

# Q3 2018 Results Presentation

30 October 2018





# Important Information

## Disclaimer

The material in this presentation is general background information about the activities of Emirates NBD Bank PJSC (Emirates NBD), current at the date of this presentation, and believed by Emirates NBD to be accurate and true. It is information given in summary form and does not purport to be complete. Some of the information that is relied upon by Emirates NBD is obtained from sources believed to be reliable, but Emirates NBD (nor any of its directors, officers, employees, agents, affiliates or subsidiaries) does not guarantee the accuracy or completeness of such information, and disclaims all liability or responsibility for any loss or damage caused by any act taken as a result of the information. The information in this presentation is not intended to be relied upon as advice or a recommendation to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. An investor should seek independent professional advice when deciding if an investment is appropriate.

Due to rounding, numbers and percentages presented throughout this presentation may not add up precisely to the totals provided.

## Forward Looking Statements

Certain matters discussed in this presentation about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute “forward-looking statements”. Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “seek”, “believe”, “will”, “may”, “should”, “would”, “could” or other words of similar meaning. Undue reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements, such as changes in the global, political, economic, business, competitive, market and regulatory forces; future exchange and interest rates; changes in tax rates; and future business combinations or dispositions.

Emirates NBD undertakes no obligation to revise or update any statement, including any forward-looking statement, contained within this presentation, regardless of whether those statements are affected as a result of new information, future events or otherwise.



## Emirates NBD delivered a strong set of results in Q3-18

Q3 2018 Key Metrics			
		Q3-2018 YTD	2018 Guidance
Profit	Net profit	AED 7.7 Bn +24% y-o-y	
	NIM	2.81%	2.75-2.85%
	Cost-to-income	31.9%	33%
Credit Quality	NPL	5.8%	Stable
	Coverage	127.4%	
Capital	CET 1	16.6%	
	Tier 1	20.0%	
	CAR	21.3%	
Liquidity	AD ratio	95.2%	90-100%
	LCR ratio	196.5%	
Assets	Loan growth	7% ytd	mid-single digit

2018 Macro themes		
	Regional	Global
+	<ul style="list-style-type: none"> <li>Stimulus package for UAE economy</li> <li>Diversified UAE economy</li> <li>GCC growth supported by OPEC's increased oil production and oil price</li> </ul>	<ul style="list-style-type: none"> <li>Emirates NBD's balance sheet positioned to benefit from rising interest rates</li> <li>Improving US and North Korean relations</li> </ul>
	-	<ul style="list-style-type: none"> <li>Geo-politics</li> <li>Lower prices in the UAE real estate sector</li> </ul>



## Q3-18 YTD Financial Results

### Highlights

- Net profit of AED 7,656 Mn for Q3-18 YTD improved 24% y-o-y
- Net interest income increased 19% y-o-y on 7% loan growth coupled with an improvement in margins
- Non-interest income declined 2% y-o-y due to lower income from investment securities
- Costs increased 17% y-o-y due to higher staff and IT costs relating to our ongoing investment in digital and technology. Costs were also higher as a result of international branch expansion, VAT, advertising and Expo 2020 sponsorship
- Provisions of AED 1,108 Mn improved 35% y-o-y and NPL ratio strengthened to 5.8% helped by further writebacks
- LCR of 196.5% and AD ratio of 95.2% demonstrates the Group's healthy liquidity position
- NIMs improved 35 bps y-o-y to 2.81% YTD as rate rises flowed through to loan book which more than offset a rise in the cost of deposits on a change in deposit mix

### Key Performance Indicators

AED Mn	Q3-18 YTD	Q3-17 YTD	Better / (Worse)
Net interest income	9,536	7,991	19%
Non-interest income	3,369	3,428	(2%)
<b>Total income</b>	<b>12,905</b>	<b>11,419</b>	<b>13%</b>
Operating expenses	(4,112)	(3,522)	(17%)
<b>Pre-impairment operating profit</b>	<b>8,793</b>	<b>7,896</b>	<b>11%</b>
Impairment allowances	(1,108)	(1,692)	35%
<b>Operating profit</b>	<b>7,686</b>	<b>6,204</b>	<b>24%</b>
Share of Profits from associates & JVs	83	54	53%
Taxation charge	(112)	(89)	(27%)
<b>Net profit</b>	<b>7,656</b>	<b>6,170</b>	<b>24%</b>
Cost: income ratio (%)	31.9%	30.8%	(1.1%)
Net interest margin (%)	2.81%	2.46%	0.35%

AED Bn	30-Sep-18	31-Dec-17	%
Total assets	492.6	470.4	5%
Loans	324.7	304.1	7%
Deposits	341.2	326.5	4%
AD ratio (%)	95.2%	93.1%	(2.1%)
NPL ratio (%)	5.8%	6.2%	0.4%

## Q3-18 Financial Results Highlights

### Highlights

- Net profit of AED 2,638 Mn for Q3-18 increased 16% y-o-y and was flat q-o-q
- Net interest income increased 18% y-o-y and 2% q-o-q on loan growth coupled with an improvement in margins
- Non-interest income declined 1% y-o-y and grew 4% q-o-q due to lower income from investment securities in Q2-18
- Costs increased 15% 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, VAT, advertising and Expo 2020 sponsorship
- Provisions of AED 353 Mn improved 18% y-o-y and NPL ratio strengthened to 5.8% helped by further writebacks
- LCR of 196.5% and AD ratio of 95.2% demonstrates the Group's healthy liquidity position
- NIMs improved 31 bps y-o-y and 5 bps q-o-q to 2.87% as rate rises flowed through to loan book which more than offset a rise in deposit costs on a change in deposit mix

### Key Performance Indicators

AED Mn	Q3-18	Q3-17	Better / (Worse)	Q2-18	Better / (Worse)
Net interest income	3,307	2,806	18%	3,245	2%
Non-interest income	1,147	1,160	(1%)	1,103	4%
<b>Total income</b>	<b>4,454</b>	<b>3,965</b>	<b>12%</b>	<b>4,348</b>	<b>2%</b>
Operating expenses	(1,466)	(1,270)	(15%)	(1,370)	(7%)
<b>Pre-impairment operating profit</b>	<b>2,988</b>	<b>2,696</b>	<b>11%</b>	<b>2,977</b>	<b>0%</b>
Impairment allowances	(353)	(431)	18%	(315)	(12%)
<b>Operating profit</b>	<b>2,635</b>	<b>2,264</b>	<b>16%</b>	<b>2,663</b>	<b>(1%)</b>
Share of Profits from associates & JVs	34	42	(19%)	18	85%
Taxation charge	(30)	(30)	0%	(50)	39%
<b>Net profit</b>	<b>2,638</b>	<b>2,276</b>	<b>16%</b>	<b>2,631</b>	<b>0%</b>
Cost: income ratio (%)	32.9%	32.0%	(0.9%)	31.5%	(1.4%)
Net interest margin (%)	2.87%	2.56%	0.31%	2.82%	0.05%

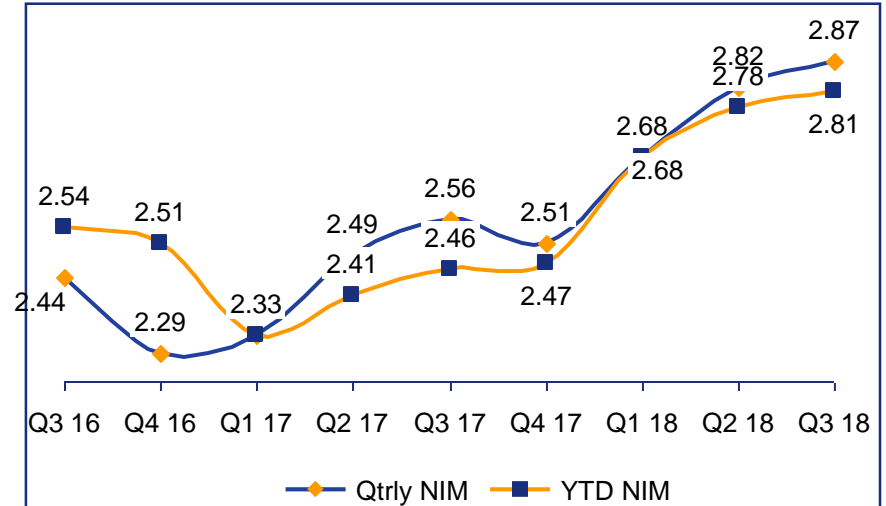
AED Bn	30-Sep-18	31-Dec-17	%	30-Jun-18	%
Total assets	492.6	470.4	5%	477.5	3%
Loans	324.7	304.1	7%	316.4	3%
Deposits	341.2	326.5	4%	335.0	2%
AD ratio (%)	95.2%	93.1%	(2.1%)	94.4%	(0.8%)
NPL ratio (%)	5.8%	6.2%	0.4%	6.0%	0.2%

# Net Interest Income

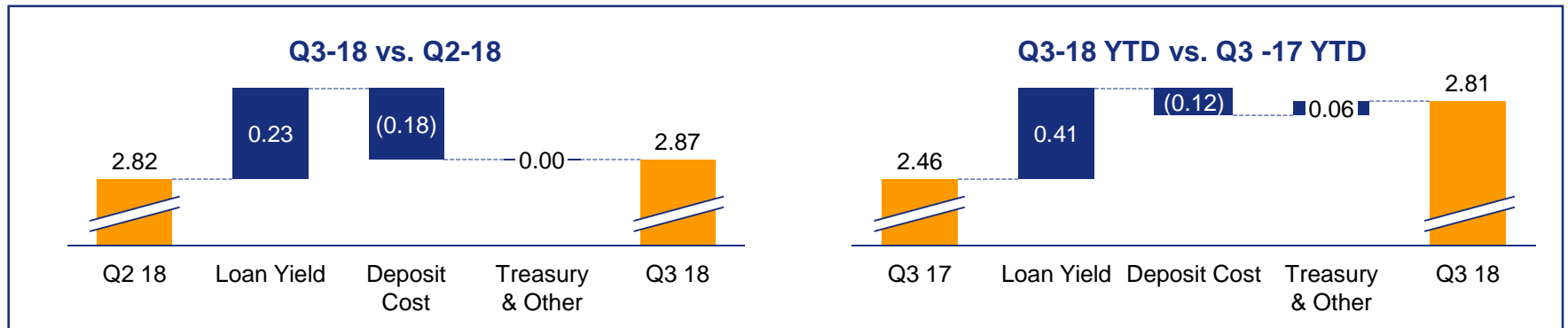
## Highlights

- NIMs continued to improve in Q3-18 as rate rises flowed through to the loan book which more than offset a rise in funding costs
- Q3-18 NIM improved 5 bps q-o-q and 35 bps y-o-y
- Loan yields improved 23 bps q-o-q and 41 bps y-o-y helped by recent interest rate rises
- Deposit costs increased due to the higher rate environment and a change in CASA - Fixed Deposit mix
- Wholesale Funding costs improved y-o-y as the Bank efficiently deployed excess liquidity
- 2018 NIM guidance maintained in 2.75-2.85% range on anticipated smaller benefit from future interest-rate rises

## Net Interest Margin (%)



## Net Interest Margin Drivers (%)

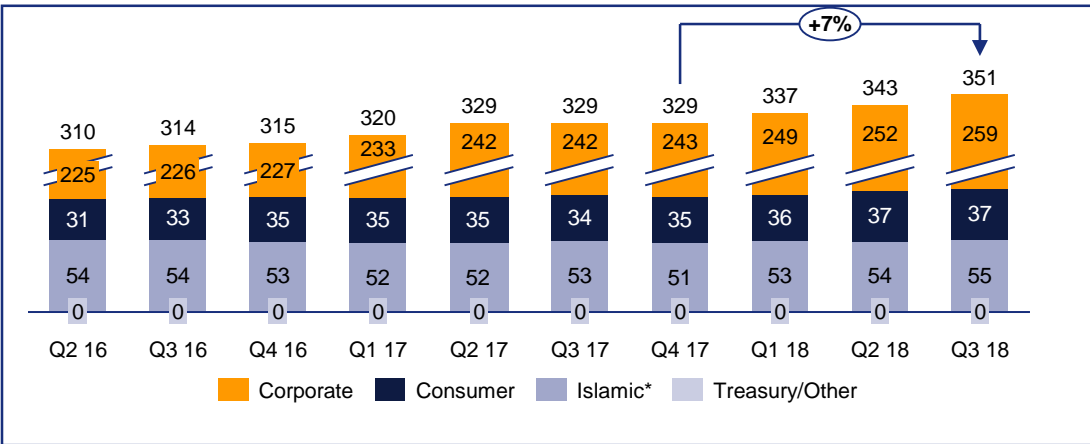


# Loan and Deposit Trends

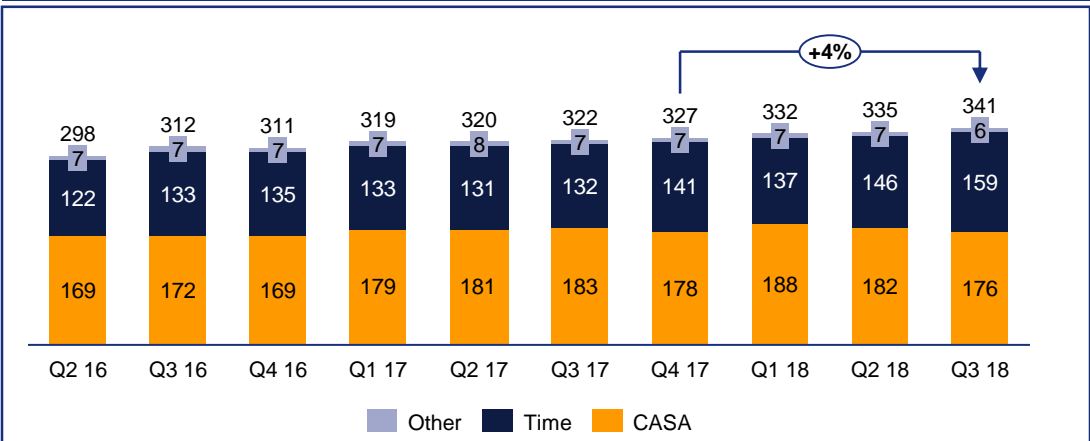
## Highlights

- Gross loans grew 7% in Q3-18 YTD with growth across all operating segments
- Corporate lending grew 6% since year-end due to growth in construction, trade and FI sectors
- Consumer lending grew 8% since year-end with growth in mortgages, cards and term loans
- Islamic financing grew 8% since year-end due to growth in manufacturing, trade, services and FI sectors
- Deposits grew 4% since the start of the year with some migration from CASA to fixed deposits
- CASA deposits represent 52% of total deposits, down 3% since the beginning of the year on a larger deposit base

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



## Trend in Deposits by Type (AED Bn)



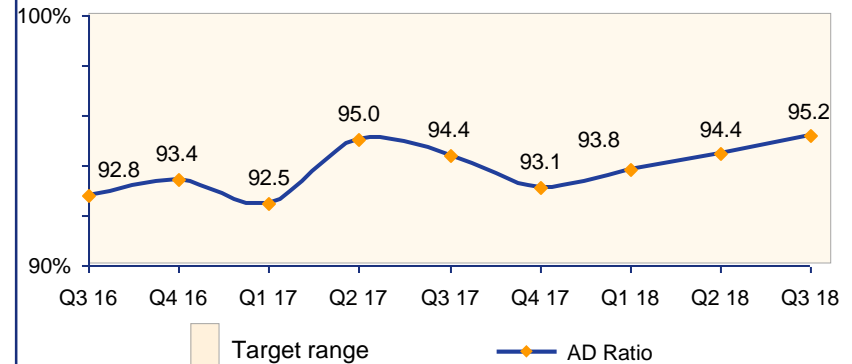
\* Gross Islamic Financing Net of Deferred Income

## Funding and Liquidity

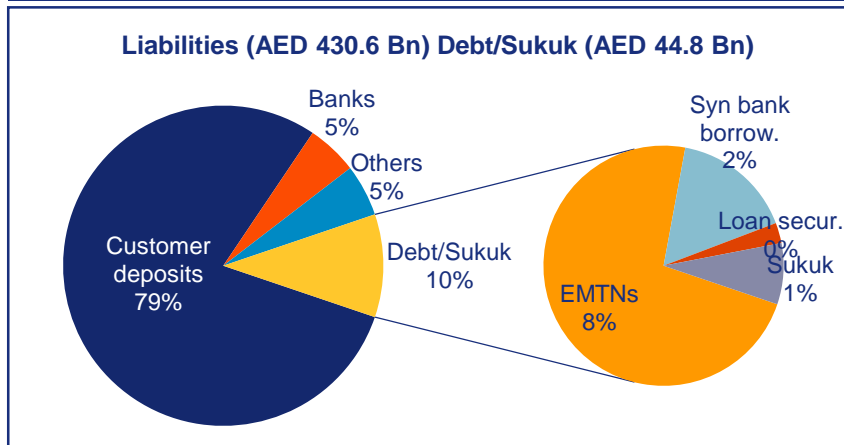
### Highlights

- Liquidity Coverage Ratio of 196.5% and AD ratio of 95.2% demonstrates healthy liquidity position
- Liquid assets\* of AED 64.8 Bn as at Q3-18 (15.0% of total liabilities)
- In 2018 YTD, AED 7.8 Bn of term debt issued in 6 currencies with maturities out to 30 years
- Club deal extended to 2021 and upsized to USD 2 Bn at more competitive pricing
- Debt maturity profile comfortably within the Group's ability to raise term funding

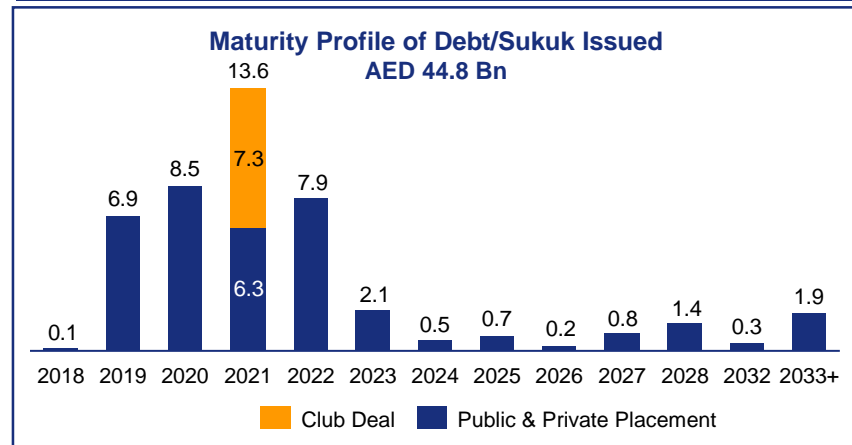
### Advances to Deposit (AD) Ratio (%)



### 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

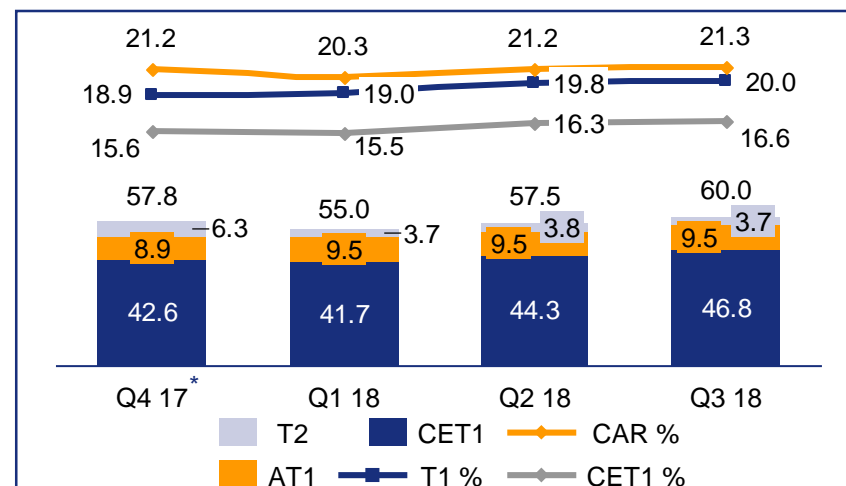
## Highlights

- In Q3-18, capital ratios improved modestly as retained earnings more than offset an increase in Risk Weighted Assets
- CAR improved slightly since the beginning of the year as retained earnings more than offset the retirement of Tier 2 debt and the transition adjustment to IFRS 9
- Increase in Credit Risk Weighted Assets due to growth in loan book and interbank exposures
- 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

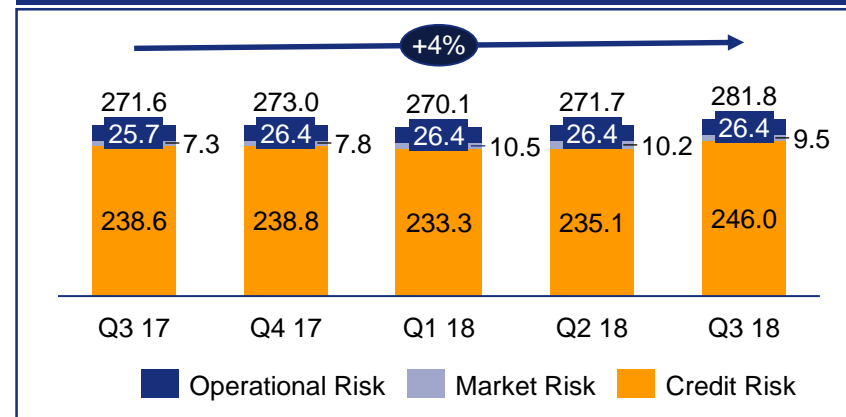
## Capital Movements

AED Bn	CET-1	Tier 1	Tier 2	Total
<b>Capital as at 31-Dec-2017</b>	<b>42.6</b>	<b>51.5</b>	<b>6.3</b>	<b>57.8</b>
Net profits generated	7.7	7.7	0.0	7.7
Impact of IFRS 9	(2.3)	(2.3)	0.0	(2.3)
Repayment of Tier 2	0.0	0.0	(3.1)	(3.1)
Interest on T1 securities	(0.3)	(0.3)	0.0	(0.3)
Other	(0.9)	(0.3)	0.5	0.2
<b>Capital as at 30-Sep-2018</b>	<b>46.8</b>	<b>56.3</b>	<b>3.7</b>	<b>60.0</b>

## Capitalisation



## Risk Weighted Assets (AED Bn)



\* Q4-17 capital ratios adjusted for 2017 dividend



## Non-Interest Income

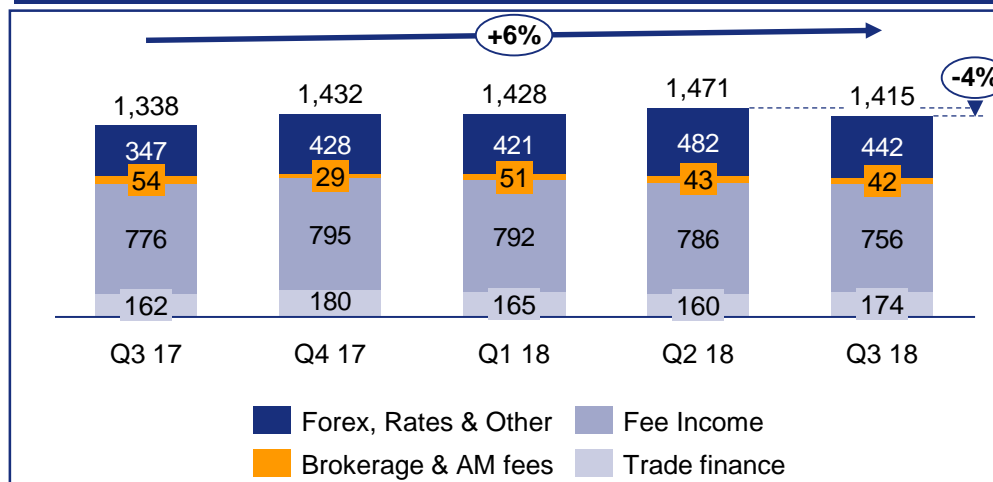
### Highlights

- Core fee income was 5% higher y-o-y due to higher foreign exchange income and declined 4% q-o-q due to seasonality
- Non-interest income declined 2% y-o-y as lower income from investment securities more than offset the rise in core fee income
- Lower impairment on property inventory in 2018-YTD compared to the corresponding period in 2017
- Lower investment security income due to impairment provision in Q2-18 on a private equity fund holding

### Composition of Non Interest Income (AED Mn)

AED Mn	Q3-18 YTD	Q3-17 YTD	Better / (Worse)
Core gross fee income	4,314	4,044	7%
Fees & commission expense	(861)	(743)	(16%)
<b>Core fee income</b>	<b>3,453</b>	<b>3,300</b>	<b>5%</b>
Property income / (loss)	(70)	(122)	43%
Investment securities & other income	(13)	250	(105%)
<b>Total Non Interest Income</b>	<b>3,369</b>	<b>3,428</b>	<b>(2%)</b>

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

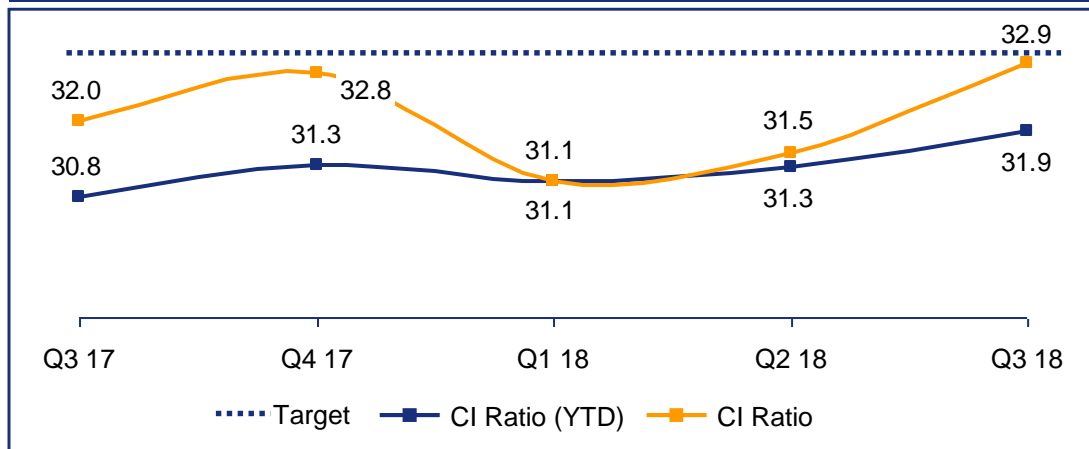


# Operating Costs and Efficiency

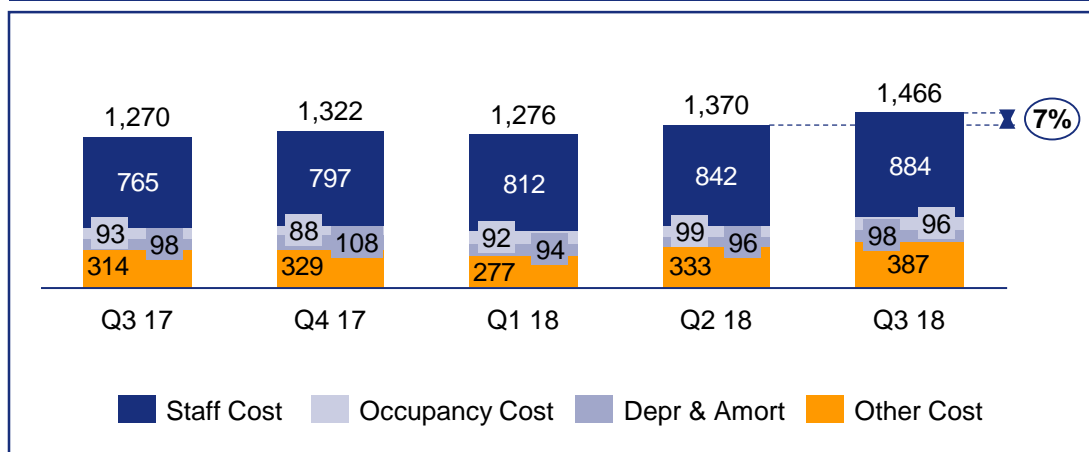
## Highlights

- Q3-18 costs were 7% higher q-o-q due to an increase in staff and IT costs as signaled earlier. Other costs increased due to costs associated with international branch expansion, advertising and Expo 2020 sponsorship
- Costs increased 15% y-o-y in Q3-18 but remain 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)

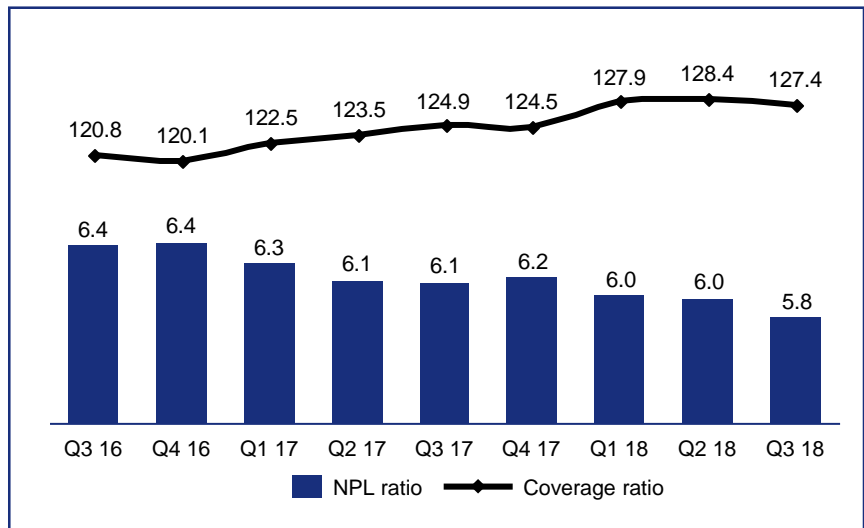


# Credit Quality

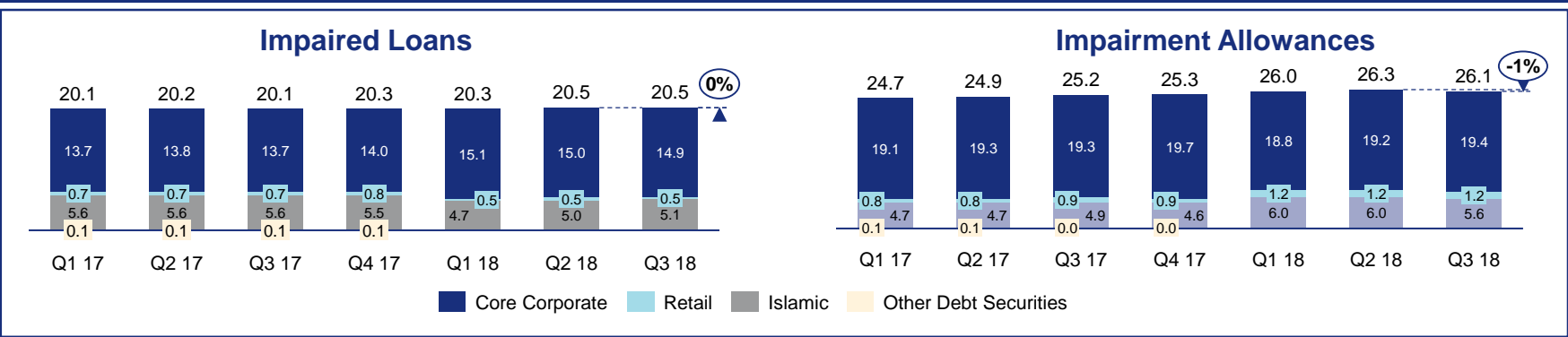
## Highlights

- NPL ratio improved to 5.8% in Q3-18
- Impaired loans steady in 2018 helped by AED 1,381 Mn of write backs & recoveries
- Q3-18 YTD annualized loan cost of risk at 55 bps as net impairment charge of AED 1,108 Mn improved 35% y-o-y
- Coverage ratio strong at 127.4%
- Stage 1 & 2 ECL allowances amount to AED 7.5 Bn or 3.1% of credit RWA

## Impaired Loan & Coverage Ratios (%)



## Impaired Loans and Impairment Allowances (AED Bn)

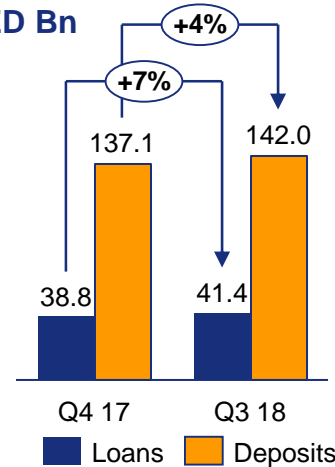


# Divisional Performance

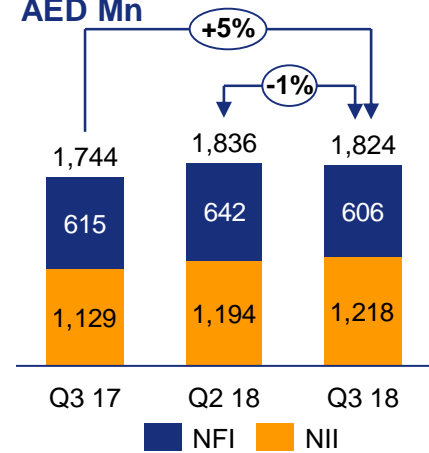
## Retail Banking & Wealth Management

- Revenues increased 5% y-o-y
- Net interest income grew 8% y-o-y led by liabilities. Fee income decreased 1% y-o-y and represents 33% of total RBWM revenue
- Loans were up 7% due to growth in mortgages, cards and term loans
- Emirates NBD has been named the UAE's Best Consumer Digital Bank and Liv., Emirates NBD's lifestyle digital bank has been named the UAE's Most Innovative Digital Bank by Global Finance in 2018
- The bank continues to optimize its distribution network with 606 ATMs and 91 branches as at 30-Sep-18

**Balance Sheet Trends**  
AED Bn



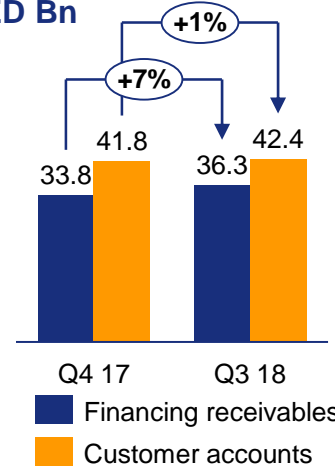
**Revenue Trends**  
AED Mn



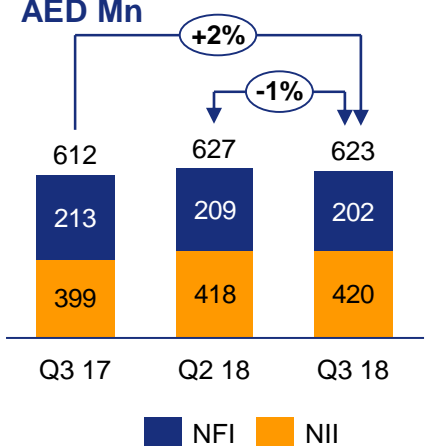
## Emirates Islamic

- Revenue increased 2% y-o-y driven by a 5% growth in funded income which more than offset a modest decrease in fee income
- Financing receivables grew 7% since year end to AED 36.3 Bn helped by growth in manufacturing, trade, retail and FI sectors
- Customer accounts grew 1% to AED 42.4 Bn as EI continued its focus on improving liability mix and cost of funding
- CASA represents 68% of EI's customer deposits
- As at Sep-18, EI had 61 branches and an ATM & CDM network of 206

**Balance Sheet Trends**  
AED Bn



**Revenue Trends**  
AED Mn

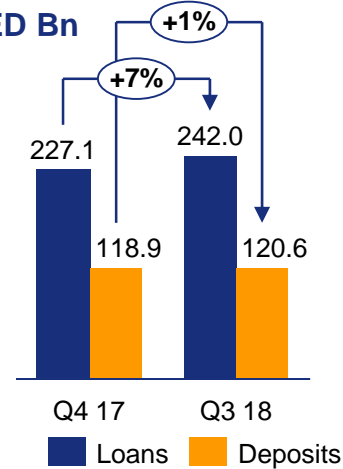


## Divisional Performance (continued)

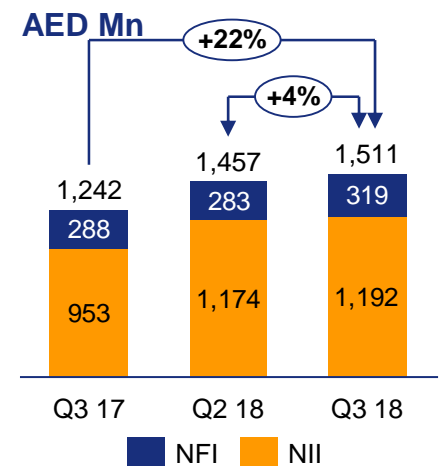
### Wholesale Banking

- Wholesale Banking revenues increased 22% y-o-y
- Loans grew 7% in Q3-18 YTD due to growth in construction, trade and FI sectors. Deposits increased by 1%
- Net Interest Income increased 25% in Q3-18 y-o-y driven by an improvement in margins and growth in lending activity
- Fee income advanced 11% in Q3-18 y-o-y due to growing non-funded income from Trade and Treasury products
- Focus on enhancing customer service, share of wallet, cross-sell of Treasury and IB products and larger Cash Management and Trade Finance penetration

### Balance Sheet Trends AED Bn



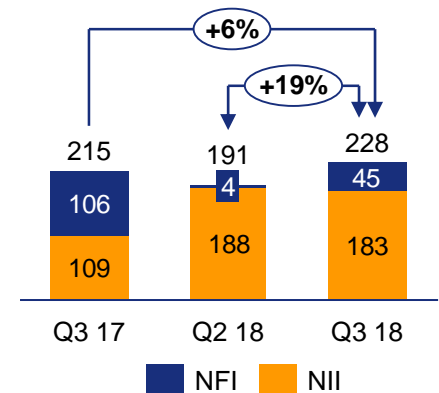
### Revenue Trends AED Mn



### Global Markets & Treasury

- GM&T revenues increased 6% 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
- Raised AED 7.8 Bn of term funding through public issues and private placements in six currencies 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](mailto:IR@emiratesnbd.com)

