# FY 2016 Results Presentation

16 January 2017

Emirates NBD

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# Emirates NBD delivered a solid set of results in 2016 amid a challenging environment

## FY 2016 at a glance

| | | FY 2015 | FY 2016 | vs. 2016 Guidance |
|---|---|---|---|---|
| Profitability | Net profit | AED 7.1 Bn | AED 7.2 Bn +2% y-o-y | |
| | Net interest margin | 2.85% | 2.51% | 2.55 – 2.65% |
| | Cost-to-income ratio | 31.0% | 33.1% | 33% |
| Credit Quality | NPL ratio | 7.1% | 6.4% | |
| | Coverage ratio | 111.5% | 120.1% | |
| Capital & Liquidity | Tier 1 ratio | 18.0% | 18.7% | |
| | Capital adequacy ratio | 20.7% | 21.2% | |
| | AD ratio | 94.2% | 93.4% | 90-100% |
| Assets | Net Loan growth | 10% | 7% | mid-to-high single digit |

## 2016 Macro themes

| | Regional | Global |
|---|---|---|
| + | • Resilience of UAE economy due to non-oil sectors<br>• UAE stock market movements correlated to changes in oil price | • Strong stock market performance and Dollar strength following Brexit and US election results<br>• Oil prices largely range bound since recovering from early 2016 lows |
| - | • Strong dollar impact on Dubai tourism counterbalanced by growth in visitors from new routes<br>• Tighter liquidity in UAE banking system due to regional competition for deposits<br>• Credit concerns on SMEs and regional contracting sector | • Slowdown in global growth contributed to weaker business and investor sentiment |

# FY 2016 Financial Results

## Highlights

- Net profit of AED 7,239 million for FY-16 improved 2% y-o-y
- Net interest income decreased 1% y-o-y as NIM contraction more than offset loan growth
- Non-interest income decreased 7% y-o-y. Core gross fee income remained flat despite one-off impact in Q4 from Egyptian Pound devaluation. Reduced income from sale of properties and investments on lower disposals
- Costs grew 4% 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 improved for 4 consecutive quarters as cost control measures take effect.
- Provisions of AED 2,608 million improved 23% y-o-y as net cost of risk improved on the back of further writebacks and recoveries.
- NPL ratio improved to 6.4% and coverage ratio strengthened to 120.1% during 2016
- AD ratio of 93.4% within management range
- FY-16 NIMs declined to 2.51% as loan spreads did not keep pace with the higher cost of deposits and wholesale funding

## Key Performance Indicators

| AED Mn | FY-16 | FY-15 | Better / (Worse) |
|---|---|---|---|
| Net interest income | 10,111 | 10,241 | (1%) |
| Non-interest income | 4,637 | 4,987 | (7%) |
| **Total income** | **14,748** | **15,228** | **(3%)** |
| Operating expenses | (4,888) | (4,719) | (4%) |
| **Pre-impairment operating profit** | **9,860** | **10,509** | **(6%)** |
| Impairment allowances | (2,608) | (3,406) | 23% |
| **Operating profit** | **7,252** | **7,102** | **2%** |
| Share of profits from associates | 135 | 166 | (19%) |
| Taxation charge | (148) | (145) | (2%) |
| **Net profit** | **7,239** | **7,124** | **2%** |
| Cost: income ratio (%) | 33.1% | 31.0% | (2.1%) |
| Net interest margin (%) | 2.51% | 2.85% | (0.34%) |

| AED Bn | 31-Dec-16 | 31-Dec-15 | % |
|---|---|---|---|
| Total assets | 448.0 | 406.6 | 10% |
| Loans | 290.4 | 270.6 | 7% |
| Deposits | 310.8 | 287.2 | 8% |
| AD ratio (%) | 93.4% | 94.2% | 0.8% |
| NPL ratio (%) | 6.4% | 7.1% | 0.7% |

# Q4-16 Financial Results Highlights

## Highlights

- Net profit of AED 1,857 million for Q4-16 declined 13% y-o-y and increased 12% q-o-q
- Net interest income declined 8% y-o-y and 4% q-o-q due to higher cost of fixed deposits and wholesale funding
- Non-interest income declined 29% y-o-y and declined 6% q-o-q as one-time gains from investment related income in Q4-15 and sale of properties in Q3-16 were not repeated, whilst core fee income declined due to one-off impact from Egyptian Pound devaluation
- Costs improved 12% y-o-y and 2% q-o-q as cost control measures implemented during the year take effect
- Provisions of AED 424 million improved 29% y-o-y as net cost of risk improved on the back of further writebacks and recoveries
- NPL ratio improved to 6.4% and coverage ratio strengthened to 120.1% during 2016
- AD ratio of 93.4% within management range
- Q4-16 NIMs declined to 2.29% as loan spreads did not keep pace with the higher cost of deposits, coupled with lower yields from investments

## Key Performance Indicators

| AED Mn | Q4-16 | Q4-15 | Better / (Worse) | Q3-16 | Better / (Worse) |
|---|---|---|---|---|---|
| Net interest income | 2,460 | 2,669 | (8%) | 2,551 | (4%) |
| Non-interest income | 1,003 | 1,404 | (29%) | 1,063 | (6%) |
| **Total income** | **3,463** | **4,073** | **(15%)** | **3,614** | **(4%)** |
| Operating expenses | (1,194) | (1,357) | 12% | (1,218) | 2% |
| **Pre-impairment operating profit** | **2,269** | **2,716** | **(16%)** | **2,397** | **(5%)** |
| Impairment allowances | (424) | (599) | 29% | (729) | 42% |
| **Operating profit** | **1,845** | **2,117** | **(13%)** | **1,668** | **11%** |
| Share of profits from associates | 49 | 53 | (7%) | 25 | 98% |
| Taxation charge | (37) | (36) | (2%) | (29) | (29%) |
| **Net profit** | **1,857** | **2,134** | **(13%)** | **1,664** | **12%** |
| Cost: income ratio (%) | 34.5% | 33.3% | (1.2%) | 33.7% | (0.8%) |
| Net interest margin (%) | 2.29% | 2.82% | (0.53%) | 2.44% | (0.15%) |

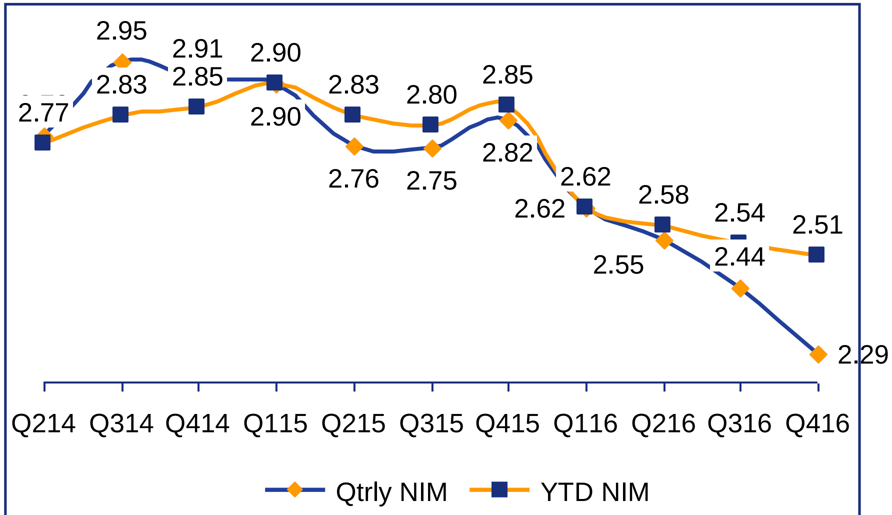
| AED Bn | 31-Dec-16 | 31-Dec-15 | % | 30-Sep-16 | % |
|---|---|---|---|---|---|
| Total assets | 448.0 | 406.6 | 10% | 446.0 | 0% |
| Loans | 290.4 | 270.6 | 7% | 289.2 | 0% |
| Deposits | 310.8 | 287.2 | 8% | 311.6 | 0% |
| AD ratio (%) | 93.4% | 94.2% | 0.8% | 92.8% | (0.6%) |
| NPL ratio (%) | 6.4% | 7.1% | 0.7% | 6.4% | 0.0% |

# Net Interest Income

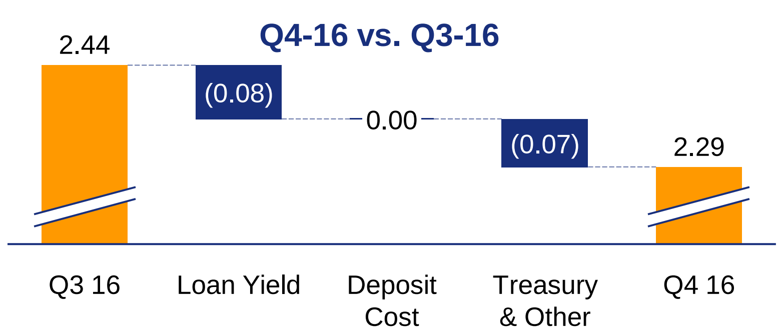
## Highlights

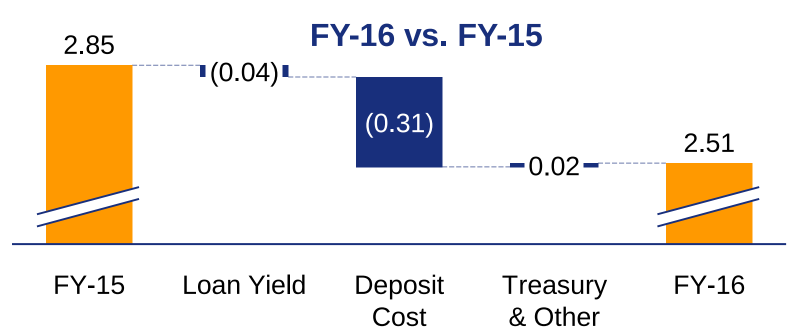
- NIMs declined to 2.51% in 2016 and to 2.29% in Q4-16
- Loan yields declined 4 bps y-o-y and 8 bps q-o-q as margins declined due to competitive pressures
- Deposit costs reduced margins by 31 bps y-o-y due to higher fixed deposit balances partially offset by further CASA growth; and held steady q-o-q as cost of new fixed deposits reduced on lower competition
- Treasury & other spreads declined 7 bps q-o-q due to lower yields from investments but improved 2 bps y-o-y due to cheaper term funding
- We expect NIMs for 2017 to be in the 2.35-2.45% range helped by rate rises and a more stable liquidity environment

## Net Interest Margin (%)




## Net Interest Margin Drivers (%)



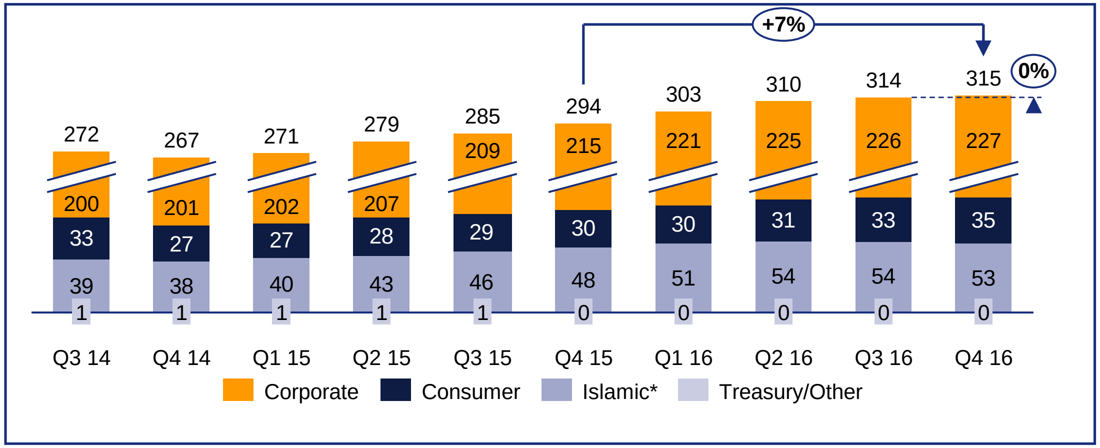



# Loan and Deposit Trends

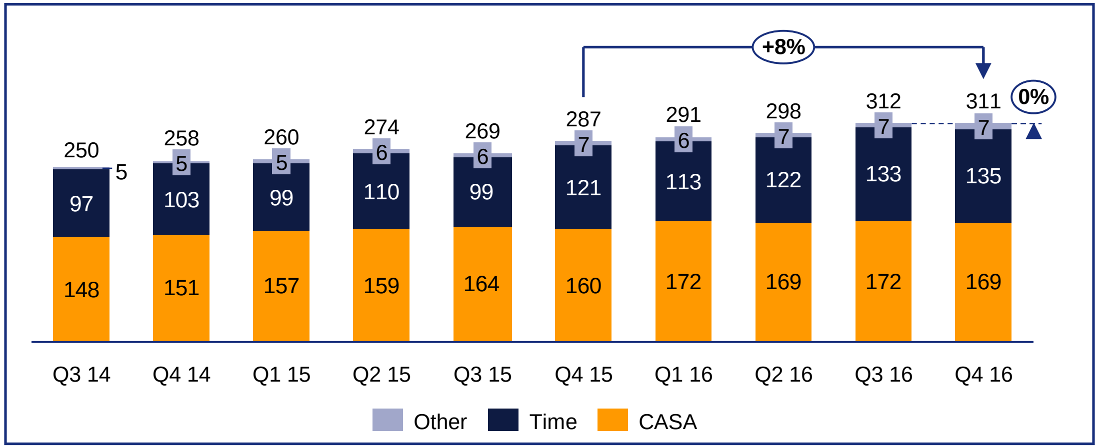
## Highlights

- Gross loans grew 7% since end 2015 with good growth in Consumer and Islamic lending
- Islamic financing grew 8% since end 2015 due to growth in retail, trade, construction and real estate sectors
- Corporate lending grew 6% since end 2015 due to growth in real estate, construction and FI sectors
- Consumer lending grew 14% since end 2015 across a range of products including mortgages and credit cards
- Deposits were flat q-o-q and up 8% y-o-y
- CASA deposits grew 6% since end 2015 and represent 54% of total deposits, up from 43% at end 2012

## Trend in Gross Loans by Type (AED Bn)




## Trend in Deposits by Type (AED Bn)



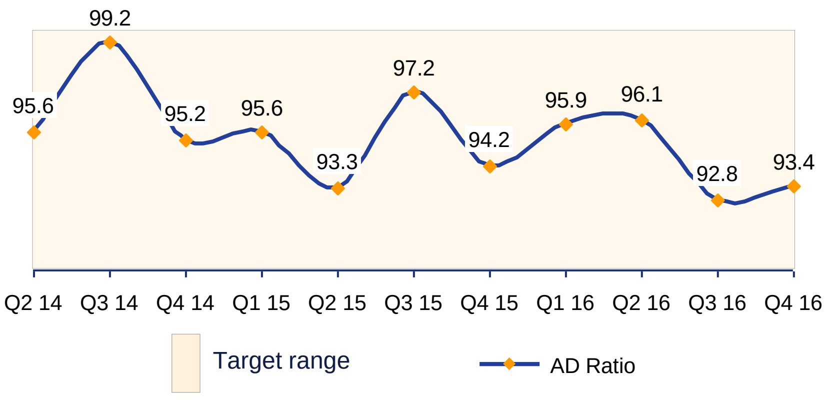

* Gross Islamic Financing Net of Deferred Income

# Funding and Liquidity

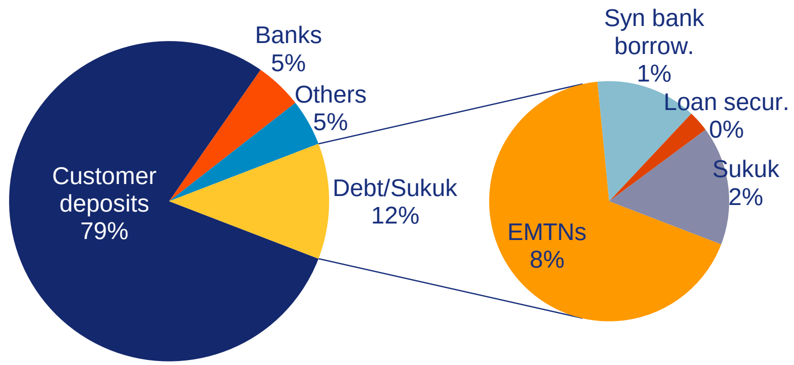
## Highlights

- AD ratio of 93.4% within 90-100% management target range
- Liquid assets* of AED 57.2 Bn as at end 2016 (14.5% of total liabilities)
- Debt & Sukuk term funding represent 12% of total liabilities
- In 2016, AED 9.1 Bn term debt matured. This was replaced with AED 20.3 Bn raised via AED 10.4 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

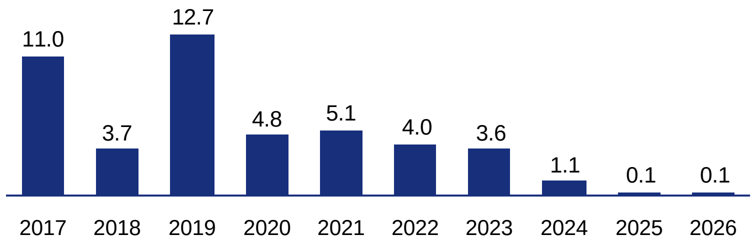
## Advances to Deposit (AD) Ratio (%)




## Composition of Liabilities/Debt Issued (%)




## Maturity Profile of Debt Issued (AED Bn)



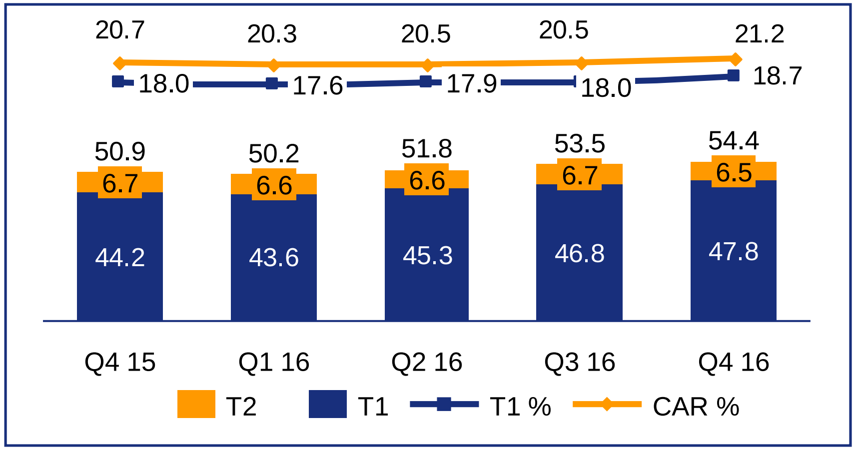

*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

# Capital Adequacy

## Highlights

- In Q4-16, Tier 1 ratio increased by 0.7% to 18.7% and CAR increased by 0.7% to 21.2%
- Increase in Tier 1 ratio on the back of higher Tier 1 capital from retained earnings, coupled with modest decrease in risk weighted assets primarily due to Egyptian Pound devaluation

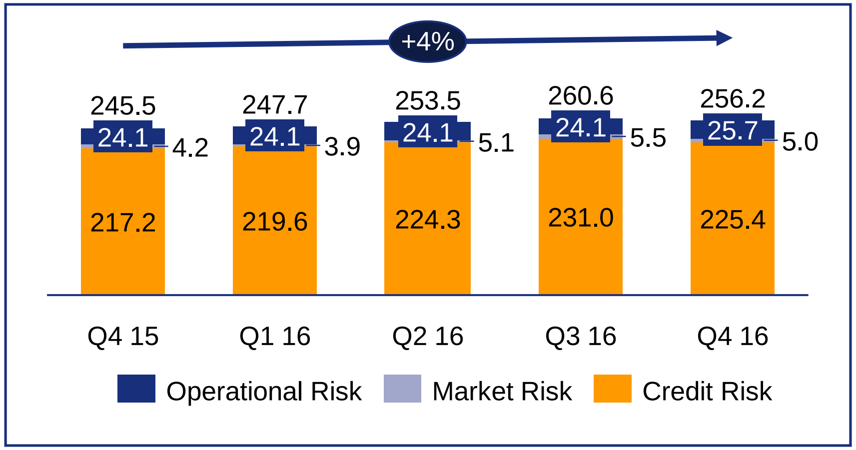
## Capitalisation




## Capital Movements

| AED Bn | Tier 1 | Tier 2 | Total |
|---|---|---|---|
| **Capital as at 31-Dec-2015** | **44.2** | **6.7** | **50.9** |
| Net profits generated | 7.2 | - | **7.2** |
| FY 2015 dividend paid | (2.2) | - | **(2.2)** |
| Tier 1 Issuance/Repayment | - | - | **-** |
| Tier 2 Issuance/Repayment | - | - | **-** |
| Amortisation of Tier 2 | - | - | **-** |
| Interest on T1 securities | (0.6) | - | **(0.6)** |
| Goodwill | 0.2 | - | **0.2** |
| Other | (1.0) | (0.1) | **(1.2)** |
| **Capital as at 31-Dec-2016** | **47.8** | **6.5** | **54.4** |

## Risk Weighted Assets – Basel II (AED Bn)



# Non-Interest Income

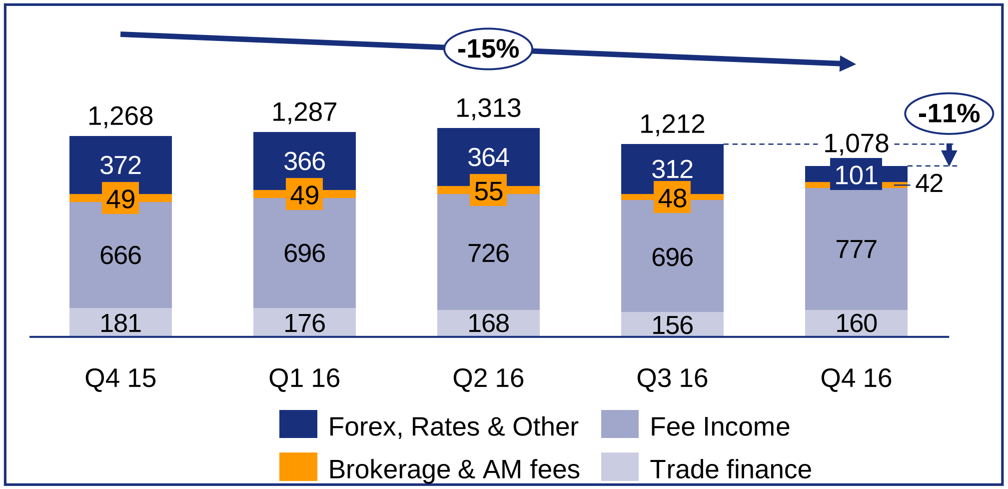
## Highlights

- Non-interest income declined 7% y-o-y
- Core gross fee income declined 11% q-o-q but remained flat y-o-y despite one-off impact in Q4 from Egyptian Pound devaluation
- If these exceptional items are excluded then core gross fee income would have registered an increase
- Property income declined on lower demand for bulk and individual property sales compared to 2015
- Income from Investment Securities declined y-o-y due to lower one-off gains in 2016

## Composition of Non Interest Income (AED Mn)

| AED Mn | FY-16 | FY-15 | Better / (Worse) |
|---|---|---|---|
| Core gross fee income | 4,889 | 4,897 | (0%) |
| Fees & commission expense | (886) | (740) | (20%) |
| **Core fee income** | **4,003** | **4,157** | **(4%)** |
| Property income / (loss) | 210 | 321 | (35%) |
| Investment securities & other income | 424 | 510 | (17%) |
| **Total Non Interest Income** | **4,637** | **4,987** | **(7%)** |

## Trend in Core Gross Fee Income (AED Mn)

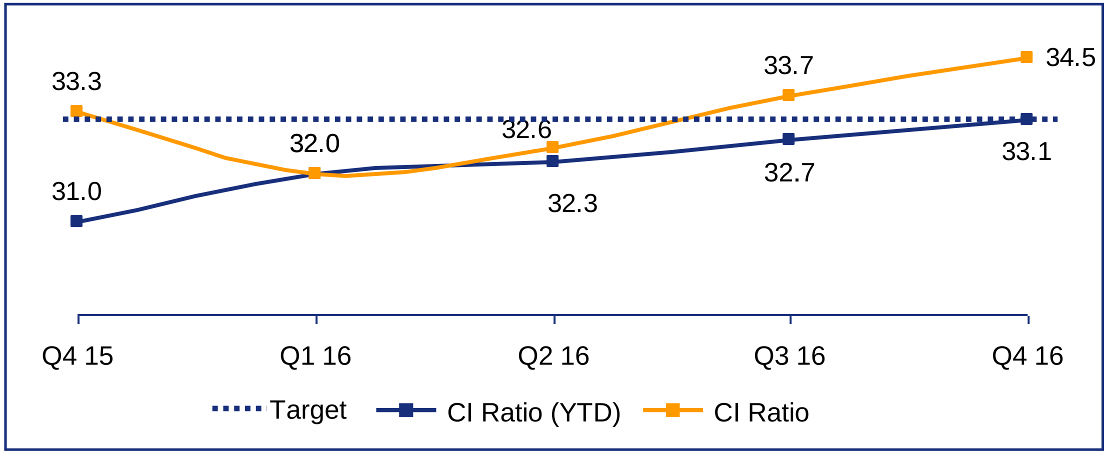


# Operating Costs and Efficiency

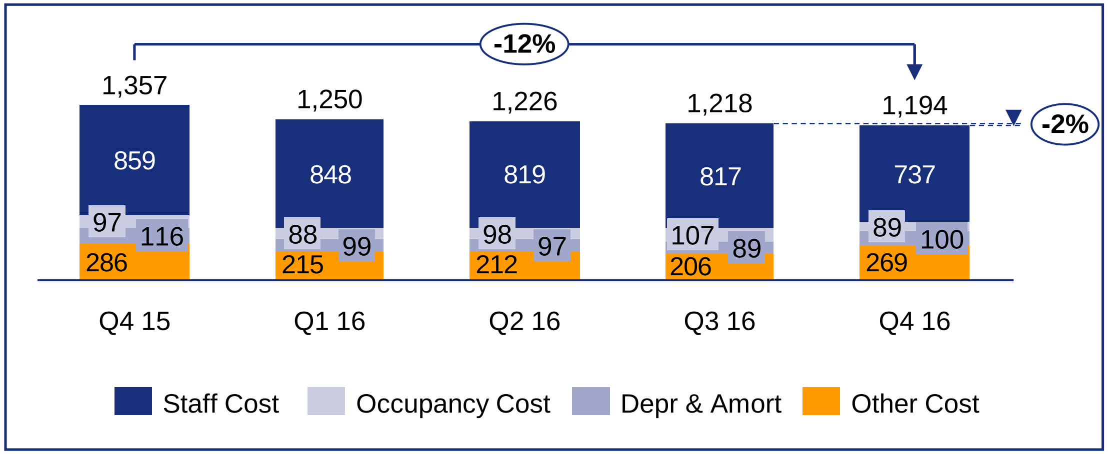
## Highlights

- In Q4-16, costs improved by 2% q-o-q, helped by a further reduction in staff costs, following cost control measures implemented earlier in 2016
- Costs increased by 4% 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 2.1% in 2016 to 33.1% % due to higher costs and lower one-off income during the year
- Adjusted for one-offs, the Cost-to-Income Ratio for FY-16 was 33.2%
- Costs expected to fall within guidance range in 2017 as cost control measures continue to take effect

## Cost to Income Ratio (%)




## Cost Composition (AED Mn)

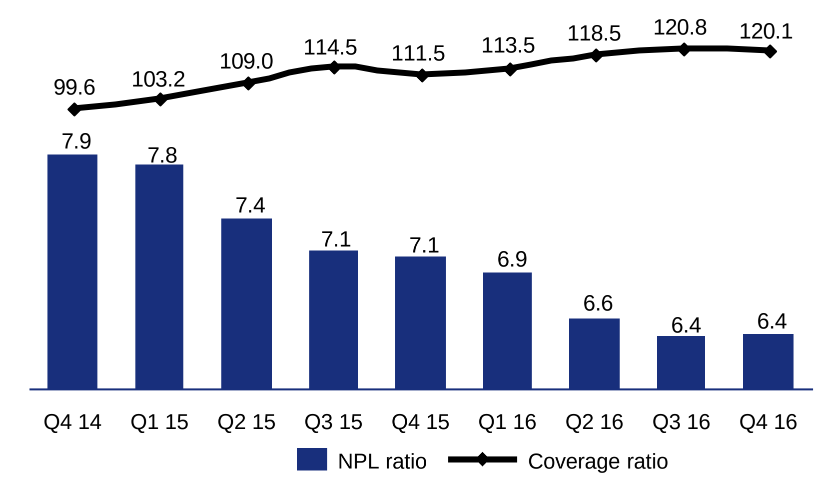


# Credit Quality

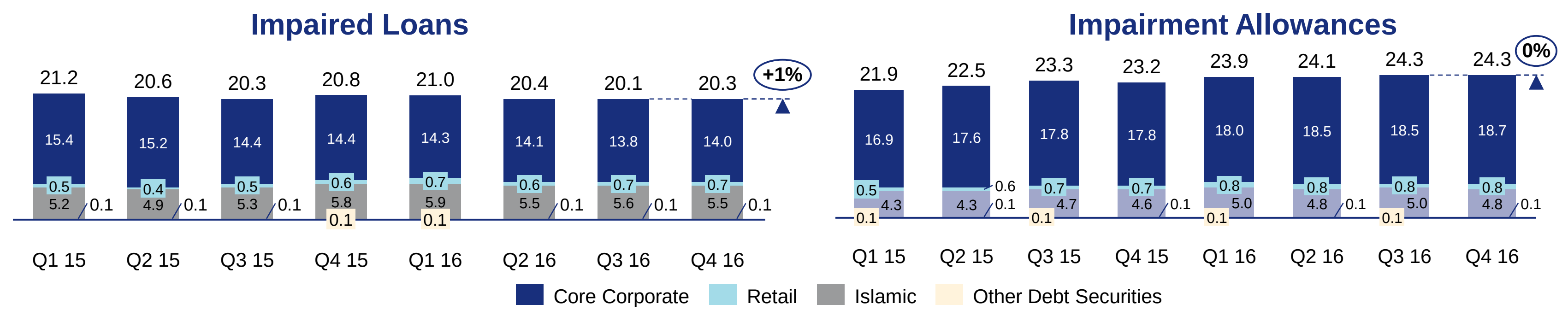
## Highlights

- NPL ratio improved by 0.7% in 2016 to 6.4%
- Impaired loans improved to AED 20.3 Bn during the year helped by AED 3,071 Mn of write backs & recoveries in 2016
- 2016 cost of risk at 83 bps continued to improve as net impairment charge of AED 2,608 million improved 23% y-o-y
- Coverage ratio strong at 120.1%
- Total portfolio impairment allowances amount to AED 7.0 Bn or 3.11% of credit RWAs

## Impaired Loan & Coverage Ratios (%)




## Impaired Loans and Impairment Allowances (AED Bn)

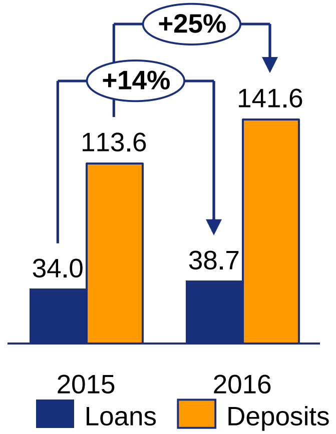


# Divisional Performance

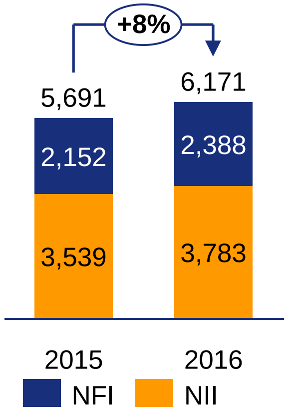
## Retail Banking & Wealth Management

- RBWM revenues increased 8% y-o-y
- In FY-16, fee income accounted for 39% of total RBWM revenue, compared to 30% in 2013
- Loans grew by 14% across a range of products including mortgages and credit cards; and deposits by 25% from end 2015
- The bank continues to optimize its distribution network with 580 ATMs and 94 branches as at 31-Dec-16
- RBWM enhanced its award winning digital banking platform in 2016 with initiatives such as Emirates NBD Pay and Branch of the Future and continued to focus on offering innovative solutions such as variable rate FlexiLoans and GlobalCash multi-currency card

**Balance Sheet Trends**
**AED Bn**



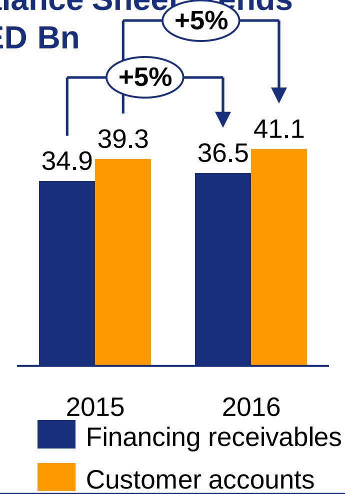

**Revenue Trends**
**AED Mn**



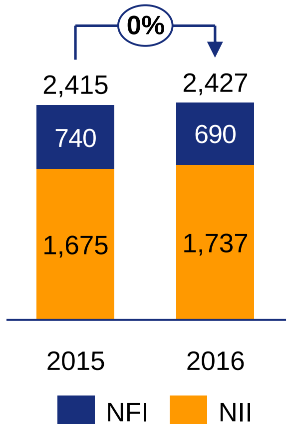

## Islamic Banking

- Islamic Banking revenues were steady y-o-y though net profit declined on the back of higher provisions
- Financing receivables grew 5% from end 2015 across a range of products
- Customer accounts increased by 5% from end 2015. EI continued to improve its liabilities mix and grew CASA balances by 8% during the year. As at end 2016, CASA represented 67% of EI's total customer accounts.
- 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 50 bps p.a. lower than the original sukuk.
- As at 31-Dec-16, EI had 61 branches and an ATM & CDM network of 196

**Balance Sheet Trends**
**AED Bn**




**Revenue Trends**
**AED Mn**

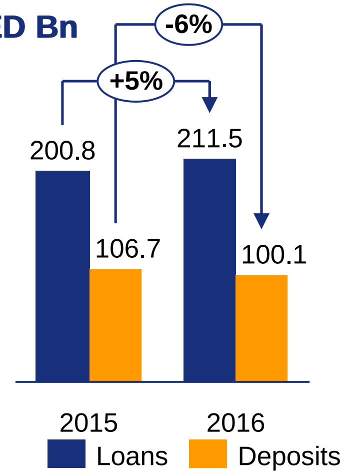


# Divisional Performance (cont'd)

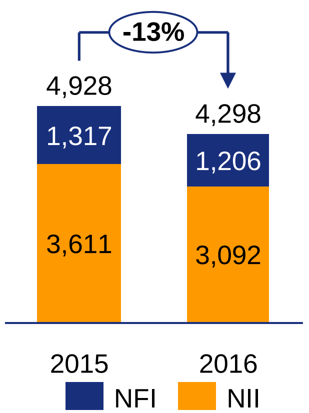
## Wholesale Banking

- Wholesale Banking revenues declined 13% y-o-y primarily due to a realignment in internal transfer pricing
- Loans grew 5% from end 2015
- Deposits declined 6% from end 2015, reflecting continued efforts to reduce the average cost of funding while maintaining liquidity at optimum levels
- Fee income fell in 2016 on lower one-off investment gains and a decline in lending-based fee income due to pricing pressures
- Focus in 2016 was 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**



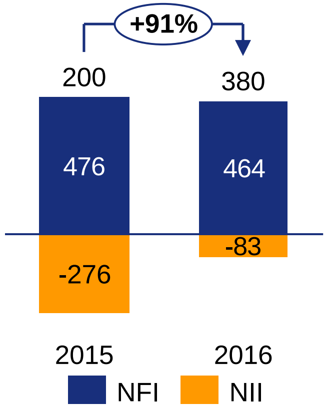

**Revenue Trends AED Mn**




## Global Markets & Treasury

- GM&T revenues increased 91% 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 20.3 Bn of term debt via AED 10.4 Bn of private placements, AED 3.7 Bn of sukuk issue and tap and a AED 6.2 Bn club deal

**Revenue Trends AED Mn**



# Outlook

## FY 2017 guidance

| | | FY 2017 | vs. FY 2016 |
|---|---|---|---|
| Profitability | Net interest margin | 2.35 – 2.45% | 2.51% |
| | Cost-to-income ratio | 33% | 33.1% |
| Liquidity | AD ratio | 90-100% | 93.4% |
| Assets | Net Loan growth | mid-single digit | 7% |

## 2017 Macro themes

| | Regional | Global |
|---|---|---|
| Opportunity | • Resilience of UAE economy due to Expo2020 related infrastructure spend<br>• Regional growth opportunities | • Emirates NBD's balance sheet positioned to benefit from rising interest rates<br>• Higher oil prices and revenues may alleviate banking system liquidity, to support private sector growth |
| Risk | • Strong dollar impact on Dubai tourism<br>• Tight banking system liquidity due to regional competition for deposits | • Execution of UK's Brexit decision<br>• Potential volatility in Euro area from further key government elections<br>• US policy impact on global trade |

# Investor Relations

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