H1 2018 Results Presentation

18 July 2018

Emirates NBD

Important Information

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Emirates NBD delivered a record set of results in H1-18

H1 2018 Key Metrics

		H1 2018	2018 Guidance
Profit	Net profit	AED 5.0 Bn +29% y-o-y	
	NIM	2.78%	2.75-2.85% (revised)
	Cost-to-income	31.3%	33%
Credit Quality	NPL	6.0%	Improving trend
	Coverage	128.4%	
Capital	CET 1	16.3%	
	Tier 1	19.8%	
	CAR	21.2%	
Liquidity	AD ratio	94.4%	90-100%
	LCR ratio	158.7%	
Assets	Loan growth	4% ytd	mid-single digit

2018 Macro themes

	Regional	Global
+	• Resilience of UAE economy underpinned by non-oil activity growth • Higher growth in GCC economies • Stable liquidity • Strong UAE PMI and Dubai Economy Tracker readings	• Emirates NBD's balance sheet positioned to benefit from rising interest rates • Improving US and North Korean relations
-	• Global geo-politics	• Impact of potential US-China trade war on global markets

H1-18 Financial Results Highlights

Highlights

- Record half-year net profit of AED 5,018 Mn for H1-18 increased 29% y-o-y
- Net interest income improved 20% y-o-y and 11% compared to H2-17 on loan growth coupled with an improvement in margins
- Non-interest income declined 2% y-o-y and 7% compared to H2-17 due to lower income from investment securities
- Costs increased 17% y-o-y and 2% compared to H2-17 due to higher staff and IT costs relating to our digital transformation and technology refresh. Costs were also higher as a result of international branch expansion
- Provisions of AED 755 Mn improved 40% y-o-y whilst coverage ratio strengthened to 128.4%
- NPL ratio stable at 6.0%
- LCR of 158.7% and AD ratio of 94.4% demonstrates the Group’s healthy liquidity position
- NIMs improved 37 bps y-o-y to 2.78% YTD as rate rises flowed through to loan book

Key Performance Indicators

AED Mn	H1-18	H1-17	Better / (Worse)	H2-17	Better / (Worse)
Net interest income	6,229	5,185	20%	5,601	11%
Non-interest income	2,222	2,268	(2%)	2,401	(7%)
Total income	**8,451**	**7,453**	**13%**	**8,002**	**6%**
Operating expenses	(2,646)	(2,253)	(17%)	(2,592)	(2%)
Pre-impairment operating profit	**5,805**	**5,200**	**12%**	**5,410**	**7%**
Impairment allowances	(755)	(1,260)	40%	(968)	22%
Operating profit	**5,050**	**3,940**	28%	**4,442**	14%
Share of profits from associates	49	12	294%	60	(18%)
Taxation charge	(82)	(58)	(40%)	(50)	(62%)
Net profit	**5,018**	**3,894**	**29%**	**4,452**	**13%**
Cost: income ratio (%)	31.3%	30.2%	(1.1%)	32.4%	1.1%
Net interest margin (%)	2.78%	2.41%	0.37%	2.53%	0.25%

AED Bn	30-Jun-18	30-Jun-17	%	31-Dec-17	%
Total assets	477.5	456.2	5%	470.4	2%
Loans	316.4	304.0	4%	304.1	4%
Deposits	335.0	319.9	5%	326.5	3%
AD ratio (%)	94.4%	95.0%	0.6%	93.1%	(1.3%)
NPL ratio (%)	6.0%	6.1%	0.1%	6.2%	0.2%

Q2-18 Financial Results Highlights

Highlights

- Net profit of AED 2,631 Mn for Q2-18 increased 30% y-o-y and 10% q-o-q
- Net interest income improved 20% y-o-y and 9% q-o-q on loan growth coupled with an improvement in margins
- Non-interest income declined 3% y-o-y and 1% q-o-q due to lower income from investment securities
- Costs increased 21% y-o-y and 7% q-o-q due to higher staff and IT costs relating to our digital transformation and technology refresh. Costs were also higher as a result of international branch expansion
- Provisions of AED 315 Mn improved 49% y-o-y and 29% q-o-q on a lower cost of risk whilst coverage ratio strengthened to 128.4%
- NPL ratio stable at 6.0%
- LCR of 158.7% and AD ratio of 94.4% demonstrates the Group's healthy liquidity position
- NIMs improved 33 bps y-o-y and 14 bps q-o-q to 2.82% as rate rises flowed through to loan book which more than offset a rise in deposit costs on a modest change in deposit mix

Key Performance Indicators

AED Mn	Q2-18	Q2-17	Better / (Worse)	Q1-18	Better / (Worse)
Net interest income	3,245	2,699	20%	2,984	9%
Non-interest income	1,103	1,137	(3%)	1,119	(1%)
Total income	**4,348**	**3,836**	**13%**	**4,103**	**6%**
Operating expenses	(1,370)	(1,136)	(21%)	(1,276)	(7%)
Pre-impairment operating profit	**2,977**	**2,699**	**10%**	**2,828**	**5%**
Impairment allowances	(315)	(621)	49%	(440)	29%
Operating profit	**2,663**	**2,078**	28%	**2,388**	12%
Share of profits from associates	18	(26)	170%	31	(41%)
Taxation charge	(50)	(31)	(60%)	(32)	(55%)
Net profit	**2,631**	**2,021**	**30%**	**2,386**	**10%**
Cost: income ratio (%)	31.5%	29.6%	(1.9%)	31.1%	(0.4%)
Net interest margin (%)	2.82%	2.49%	0.33%	2.68%	0.14%

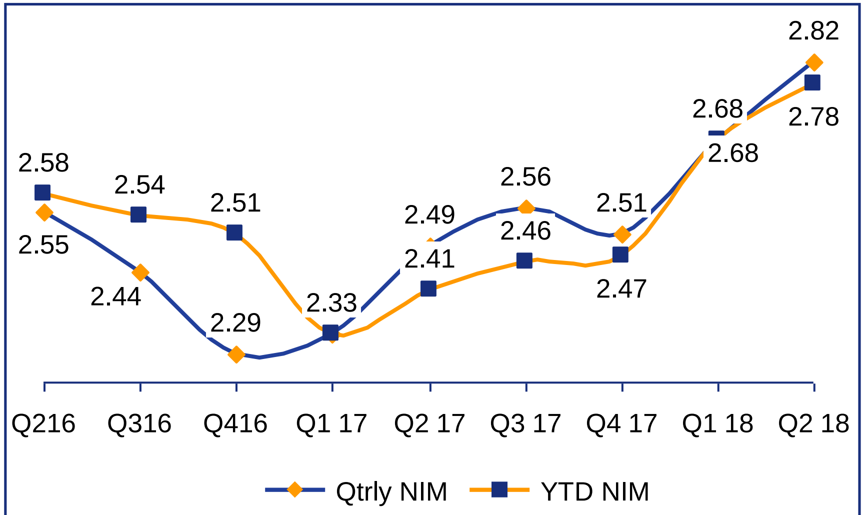
AED Bn	30-Jun-18	31-Dec-17	%	31-Mar-18	%
Total assets	477.5	470.4	2%	475.6	0%
Loans	316.4	304.1	4%	311.4	2%
Deposits	335.0	326.5	3%	331.9	1%
AD ratio (%)	94.4%	93.1%	(1.3%)	93.8%	(0.6%)
NPL ratio (%)	6.0%	6.2%	0.2%	6.0%	0.0%

Net Interest Income

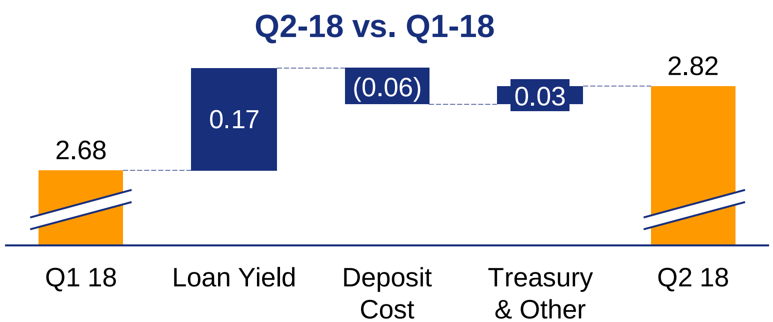
Highlights

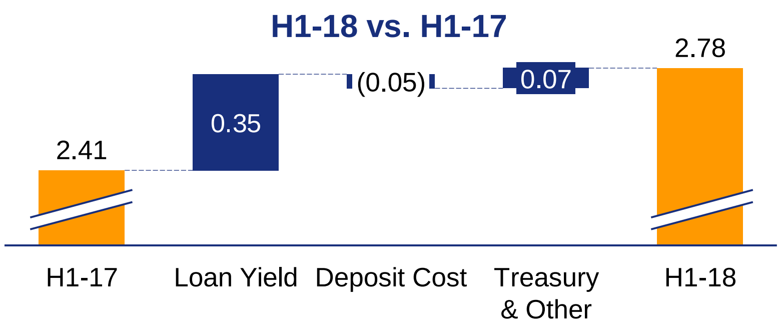
- NIMs continued to improve in Q2-18 as rate rises flowed through to the loan book which more than offset a modest rise in funding costs
- Q2-18 NIM of 2.82% improved 14 bps q-o-q and 33 bps y-o-y
- Loan yields improved 17 bps q-o-q and 35 bps y-o-y helped by recent interest rate rises
- Deposit costs increased modestly due to the higher rate environment and a small change in CASA - Fixed Deposit mix
- Wholesale Funding costs improved as the Bank efficiently deployed excess liquidity and successfully replaced maturing debt at more favourable pricing
- 2018 NIM guidance increased to 2.75-2.85% in light of rising interest rates

Net Interest Margin (%)



Net Interest Margin Drivers (%)



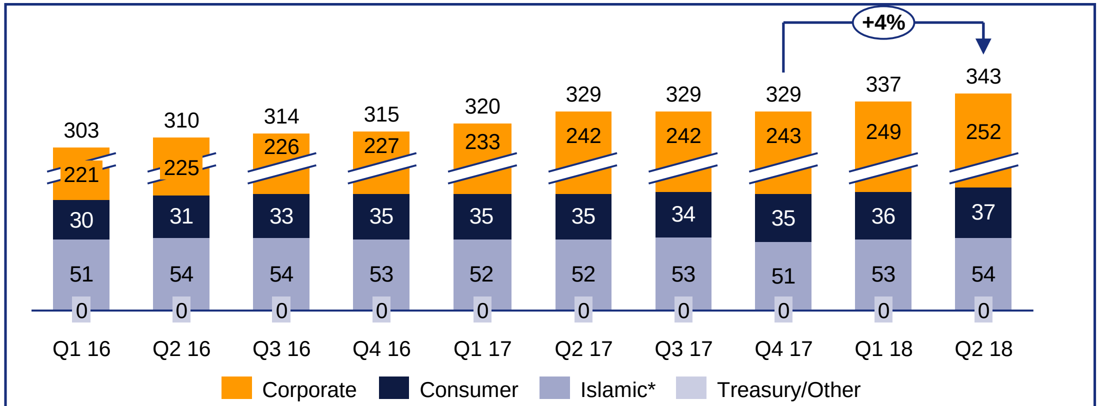


Loan and Deposit Trends

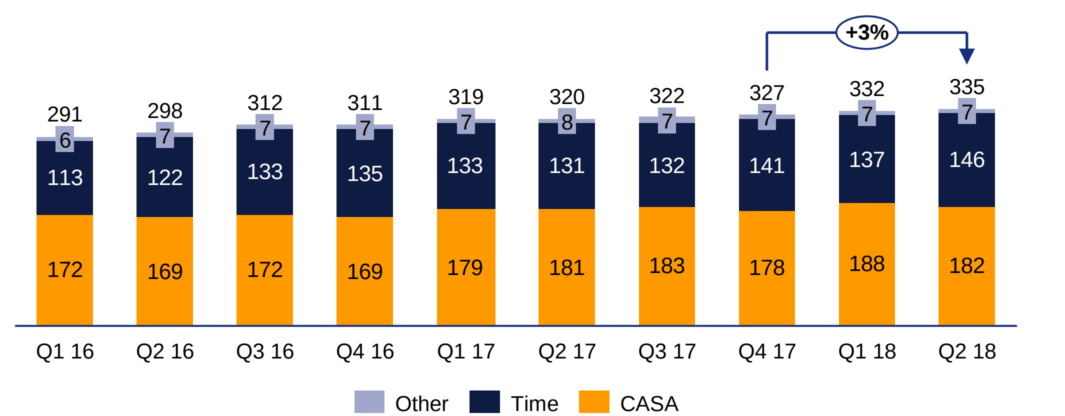
Highlights

- Gross loans grew 4% in H1-18 with growth across all sectors
- Corporate lending grew 3% since year-end due to growth in the services and trade sectors
- Consumer lending grew 8% since year-end with growth in mortgages and term loans
- Islamic financing grew 5% since year-end due to growth in manufacturing, trade, FI and retail sectors
- Deposits grew 3% in H1-18 with an increase in both CASA and fixed deposits
- CASA deposits represent 54% of total deposits, down 1% since the beginning of the year

Trend in Gross Loans by Type (AED Bn)



Trend in Deposits by Type (AED Bn)



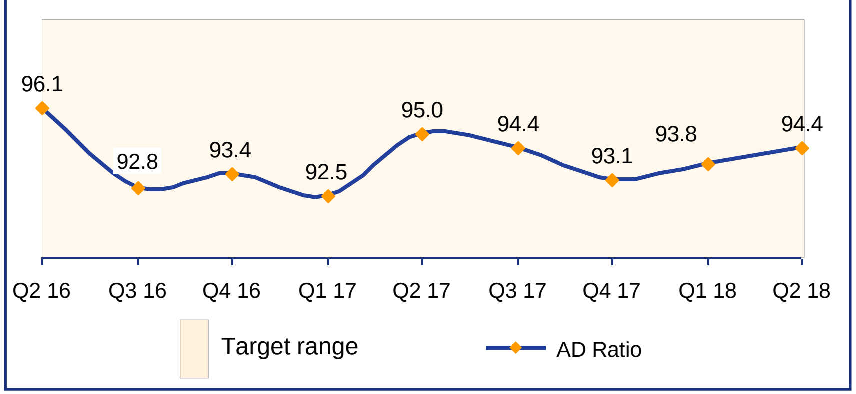
* Gross Islamic Financing Net of Deferred Income

Funding and Liquidity

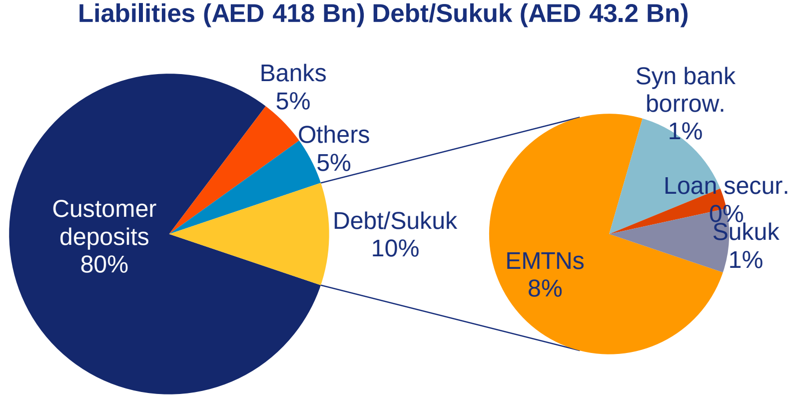
Highlights

- Liquidity Coverage Ratio of 158.7% and AD ratio of 94.4% demonstrates healthy liquidity position
- Liquid assets* of AED 67.5 Bn as at H1-18 (16.1% of total liabilities)
- Debt & Sukuk term funding represent 10% of total liabilities
- In H1-18, AED 6.7 Bn of term-debt issued in 5 currencies with maturities out to 30 years
- AED 3.2 Bn of expensive Tier 2 debt was called in H1-18
- Modest maturities of AED 0.3 Bn for remainder of 2018 enable Group to consider debt issues opportunistically

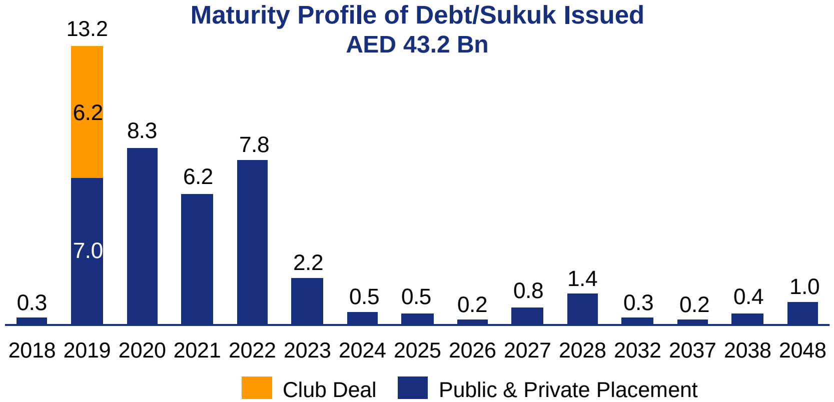
Advances to Deposit (AD) Ratio (%)



Composition of Liabilities/Debt Issued (%)



Maturity Profile of Debt Issued (AED Bn)



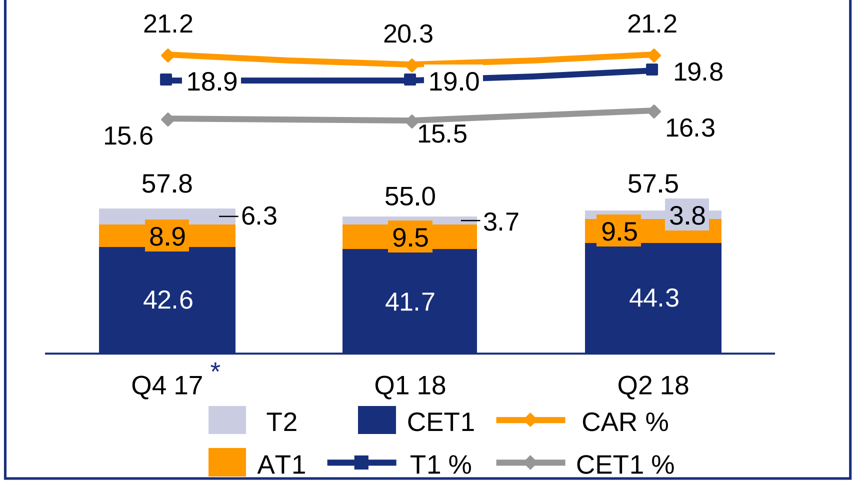
*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Capital Adequacy

Highlights

- In Q2-18, capital ratios improved by 0.8-0.9% as retained earnings more than offset the increase in Risk Weighted Assets
- CAR unchanged at 21.2% since the beginning of the year as retained earnings were offset by retirement of Tier 2 debt and the transition adjustment to IFRS 9
- Emirates NBD has been designated a Domestically Systemically Important Bank. Additional D-SIB buffer of 1.125% for 2018 rising to 1.5% by 2019
- New Basel III Capital Standards not expected to materially impact the Bank's Capital profile

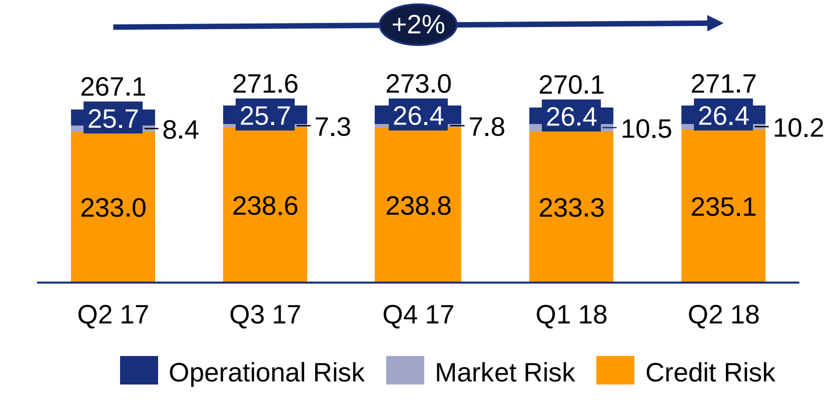
Capitalisation



Capital Movements

AED Bn	CET-1	Tier 1	Tier 2	Total
Capital as at 31-Dec-2017	**42.6**	**51.5**	**6.3**	**57.8**
Net profits generated	5.0	5.0	-	**5.0**
Impact of IFRS 9	(2.3)	(2.3)	-	**(2.3)**
Repayment of Tier 2	-	-	(2.9)	**(2.9)**
Interest on T1 securities	(0.3)	(0.3)	-	**(0.3)**
Other	(0.7)	(0.1)	0.4	**0.2**
Capital as at 30-Jun-2018	**44.3**	**53.8**	**3.8**	**57.5**

Risk Weighted Assets (AED Bn)



* Q4-17 capital ratios adjusted for 2017 dividend

Non-Interest Income

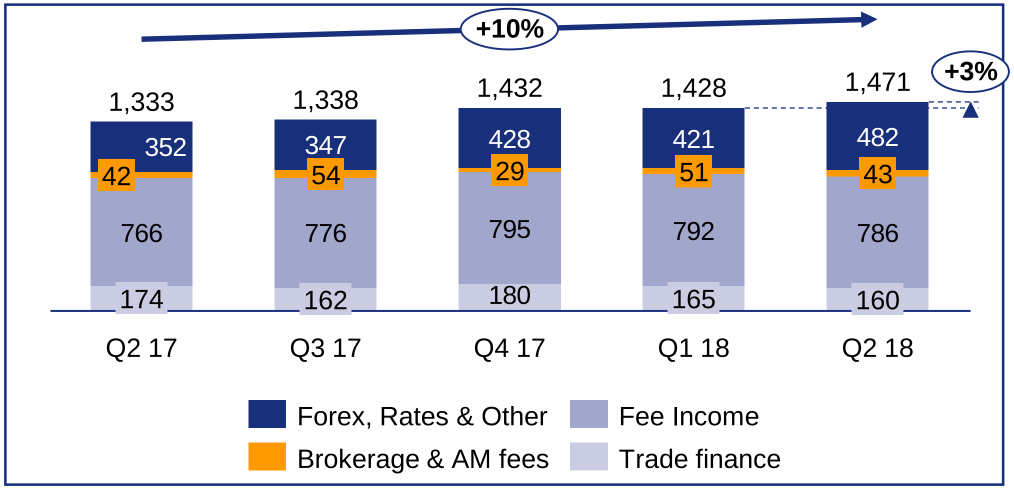
Highlights

- Core gross fee income was 10% higher y-o-y and 3% higher q-o-q due to higher foreign exchange income
- Non-interest income declined 3% y-o-y and 1% q-o-q as lower income from investment securities more than offset the rise in core fee income
- This quarter included an impairment provision on a private equity fund holding barring which total non interest income would have increased by 4% y-o-y and 6% q-o-q

Composition of Non Interest Income (AED Mn)

AED Mn	Q2-18	Q2-17	Better / (Worse)	Q1-18	Better / (Worse)
Core gross fee income	1,471	1,333	10%	1,428	3%
Fees & commission expense	(284)	(236)	(20%)	(272)	(4%)
Core fee income	**1,187**	**1,097**	**8%**	**1,156**	**3%**
Property income / (loss)	10	(27)	138%	(90)	(112%)
Investment securities & other income	(95)	67	(241%)	53	(278%)
Total Non Interest Income	**1,103**	**1,137**	(3%)	**1,119**	(1%)

Trend in Core Gross Fee Income (AED Mn)

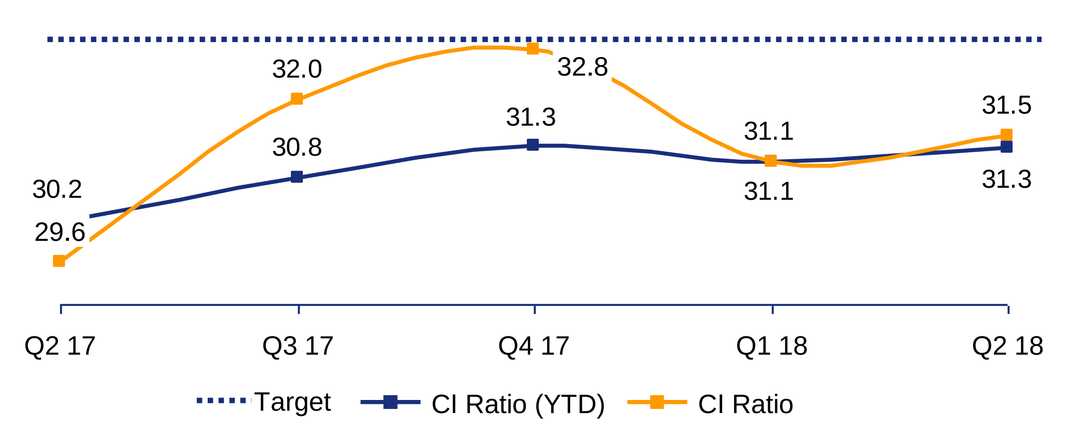


Operating Costs and Efficiency

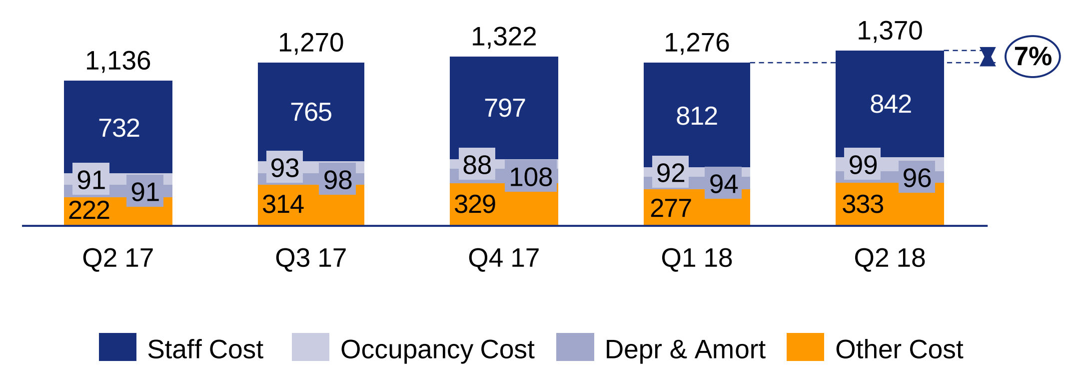
Highlights

- Q2-18 costs were 7% higher q-o-q due to an increase in staff and IT costs as signaled earlier. Other costs also increased due to costs associated with the acquisition opportunity in Turkey
- Costs increased 21% y-o-y in Q2-18 but remain within 2018 guidance of 33% as we continue with our investment in digital transformation and technology refresh
- Occupancy costs increased due to the Bank's international branch expansion

Cost to Income Ratio (%)



Cost Composition (AED Mn)

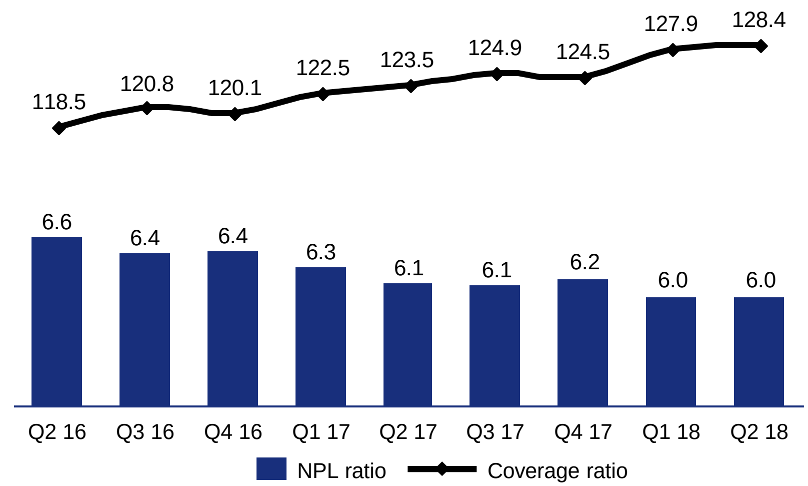


Credit Quality

Highlights

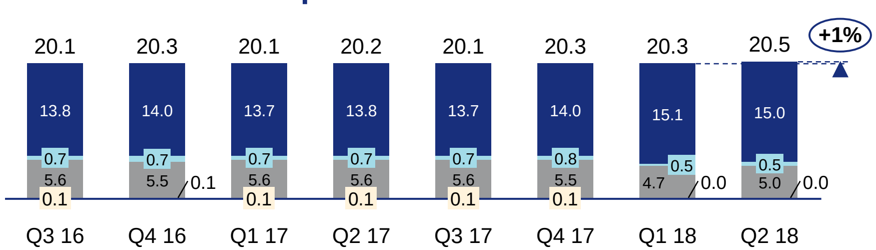
- NPL ratio was steady at 6.0% in Q2-18
- Impaired loans steady in 2018 helped by AED 840 Mn of write backs & recoveries
- H1-18 annualized loan cost of risk at 55 bps continued to moderate as net impairment charge of AED 755 Mn improved 40% y-o-y
- Coverage ratio strong at 128.4%
- Stage 1 & 2 ECL allowances amount to AED 7.2 Bn or 3.1% of credit RWA

Impaired Loan & Coverage Ratios (%)

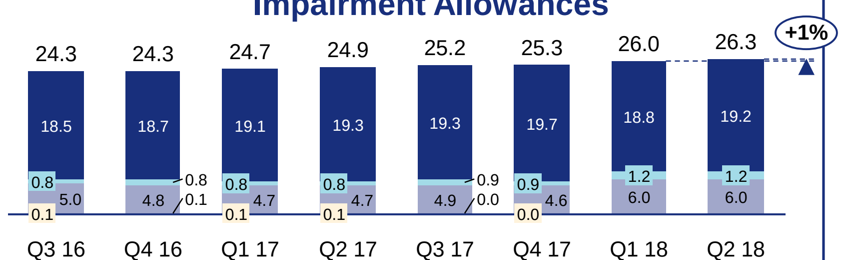


Impaired Loans and Impairment Allowances (AED Bn)

Impaired Loans



Impairment Allowances



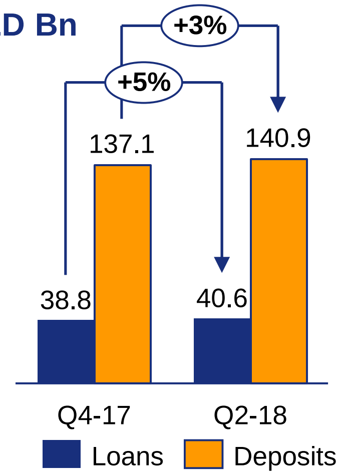
Core Corporate | Retail | Islamic | Other Debt Securities

Divisional Performance

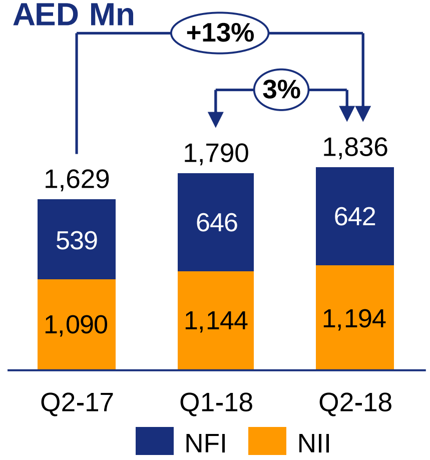
Retail Banking & Wealth Management

- Revenues increased 13% y-o-y
- Net interest income grew 10% y-o-y led by liabilities. Fee income grew 19% y-o-y supported by FX and cards and represents 36% of total RBWM revenue
- Loans were up 5% due to growth in mortgages and term loans
- Liv., the country's first digital bank targeted at millennials, completed its first year of operations, acquiring 100,000 customers to become the fastest growing bank in the UAE
- The bank continues to optimize its distribution network with 607 ATMs and 93 branches as at 30-Jun-18

Balance Sheet Trends AED Bn



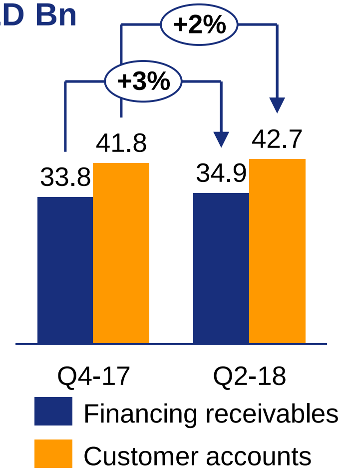
Revenue Trends AED Mn



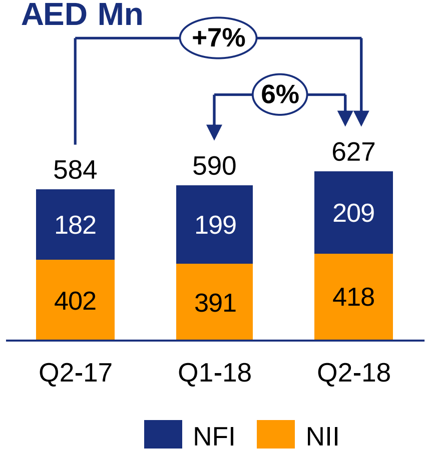
Emirates Islamic

- Revenue increased 7% y-o-y driven by a 15% growth in fee income and a 4% increase in funded income
- Financing receivables grew 3% since year end to AED 34.9 billion helped by growth in manufacturing, trade, FI and retail sectors
- Customer accounts grew 2% to AED 43 billion as EI focused on improving liability mix and cost of funding
- CASA represents 70% of EI's customer deposits
- As at 30-Jun-18, EI had 61 branches and an ATM & CDM network of 208

Balance Sheet Trends AED Bn



Revenue Trends AED Mn

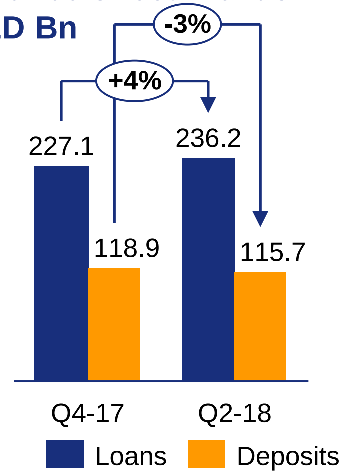


Divisional Performance (continued)

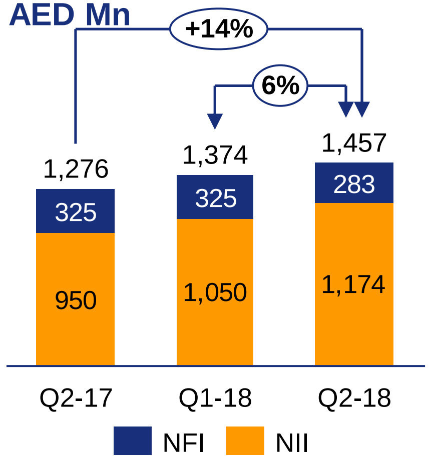
Wholesale Banking

- Wholesale Banking revenues increased 14% y-o-y
- Loans grew 4% in H1-18 due to growth in services and trade sectors. Deposits declined 3% as expensive time deposits sourced over year-end rolled off
- Net Interest Income grew 24% y-o-y driven by an improvement in margins and growth in lending activity
- Fee income was lower in H1-18 due to a slowdown in Investment Banking activities partially offset by growing non-funded income from Treasury products
- Focus in 2018 on enhancing customer service quality, 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



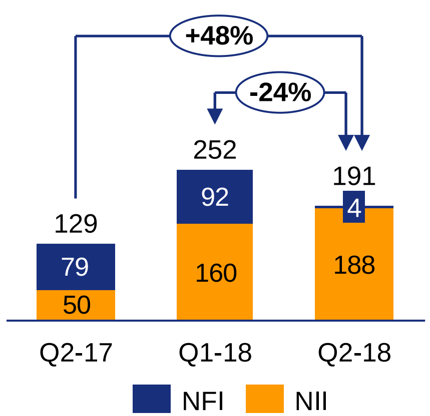
Revenue Trends AED Mn



Global Markets & Treasury

- GM&T revenues increased 48% y-o-y
- Revenue growth helped by Balance Sheet positioning to take advantage of rate rises
- Trading delivered a strong performance with significant contributions from the Rates & FX desks
- Sales witnessed higher volumes in Derivatives and FX due to enhanced product capability and closer working relationship with Corporate & Institutional clients
- Structured Rates expanded to support flow business
- Raised AED 6.7 billion of term funding through public issues and private placements with maturities out to thirty years

Revenue Trends AED Mn



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