

Q1 2018 Results Presentation

18 April 2018





Important Information

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Emirates NBD delivered a strong set of results in Q1-18

Q1 2018 Key Metrics

		Q1 2018	2018 Guidance
Profit	Net profit	AED 2.4 Bn +27% y-o-y	
	NIM	2.68%	2.55-2.65%
	Cost-to-income	31.1%	33%
Credit Quality	NPL	6.0%	Improving trend
	Coverage	127.9%	
Capital *	CET 1	15.5%	
	Tier 1	19.0%	
	CAR	20.3%	
Liquidity	AD ratio	93.8%	90-100%
	LCR ratio	152.9%	
Assets	Loan growth	2% ytd	mid-single digit

* Based on Basel III capital regulations

2018 Macro themes

	Regional	Global
+	<ul style="list-style-type: none"> Resilience of UAE economy underpinned by non-oil activity growth Higher growth in GCC economies Improved liquidity Strong start in 2018 for Dubai tourism as weaker dollar provided some relief 	<ul style="list-style-type: none"> Emirates NBD's balance sheet positioned to benefit from rising interest rates Improving US and North Korean relations
-	<ul style="list-style-type: none"> Geo-politics within GCC 	<ul style="list-style-type: none"> Impact of potential US-China trade war on global markets

Q1-18 Financial Results Highlights

Highlights

- Record quarterly net profit of AED 2,386 Mn for Q1-18 increased 10% q-o-q and 27% y-o-y
- Net interest income improved 7% q-o-q and 20% y-o-y on loan growth coupled with an improvement in margins
- Non-interest income declined 10% q-o-q and 1% y-o-y due to lower investment income from the sale of securities
- Costs improved 3% q-o-q as lower marketing, IT and professional fees more than offset an increase in staff costs. Costs increased 14% y-o-y due to investment in our digital transformation and technology refresh
- Provisions of AED 440 Mn improved 31% y-o-y and 18% q-o-q whilst coverage ratio strengthened to 127.9%
- LCR of 152.9% and AD ratio of 93.8% demonstrates the Group's healthy liquidity position
- NPL ratio improved to 6.0% on writebacks and recoveries
- NIMs improved 17 bps q-o-q and 35 bps y-o-y as rate rises flowed through to loan book and funding costs remained stable

Key Performance Indicators

AED Mn	Q1-18	Q1-17	Better / (Worse)	Q4-17	Better / (Worse)
Net interest income	2,984	2,486	20%	2,795	7%
Non-interest income	1,119	1,131	(1%)	1,241	(10%)
Total income	4,103	3,617	13%	4,037	2%
Operating expenses	(1,276)	(1,116)	(14%)	(1,322)	3%
Pre-impairment operating profit	2,828	2,501	13%	2,715	4%
Impairment allowances	(440)	(639)	31%	(537)	18%
Operating profit	2,388	1,862	28%	2,178	10%
Share of profits from associates	31	39	(20%)	18	73%
Taxation charge	(32)	(27)	(18%)	(20)	(61%)
Net profit	2,386	1,873	27%	2,176	10%
Cost: income ratio (%)	31.1%	30.9%	(0.2%)	32.7%	1.6%
Net interest margin (%)	2.68%	2.33%	0.35%	2.51%	0.17%

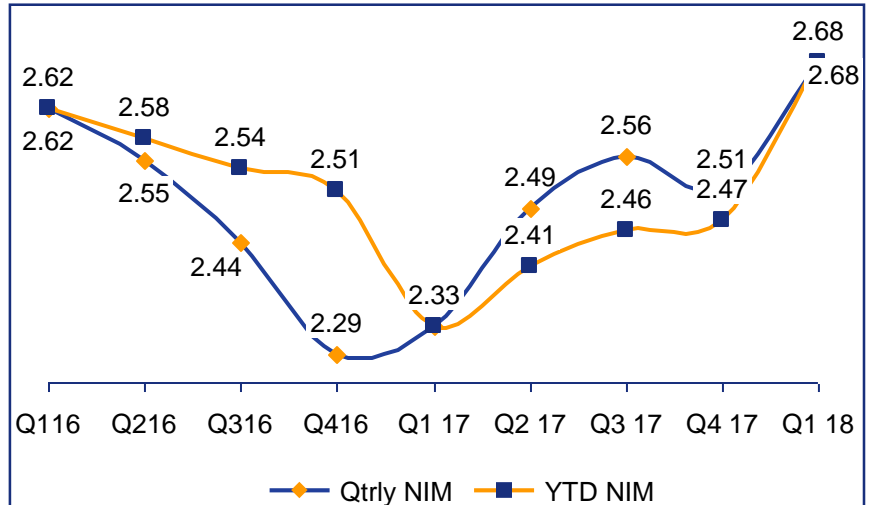
AED Bn	31-Mar-18	31-Mar-17	%	31-Dec-17	%
Total assets	475.6	452.0	5%	470.4	1%
Loans	311.4	295.3	5%	304.1	2%
Deposits	331.9	319.2	4%	326.5	2%
AD ratio (%)	93.8%	92.5%	(1.3%)	93.1%	(0.7%)
NPL ratio (%)	6.0%	6.3%	0.3%	6.2%	0.1%

Net Interest Income

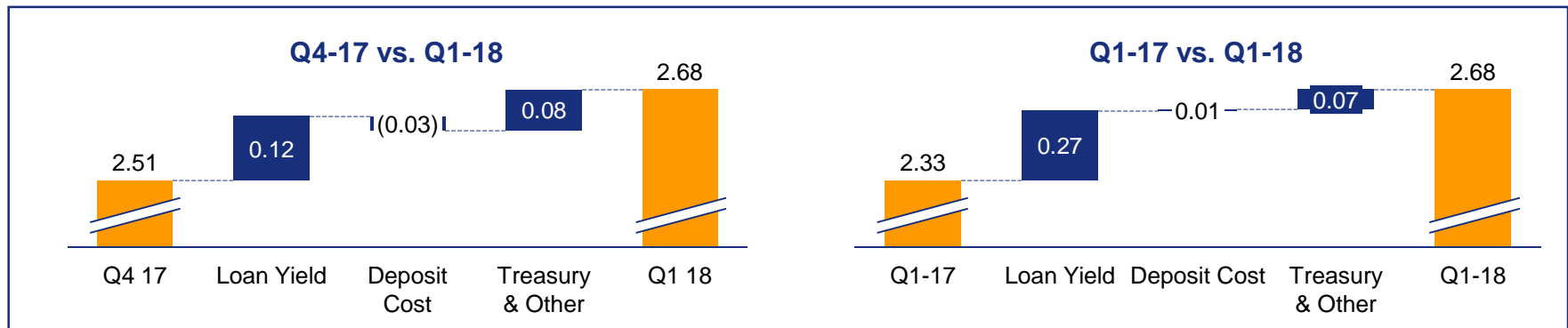
Highlights

- NIMs continued to improve in Q1-18 as rate rises flowed through to the loan book and funding costs remained stable due to healthy liquidity conditions
- Q1-18 NIM of 2.68% improved 17 bps q-o-q and 35 bps y-o-y
- Loan yields improved 12 bps q-o-q and 27bps y-o-y helped by recent interest rate rises
- Deposit costs were stable helped by steady growth in CASA
- Wholesale Funding costs improved as the Bank successfully replaced maturing debt at more favourable pricing and efficiently deployed excess liquidity
- 2018 NIM guidance to be reviewed in light of rising rate expectations

Net Interest Margin (%)



Net Interest Margin Drivers (%)



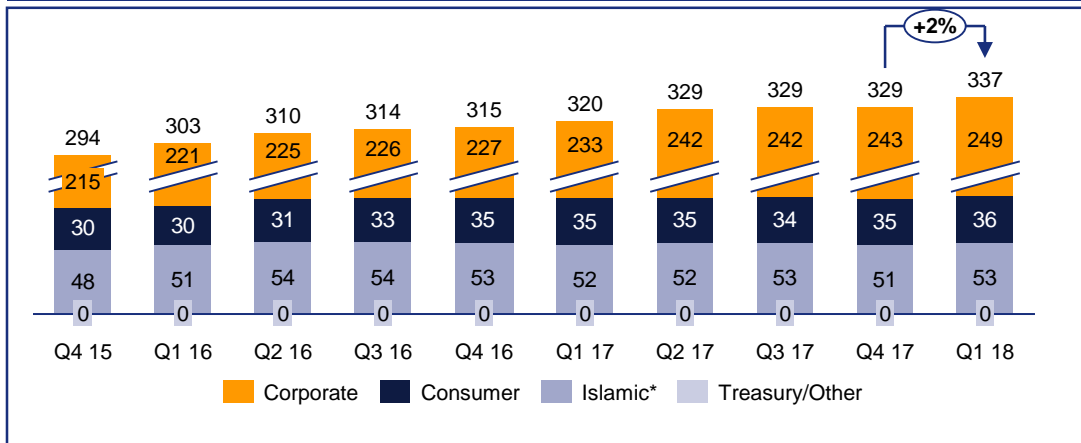


Loan and Deposit Trends

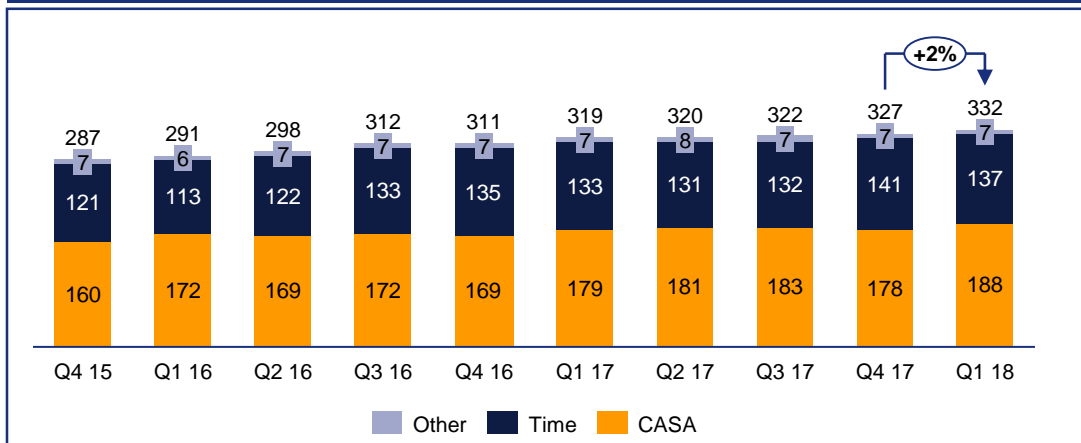
Highlights

- Gross loans grew 2% in Q1-18 with growth mainly from consumer and Islamic lending
- Corporate lending grew 2% since year-end due to growth in services and trade sectors
- Consumer lending grew 3% since year-end with growth in mortgages and term loans
- Islamic financing grew 3% since year-end due to growth in manufacturing, FI, trade and services
- Deposits grew 4% y-o-y with some expensive fixed deposits retired and replaced with cheaper and more persistent CASA
- CASA deposits represent 57% of total deposits

Trend in Gross Loans by Type (AED Bn)



Trend in Deposits by Type (AED Bn)



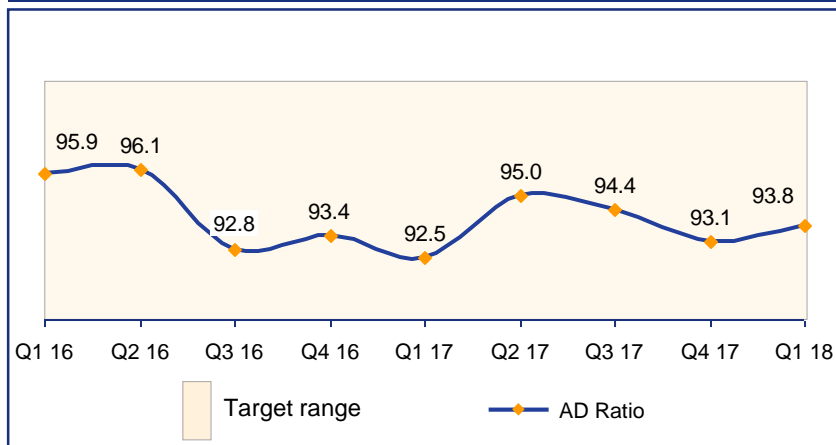
* Gross Islamic Financing Net of Deferred Income

Funding and Liquidity

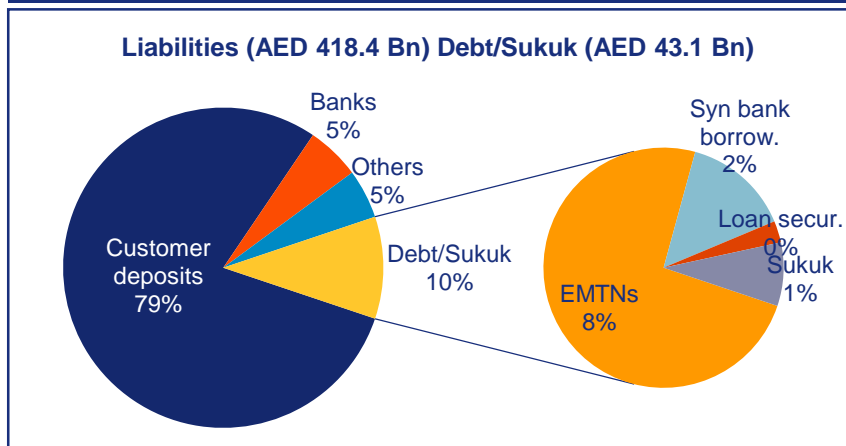
Highlights

- Liquidity Coverage Ratio (LCR) of 152.9% and AD ratio of 93.8% demonstrates healthy liquidity position
- Liquid assets* of AED 68.6 Bn as at Q1-18 (16.4% of total liabilities)
- Debt & Sukuk term funding represent 10% of total liabilities
- In Q1-18, AED 5.2 Bn of term-debt issued in 3 currencies with maturities out to 30 years
- AED 2.9 Bn of expensive Tier 2 debt was called in Q1-18
- Modest maturities of AED 1.6 Bn for remainder of 2018 enable Group to consider debt issues opportunistically

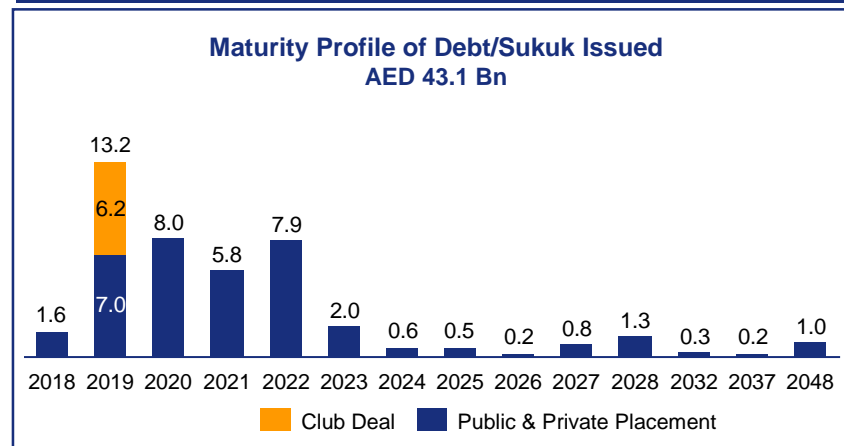
Advances to Deposit (AD) Ratio (%)



Composition of Liabilities/Debt Issued (%)



Maturity Profile of Debt Issued (AED Bn)



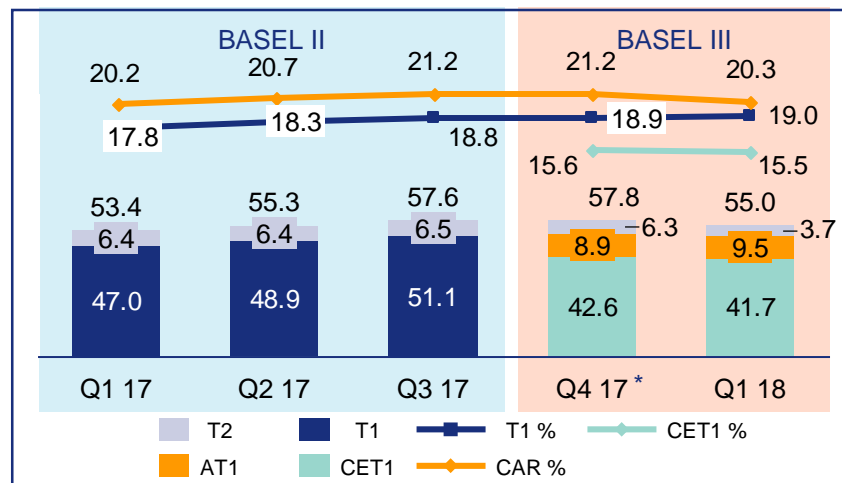
*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Capital Adequacy

Highlights

- In Q1-18, CET 1 and Tier 1 ratios were broadly flat q-o-q as the increase in Tier 1 capital from retained earnings offset the impact of IFRS 9
- CAR decreased 0.9% to 20.3% as AED 2.9 Bn of expensive Tier 2 debt was called in Q1-18
- 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
- Publication of Capital Standards not expected to materially impact the Bank's Capital profile

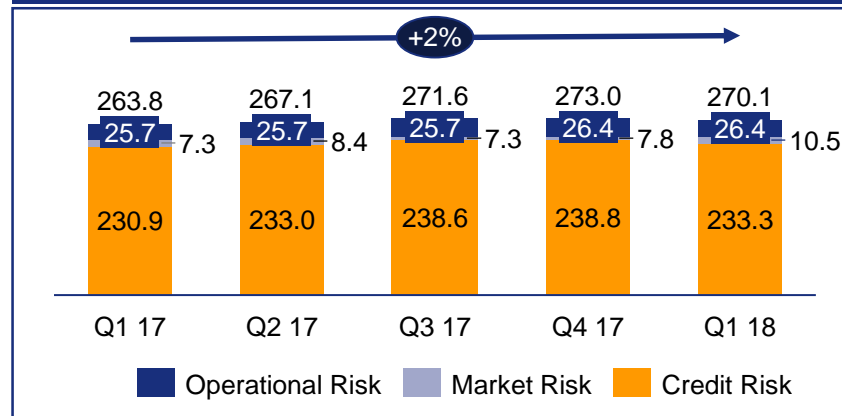
Capitalisation



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	2.4	2.4	-	2.4
Impact of IFRS 9	(2.3)	(2.3)	-	(2.3)
Repayment of Tier 2	-	-	(2.9)	(2.9)
Interest on T1 securities	(0.1)	(0.1)	-	(0.1)
Other	(0.8)	(0.2)	0.4	(0.1)
Capital as at 31-Mar-2018	41.7	51.2	3.7	55.0

Risk Weighted Assets (AED Bn)



* Q4-17 capital ratios adjusted for 2017 dividend

Non-Interest Income

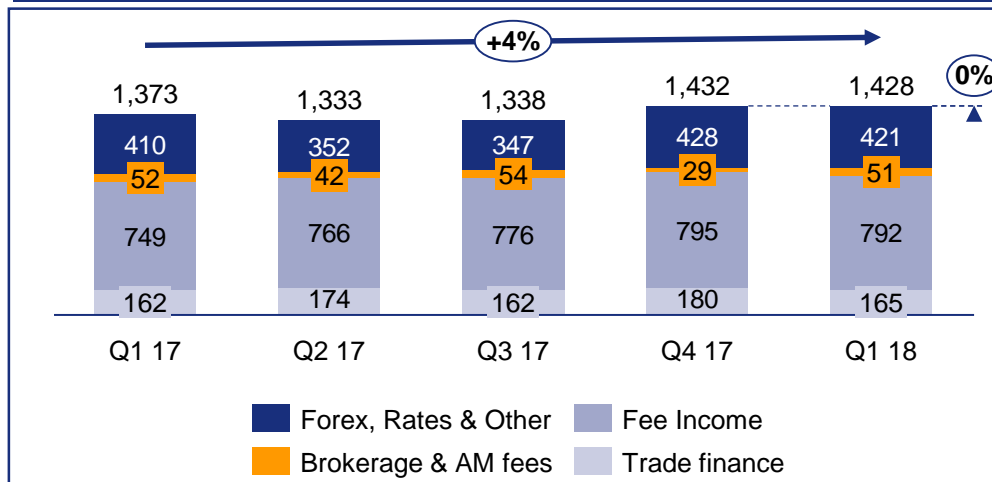
Highlights

- Core gross fee income was flat q-o-q and improved 4% y-o-y on account of higher fee income
- Non-interest income declined 10% q-o-q and 1% y-o-y due to lower investment income from the sale of securities
- Property losses reported in recent quarters due to downward revision of illiquid inventory

Composition of Non Interest Income (AED Mn)

AED Mn	Q1-18	Q1-17	Better / (Worse)	Q4-17	Better / (Worse)
Core gross fee income	1,428	1,373	4%	1,432	(0%)
Fees & commission expense	(272)	(232)	(17%)	(238)	(14%)
Core fee income	1,156	1,141	1%	1,194	(3%)
Property income / (loss)	(90)	(109)	18%	(88)	(2%)
Investment securities & other income	53	100	(47%)	136	(61%)
Total Non Interest Income	1,119	1,131	(1%)	1,241	(10%)

Trend in Core Gross Fee Income (AED Mn)

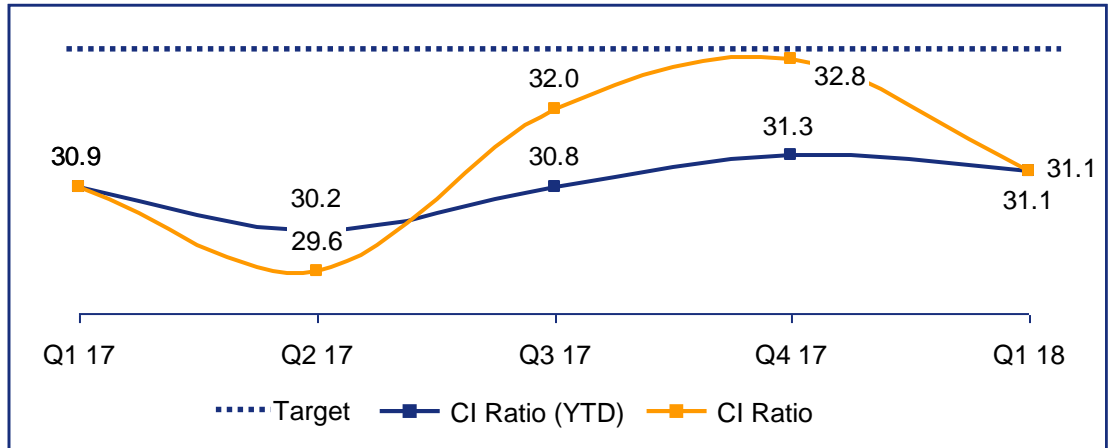


Operating Costs and Efficiency

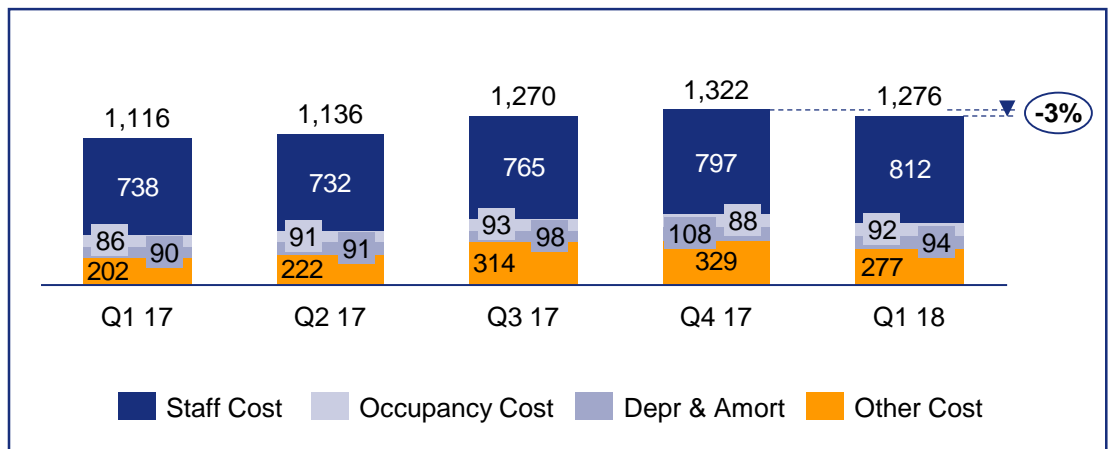
Highlights

- Q1-18 costs improved 3% q-o-q as lower marketing, IT and professional fees more than offset a modest increase in staff costs
- Costs increased 14% y-o-y in Q1-18 but expected to be within 2018 guidance of 33% as we continue with our investment in digital transformation and technology refresh

Cost to Income Ratio (%)



Cost Composition (AED Mn)

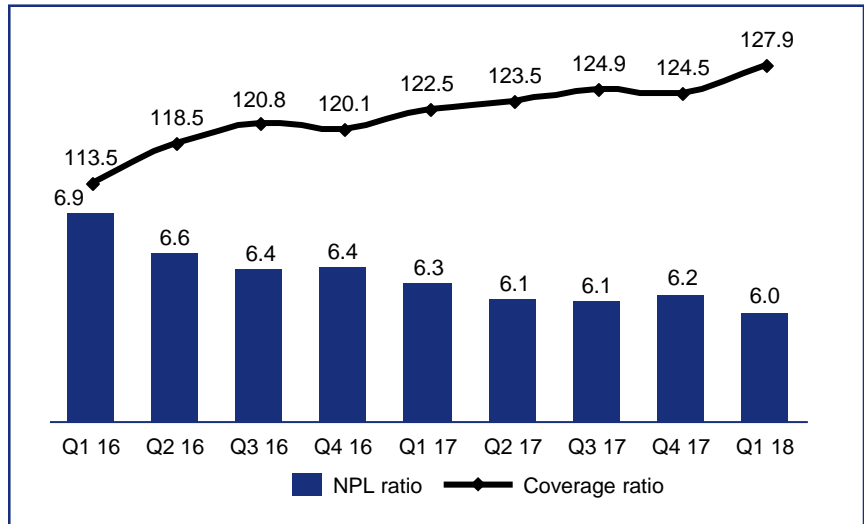


Credit Quality

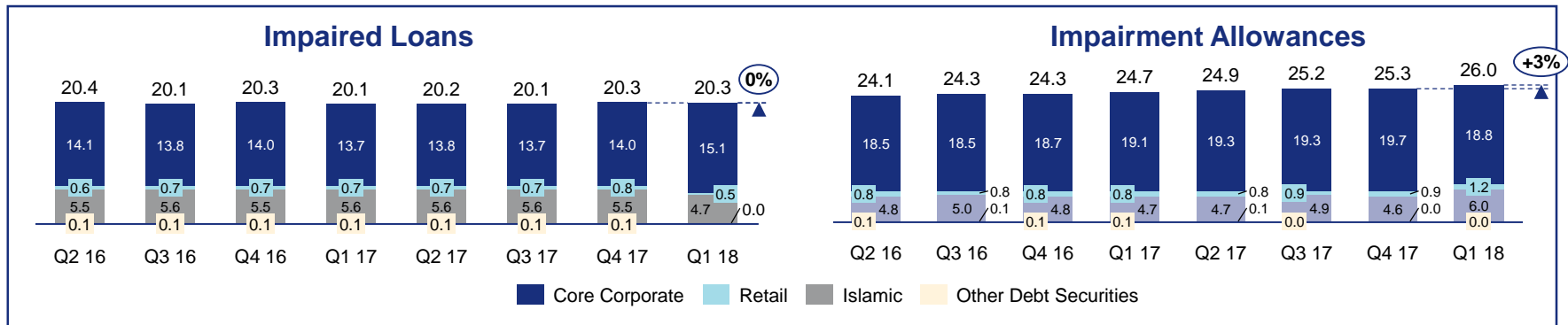
Highlights

- NPL ratio improved to 6.0% in Q1-18
- Impaired loans were unchanged at AED 20.3 Bn during Q1-18 helped by AED 655 Mn of write backs & recoveries
- Q1-18 annualized cost of risk at 52 bps continued to moderate as net impairment charge of AED 440 Mn improved 31% y-o-y
- Coverage ratio strong at 127.9%
- Stage 1 & 2 ECL allowances amount to AED 7.3 Bn or 3.12% of credit RWA

Impaired Loan & Coverage Ratios (%)



Impaired Loans and Impairment Allowances (AED Bn)

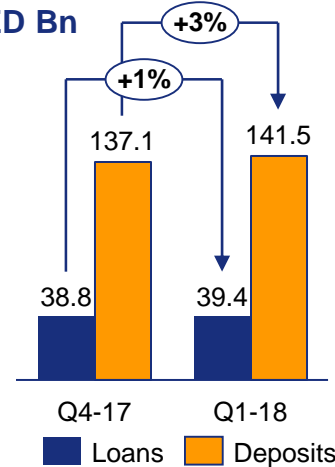


Divisional Performance

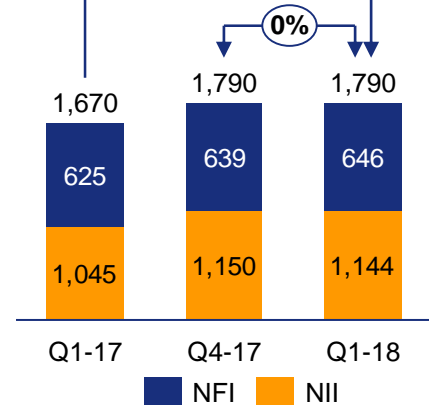
Retail Banking & Wealth Management

- Revenues increased 7% y-o-y
- Net interest income grew 10% led by liabilities. Fee income grew 3% supported by FX and cards and represents 36% of total RBWM revenue
- Loans were up 1% due to growth in mortgages and term loans
- RBWM continued to lead the market in digital and innovation with the introduction of self-service banking for people with disabilities. 80% of personal loans now via paperless sourcing whilst DirectRemit transactions grew 45% y-o-y
- The bank continues to optimize its distribution network with 602 ATMs and 93 branches as at 31-Mar-18

Balance Sheet Trends
AED Bn



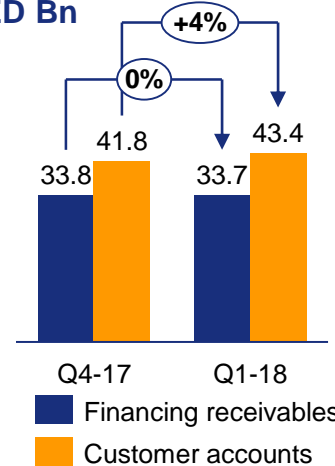
Revenue Trends
AED Mn



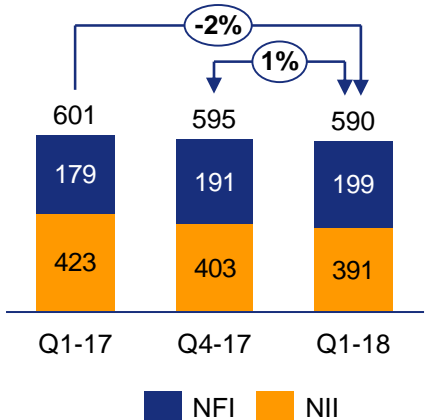
Emirates Islamic

- Revenue declined 2% y-o-y as growth in core fee income was offset by a decline in funded income and non-core fee income
- Financing receivables remained flat q-o-q at AED 34 billion due to a slowdown in new business as EI tightened underwriting standards
- Customer accounts grew 4% to AED 43 billion as EI focused on improving liability mix and cost of funding. CASA now represents 67% of EI's customer deposits
- As at 31-Mar-18, EI had 62 branches and an ATM & CDM network of 208

Balance Sheet Trends
AED Bn



Revenue Trends
AED Mn

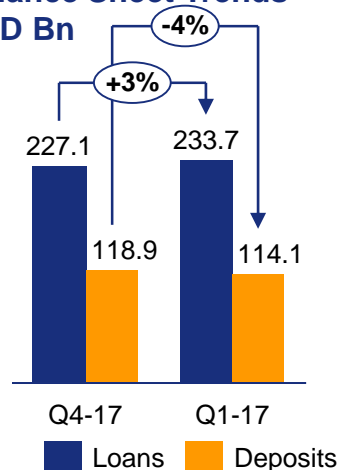


Divisional Performance (cont'd)

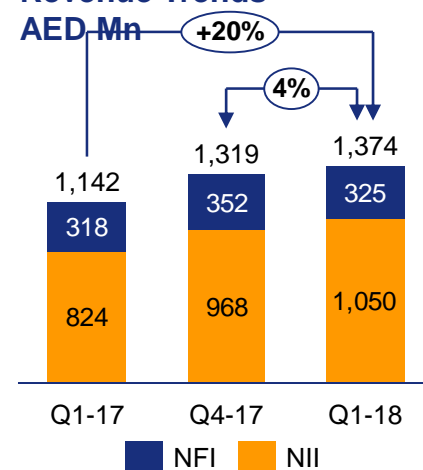
Wholesale Banking

- Wholesale Banking revenues increased 20% y-o-y
- Loans grew 3% in Q1-18 due to growth in services and trade sectors. Deposits down 4% as expensive time deposits sourced over year-end rolled off in Q1-18.
- Net Interest Income grew 27% y-o-y driven by an improvement in margins and growth in lending activity
- Fee income grew 2% y-o-y due to continued focus on growing income from Treasury and Trade products
- Focus in 2018 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



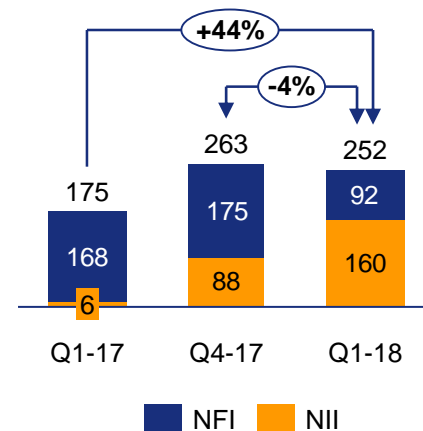
Revenue Trends AED Mn



Global Markets & Treasury

- GM&T revenues increased 44% y-o-y
- Revenue growth helped by Balance Sheet positioning to take advantage of rate rises
- Sales revenue from FX increased on higher volumes due to enhanced product capability and closer working relationship with Corporate & Institutional clients
- Structured Rates business has been launched successfully to support flow business
- Raised AED 5.2 billion of term funding through public issues and private placements with maturities out to thirty years

Revenue Trends AED Mn



Investor Relations

PO Box 777

Emirates NBD Head Office, 4th Floor

Dubai, UAE

Tel: +971 4 201 2606

Email: IR@emiratesnbd.com

