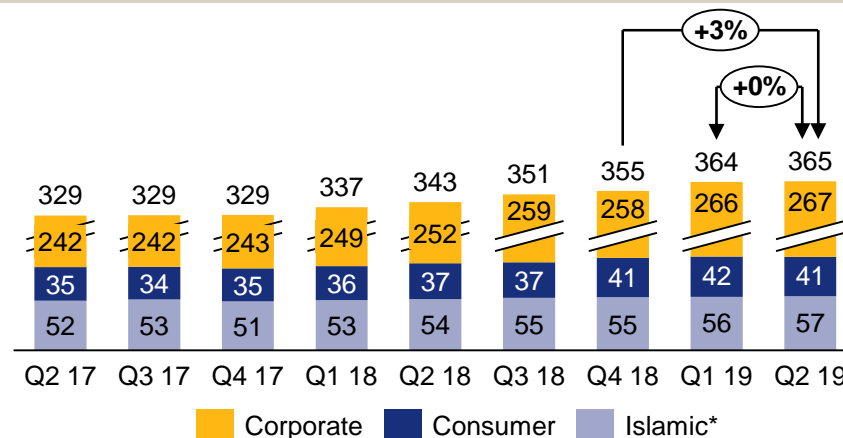


Loan and deposit trends

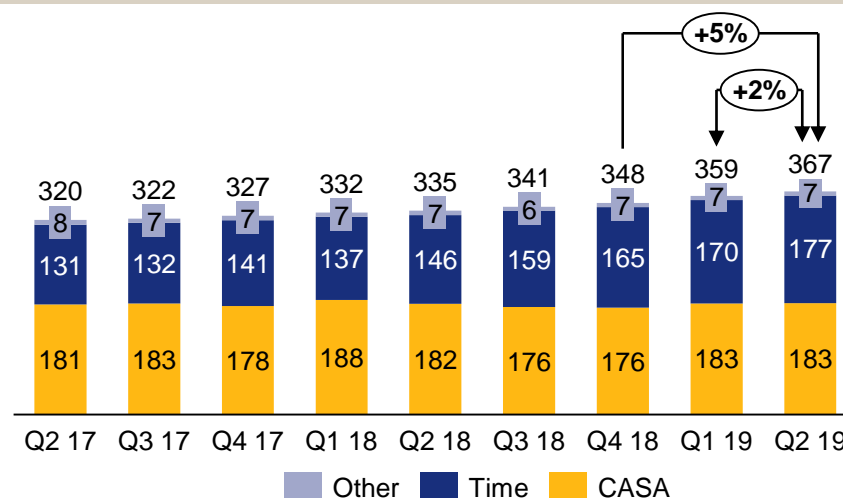
Highlights

- Gross loans grew 3% in H1-19 with growth across all operating segments
- Corporate lending grew 3% in H1-19 due to growth in manufacturing, services and real estate sectors
- Consumer lending remained unchanged in H1-19
- Islamic financing grew 2% in H1-19 due to growth in manufacturing, personal, and real estate sectors
- Deposits grew 5% in H1-19 with CASA balances advancing by 4% and fixed deposits increasing by 7%
- CASA deposits represent 50% of total deposits, compared with 51% at the end of 2018

Trend in Gross Loans by Type (AED Bn)



Trend in Deposits by Type (AED Bn)

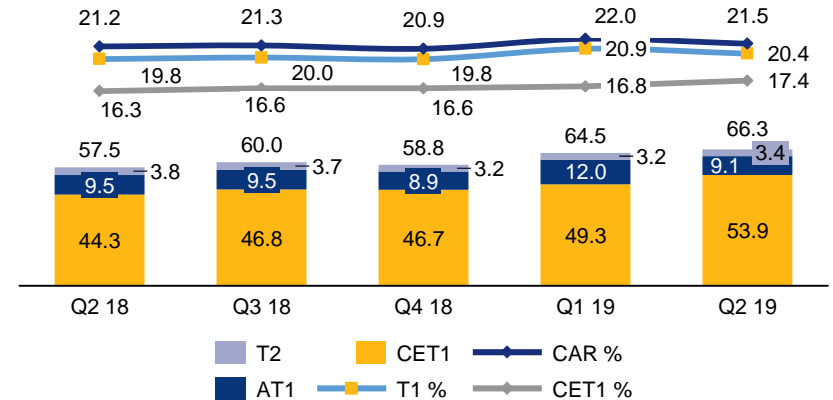


Capital adequacy

Highlights

- In Q2-19, CET 1 was higher at 17.4% as retained earnings more than offset an increase in RWAs
- CAR and Tier 1 ratio declined by 0.5% to 21.5% and 20.4% due to the call of USD 1 Bn non-Basel III compliant notes in May-19
- Capital ratios remain comfortably above the minimum regulatory requirements of 11% for CET-1 ratio, 12.5% for Tier 1 ratio and 14.5% for CAR ratio
- Minimum ratios include a 1.5% D-SIB buffer

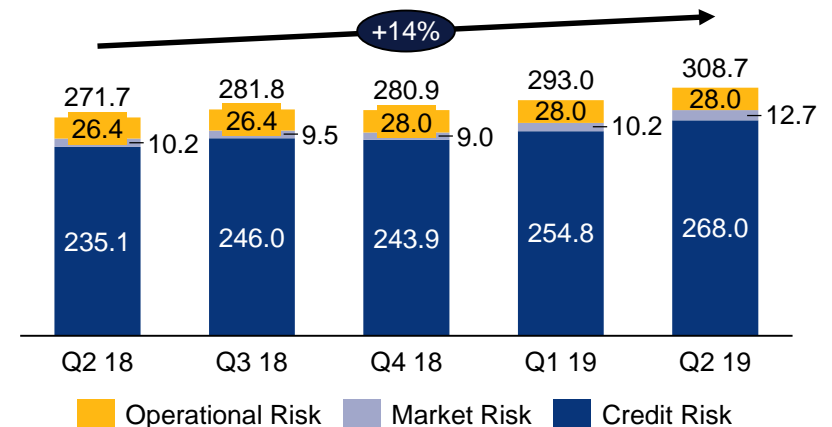
Capitalisation



Capital Movements table

AED Bn	CET1	Tier 1	Tier 2	Total
Capital as at 31-Dec-2018	46.7	55.6	3.2	58.8
Net profits generated	7.5	7.5	-	7.5
T1 Issuance	-	3.7	-	3.7
Repayment of Tier instruments	-	(3.7)	(0.1)	(3.8)
Interest on T1 securities	(0.4)	(0.4)	-	(0.4)
Amortisation of T1	-	(0.4)	-	(0.4)
Other	0.1	0.7	0.3	0.9
Capital as at 30-Jun-2019	53.9	63.0	3.4	66.3

Risk Weighted Assets

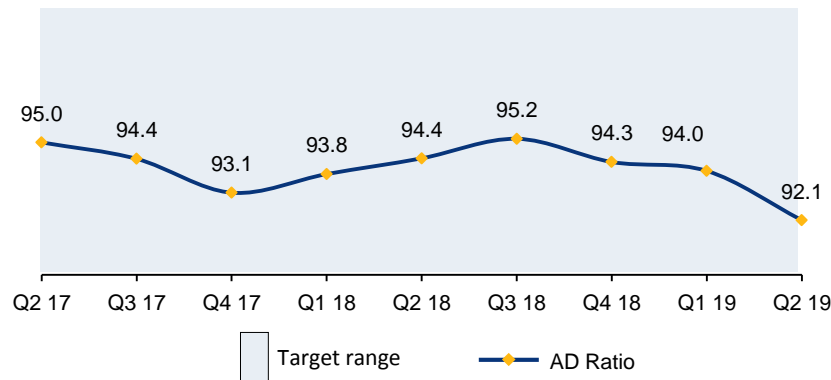


Funding and liquidity

Highlights

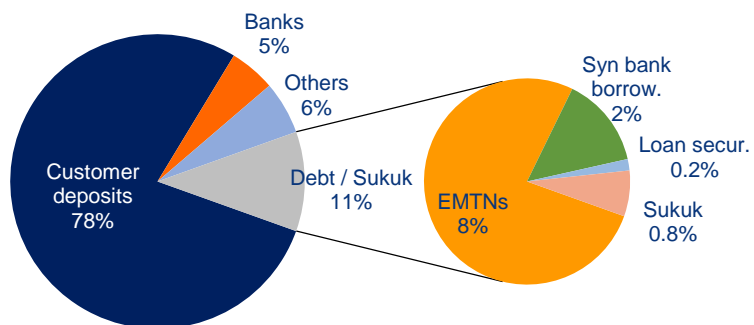
- Liquidity Coverage Ratio of 188.8% and AD ratio of 92.1% demonstrates healthy liquidity position
- Liquid assets* of AED 84.7 Bn as at H1-19 (18.0% of total liabilities)
- In H1-19, AED 9.7 Bn of term debt issued in 7 currencies with maturities out to 20 years, more than fully covering 2019 total maturities
- Debt/Sukuk now represent 11% of total liabilities

Advances to Deposit (AD) Ratio (%)



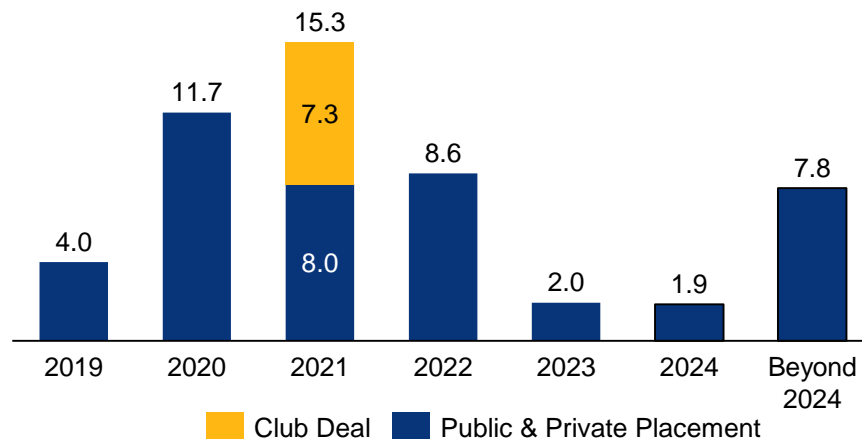
Composition of Liabilities/Debt Issued (%)

Liabilities (AED 468.8 Bn) Debt/Sukuk (AED 51.3 Bn)



Maturity Profile of Debt Issued (AED Bn)

Maturity Profile of Debt/ Sukuk Issued AED 51.3 Bn



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

Non-interest income

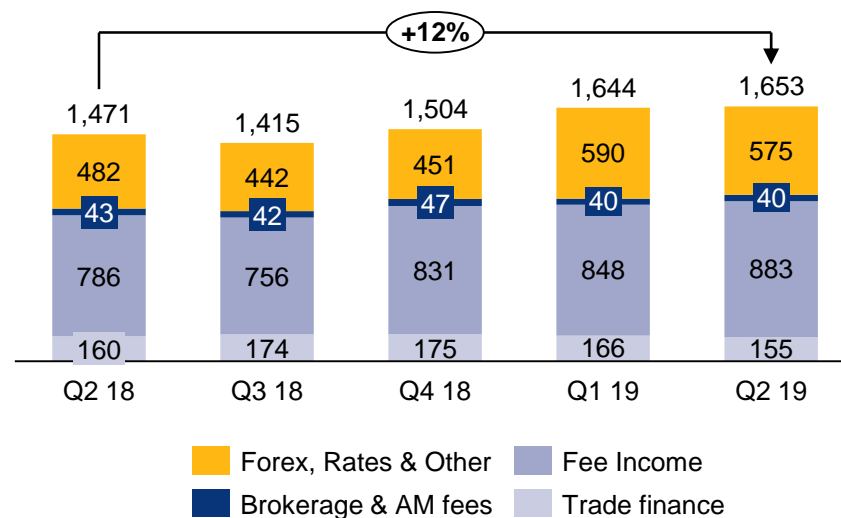
Highlights

- Core fee income increased by 10% y-o-y on the back of higher foreign exchange income generated by the Trading and ALM desks
- Fee income also improved due to higher volume of card transactions and increased Investment Banking income
- Investment Securities Income improved y-o-y due to impairment provision on a private equity investment in 2018
- Total non-interest income advanced 23% y-o-y on higher core fee income and lower impairment on investment securities

Composition of Non Interest Income (AED Mn)

AED Mn	Q2-2019	Q2-2018	Better / (Worse)	Q1-2019	Better / (Worse)
Core gross fee income	1,653	1,471	12%	1,644	1%
Fees & commission expense	(342)	(284)	(20%)	(314)	(9%)
Core fee income	1,311	1,187	10%	1,330	(1%)
Property income / (loss)	13	10	32%	(80)	117%
Investment securities & other income	35	(95)	137%	67	(47%)
Total Non Interest Income	1,359	1,103	23%	1,317	3%

Trend in Core Gross Fee Income (AED Mn)

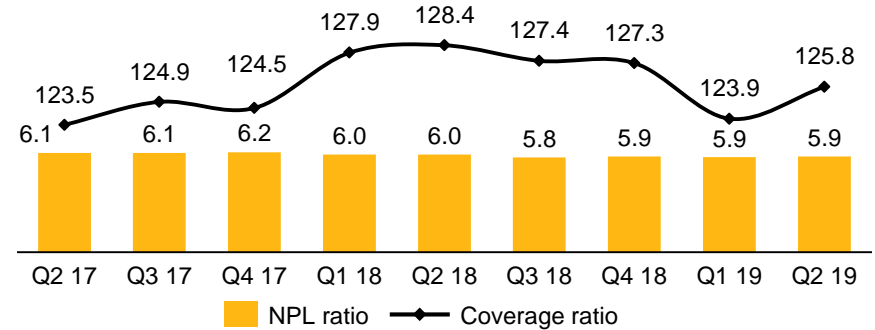


Credit quality

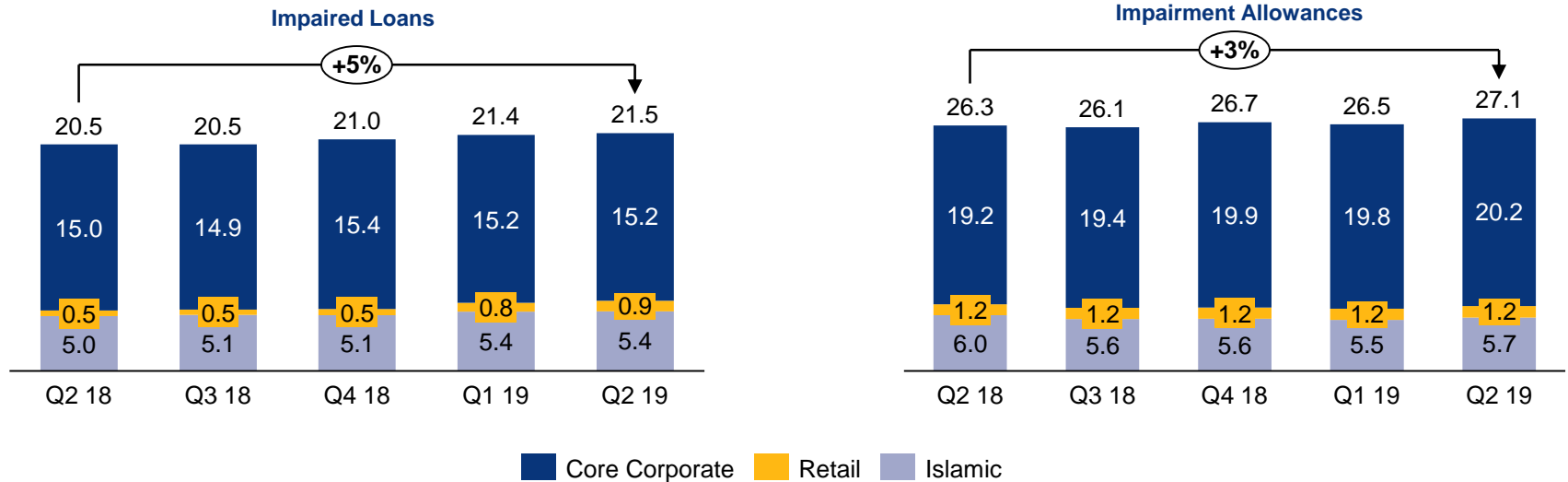
Highlights

- NPL ratio stable to 5.9% in H1-19
- H1-19 cost of risk increased to 82 bps from 63bp in 2018 on higher net impairment charge of AED 1,226 Mn
- AED 527 Mn of write backs & recoveries in H1-19
- The coverage ratio strengthened to 125.8%
- Stage 1 & 2 ECL allowances amount to AED 8.2 Bn or 3.1% of Credit RWA

Impaired Loan & Coverage Ratios (%)



Impaired Loans and Impairment Allowances (AED Bn)

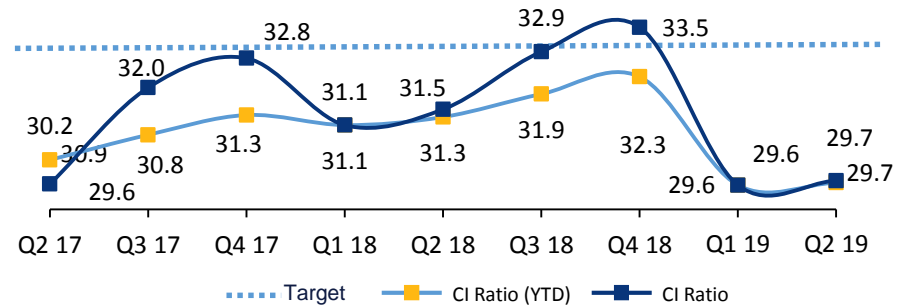


Operating costs and efficiency

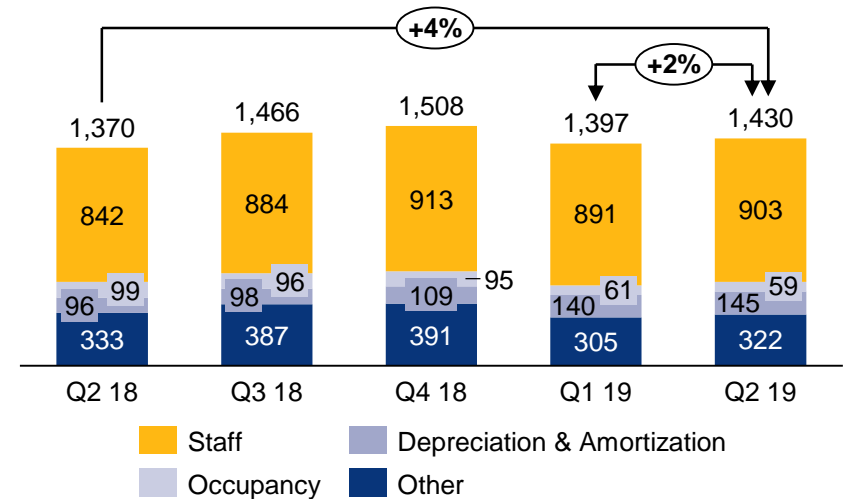
Highlights

- Q2-19 costs were AED 1,430 Mn, a 2% q-o-q and 4% y-o-y increase due to a rise in staff costs relating to international expansion, digital and technology
- Other Costs are lower y-o-y as higher telecommunication costs were more than offset by lower consultancy costs
- The cost to income ratio at 29.7%, remains within guidance of 33% and gives headroom to invest selectively to support future growth

Cost to Income Ratio (%)



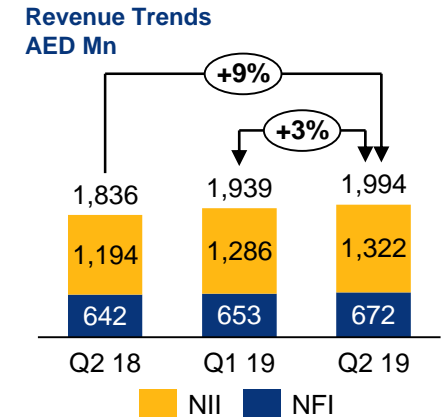
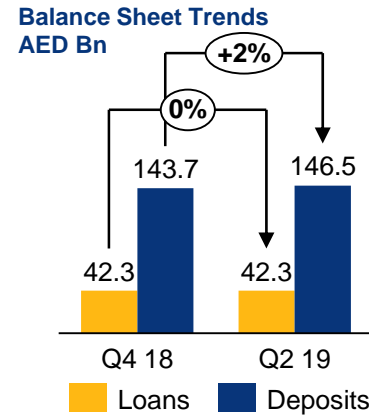
Cost Composition (AED Mn)



Divisional performance

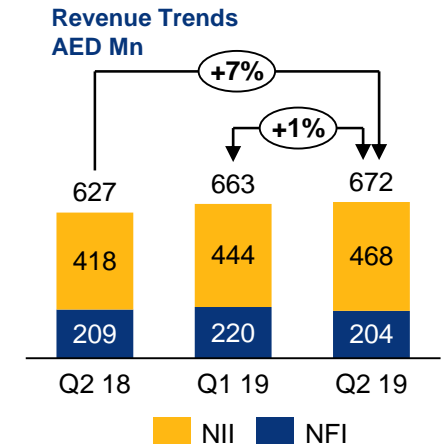
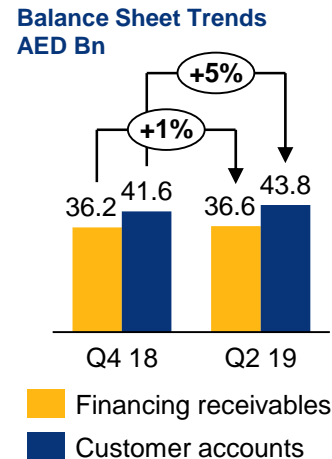
Retail Banking & Wealth Management

- Revenue increased 9% y-o-y and 3% q-o-q led by higher net interest income from liabilities and fee income driven by Cards and FX
- Liabilities grew by 2% backed by higher current and savings accounts
- New card sales were also up 24% over the previous period
- Liv, the lifestyle digital bank for millennials remains the fastest growing retail banking proposition in the UAE reaching a base of over 250,000 customers



Emirates Islamic

- Revenue increased 7% y-o-y led by a 12% increase in funded income
- El's total assets reached AED 61.1 billion for H1-2019. Financing and Investing Receivables increased by 1% to AED 36.6 billion since 2018
- CASA balances represented 64% of total customer accounts compared with 66% at the end of 2018
- El's headline Financing to Deposit ratio stood at 83% and is comfortably within the management's target range

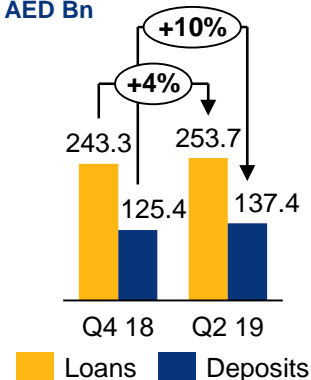


Divisional performance

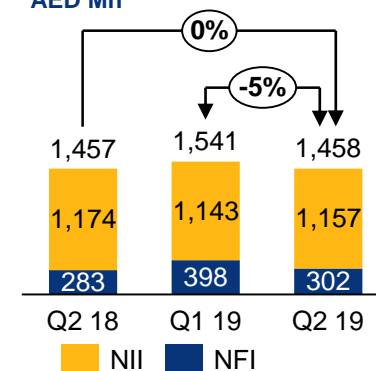
Wholesale Banking

- Wholesale Banking revenue remained unchanged y-o-y and was down 5% q-o-q due to lower volume of treasury sales and FX margins during an extended holiday period
- Net interest income grew 1% q-o-q driven by growth in lending activity
- Fee income of AED 700 million for H1-2019 increased by 15% due to higher lending related fees and increased investment banking activity
- Loans grew 4% in H1-19 with strong momentum in lending activity and growth in the Bank's core and short term lending business
- Deposits were 10% higher reflecting the Bank's aim to maintain liquidity at an optimum level

Balance Sheet Trends
AED Bn



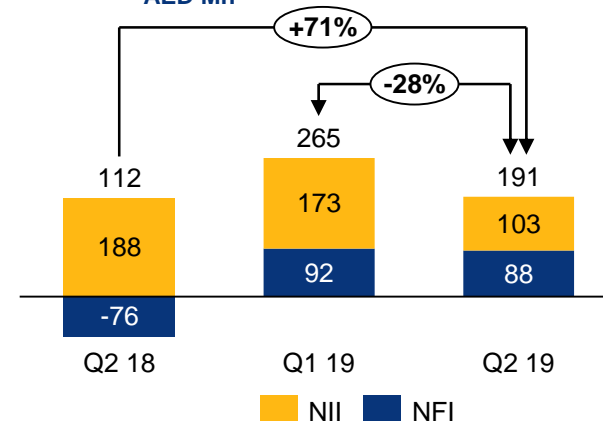
Revenue Trends
AED Mn



Global Markets & Treasury

- GM&T revenues increased 71% y-o-y
- Revenue growth helped by increased credit trading activity from higher new issuance volumes in the region
- The Rates desk stepped up market making activities which helped increase market share. The Foreign Exchange desk also contributed by taking advantage of volatility in G10 currencies
- The ALM business continued to deliver strong results by positioning the balance sheet to take maximum advantage of interest rates movements
- The Global Funding Desk raised AED 9.7 billion of term funding through private placements with maturities out to 20 years. The desk also successfully raised a US\$ 1 billion Perpetual Tier 1 issuance

Revenue Trends
AED Mn





Get in touch.

INVESTOR RELATIONS



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