

Emirates NBD

Q3-14 Results Presentation

Oct 22, 2014



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Highlights

- Net profit of AED 3,913 Mn for Q3-14 YTD improved 51% y-o-y
- Net interest income rose 19% y-o-y helped by an improved asset mix due to retail and Islamic growth, a lower cost of funds helped by both CASA growth and a reduction in more costly time deposits and a contribution of 4% from Egypt
- Non-interest income improved 39% y-o-y boosted by increases in trade finance and foreign exchange income, brokerage & asset management fees and gains from the sale of investments and property. There was a contribution of 2% from Egypt
- Cost to income ratio improved 4.6% y-o-y to 29.5%. Excluding one-offs, cost to income ratio was 31.6%. Costs increased 8% y-o-y due to staff and occupancy costs linked with rising business volumes and partially offset by a control of professional fees and marketing costs. Egypt contributed 4.7% of the increase
- NPL ratio improved by 1.3% during 2014 to 12.6% as net impaired loans decreased by AED 1.7 Bn due to a sharp rise in repayments and recoveries
- Provisions of AED 3,831 Mn boosted the coverage ratio by 12.8% in 2014 to 70.3%
- AD ratio of 99.2% within 90-100% management range (97.3% excluding IPO leverage settled subsequent to Q3-14)
- NIMs improved 25 bps y-o-y to 2.83% due to improving asset and deposit mix and contribution from Egypt

Key Performance Indicators

AED Mn	Q3-14 YTD	Q3-13 YTD	Better / (Worse)
Net interest income	7,024	5,915	19%
Non-interest income	3,863	2,780	39%
Total income	10,887	8,695	25%
Operating expenses	(3,212)	(2,967)	(8%)
Pre-impairment operating profit	7,675	5,728	34%
Impairment allowances	(3,831)	(3,400)	(13%)
Operating profit	3,844	2,328	65%
Share of profits from associates	159	101	57%
Gain on disposal of stake in associates/subsidiaries	-	191	(100%)
Taxation charge	(90)	(36)	(152%)
Net profit	3,913	2,584	51%
Cost: income ratio (%)	29.5%	34.1%	4.6%
Net interest margin (%)	2.83%	2.58%	0.25%
AED Bn	30-Sep-14	31-Dec-13	%
Total assets	353.9	342.1	3%
Loans	247.7	238.3	4%
Deposits	249.7	239.6	4%

Highlights

- Net profit of AED 1,563 Mn for Q3 improved 102% y-o-y and 20% q-o-q
- Net interest income rose 9% y-o-y helped by an improved asset mix due to retail and Islamic growth, a lower cost of funds helped by both CASA growth and repayment of MOF Tier 2 deposit
- Non-interest income improved 55% y-o-y boosted by foreign exchange and derivative income and gains from the sale of investments and property
- Cost to income ratio improved 5.6% y-o-y to 27.9%. Excluding one-offs, cost to income ratio was 31.4%. Costs increased 2% y-o-y linked with rising business volumes and partially offset by a control of other costs
- NPL ratio improved by 0.9% during Q3 to 12.6% as net impaired loans decreased by AED 1.4 Bn due to a sharp rise in repayments and recoveries
- Provisions of AED 1,219 Mn boosted the coverage ratio by 5.6% q-o-q to 70.3%
- AD ratio of 99.2% within 90-100% management range (97.3% excluding IPO leverage settled subsequent to Q3-14)
- NIMs improved 12 bps y-o-y to 2.95% due to improving asset and deposit mix

Key Performance Indicators

AED Mn	Q3-14	Q3-13	Better / (Worse)	Q2-14	Better / (Worse)
Net interest income	2,465	2,254	9%	2,327	6%
Non-interest income	1,380	891	55%	1,382	(0%)
Total income	3,845	3,145	22%	3,709	4%
Operating expenses	(1,075)	(1,053)	(2%)	(1,087)	1%
Pre-impairment operating profit	2,770	2,091	32%	2,622	6%
Impairment allowances	(1,219)	(1,515)	20%	(1,345)	9%
Operating profit	1,552	576	169%	1,276	22%
Share of profits from associates	38	34	10%	60	(37%)
Gain on disposal of stake in associates/subsidiaries	-	191	(100%)	-	n/a
Taxation charge	(27)	(26)	(3%)	(29)	7%
Net profit	1,563	775	102%	1,308	20%
Cost: income ratio (%)	27.9%	33.5%	5.6%	29.3%	1.4%
Net interest margin (%)	2.95%	2.83%	0.12%	2.78%	0.17%

AED Bn	30-Sep-14	31-Dec-13	%	30-Jun-14	%
Total assets	353.9	342.1	3%	348.3	2%
Loans	247.7	238.3	4%	241.8	2%
Deposits	249.7	239.6	4%	252.9	(1%)

Highlights

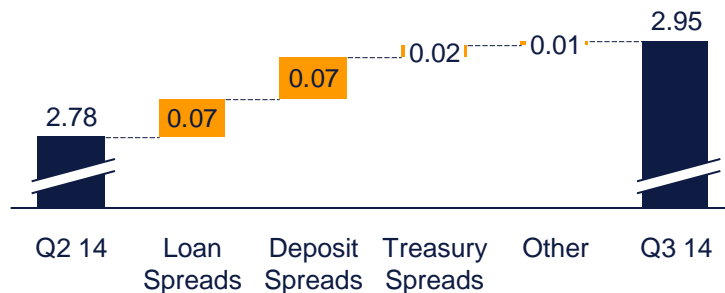
- NIMs improved 17 bps in Q3-14 and improved 25 bps from 2.58% in Q3-13 YTD to 2.83% in Q3-14 YTD
- Loan spreads improved in Q3 and y-o-y due to growth in higher yielding retail and Islamic assets
- Deposit spreads improved in Q3 due to CASA growth and repayment of Ministry of Finance Tier 2 deposit
- Treasury spreads improved y-o-y due to strong investment performance coupled with cheaper cost of wholesale funding
- We expect NIMs to finish 2014 at the high end of the guidance range of 2.7-2.8%

Net Interest Margin (%)

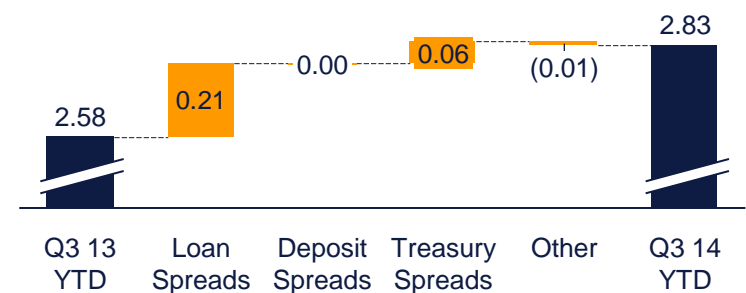


Net Interest Margin Drivers (%)

Q3-14 vs. Q2-14



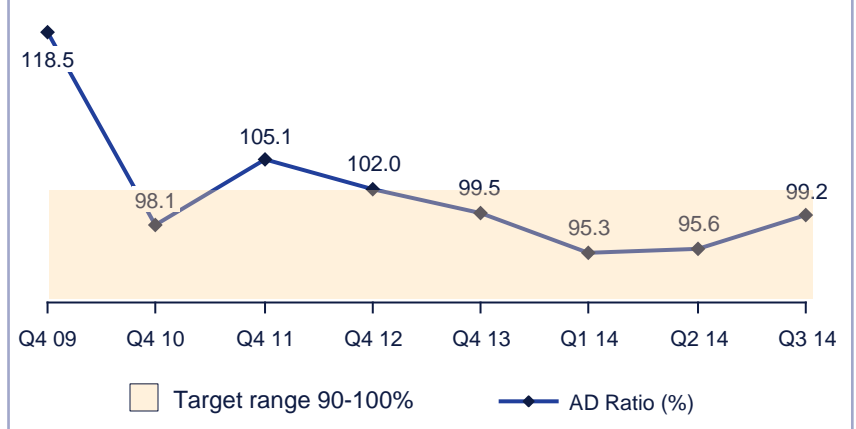
Q3-14 YTD vs. Q3-13 YTD



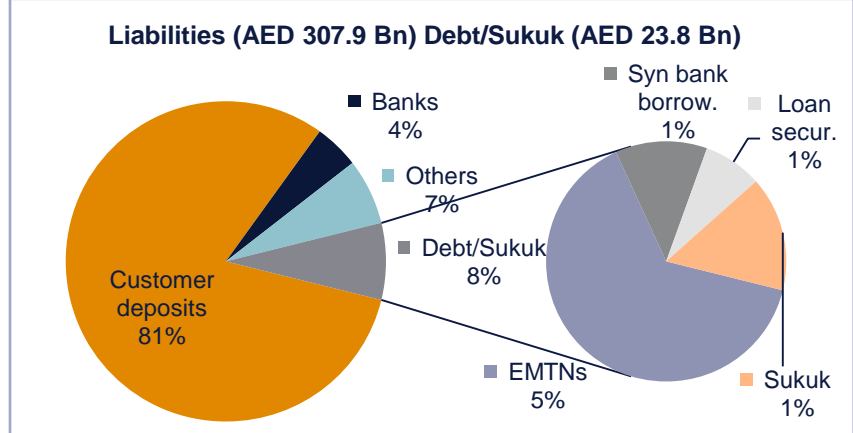
Highlights

- AD ratio of 99.2% within 90-100% management target range (97.3% excluding IPO leverage settled subsequent to the quarter)
- Liquid assets* of AED 45.4 Bn at Q3-14 (14.7% of total liabilities)
- Emirates NBD is first MENA institution to raise funds in NZD market. Cheapest 5-year funding that the bank has raised in the last 6 years
- Modest maturity profile affords Emirates NBD ability to consider public and private debt issues opportunistically

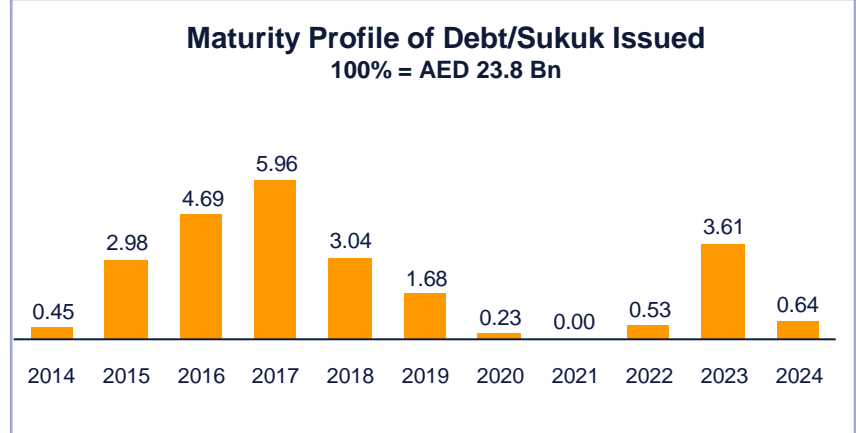
Advances to Deposit (AD) Ratio (%)



Composition of Liabilities/Debt Issued (%)



Maturity Profile of Debt Issued (AED Bn)



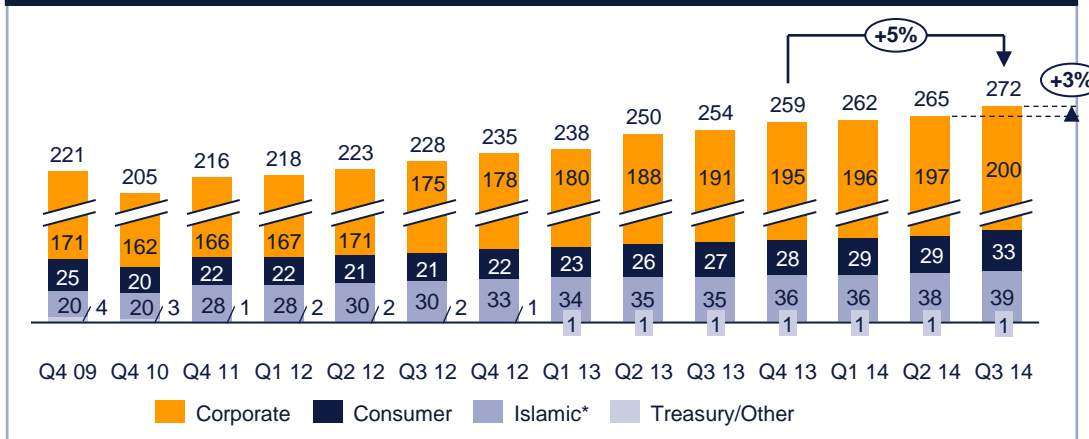
*including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Highlights

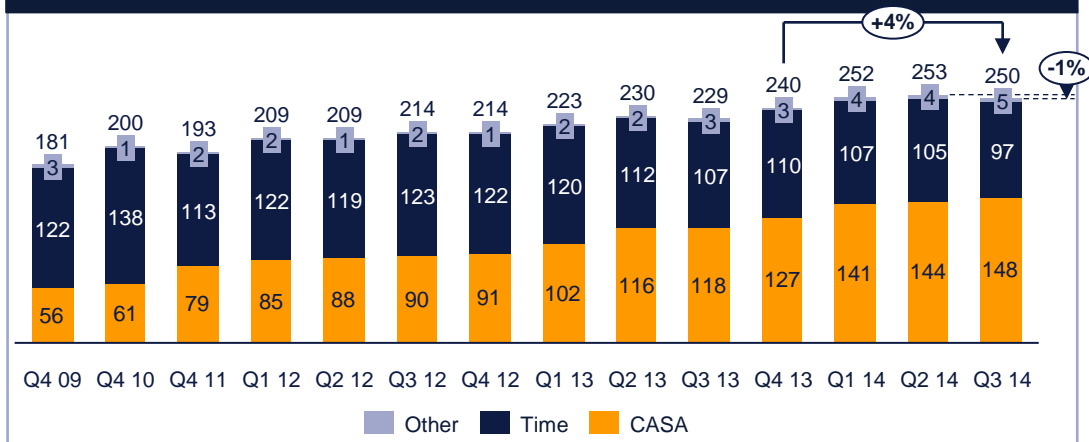
- Gross loans increased by 3% q-o-q and by 5% from end 2013
- Consumer lending grew 13% q-o-q and by 18% from end 2013, temporarily inflated by IPO leverage effect
- Islamic financing grew 2% q-o-q and by 8% from end 2013

- Deposits decreased by 1% q-o-q due to repayment of AED 4.8 Bn of MOF T2 deposits.
- CASA grew 2% q-o-q and by 16% from end 2013
- CASA deposits as a percentage of total deposits have increased to 59% in Q3-14 from 43% at the end of 2012

Trend in Gross Loans by Type (AED Bn)



Trend in Deposits by Type (AED Bn)



* Gross Islamic Financing Net of Deferred Income

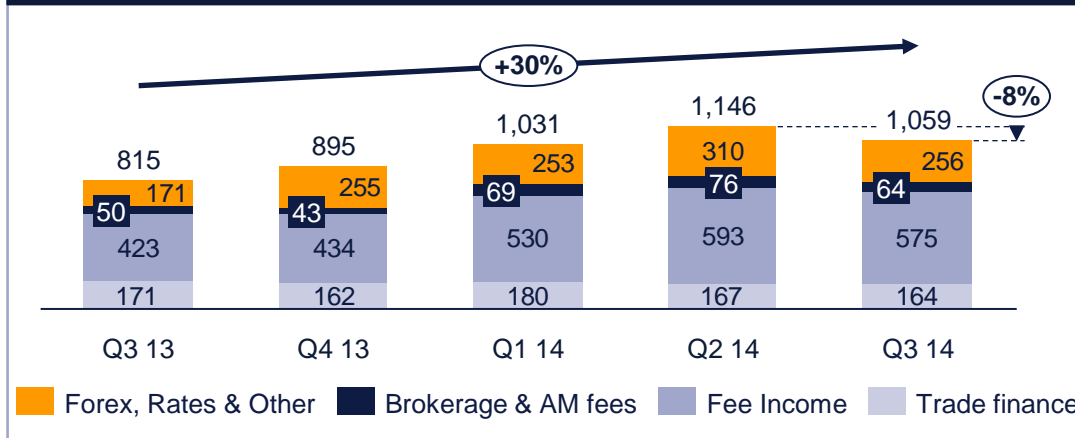
Highlights

- Non-interest income improved 39% y-o-y due to a rise in all sources of fee income and income from sale of properties and investment securities
- Income from brokerage and forex & rates dropped in Q3 due to seasonal effects (fewer trades during Ramadan, summer and Eid holidays)
- Property income improved significantly helped by large sale of property inventory to Emirates REIT
- Investment securities income up 92% helped by further disposal of Union Property shares in Q3

Composition of Non Interest Income (AED Mn)

AED Mn	Q3-14 YTD	Q3-13 YTD	Better / (Worse)
Core gross fee income	3,236	2,480	30%
Fees & commission expense	(551)	(321)	(72%)
Core fee income	2,685	2,159	24%
Property income / (loss)	510	272	88%
Investment securities	668	348	92%
Total Non Interest Income	3,863	2,780	39%

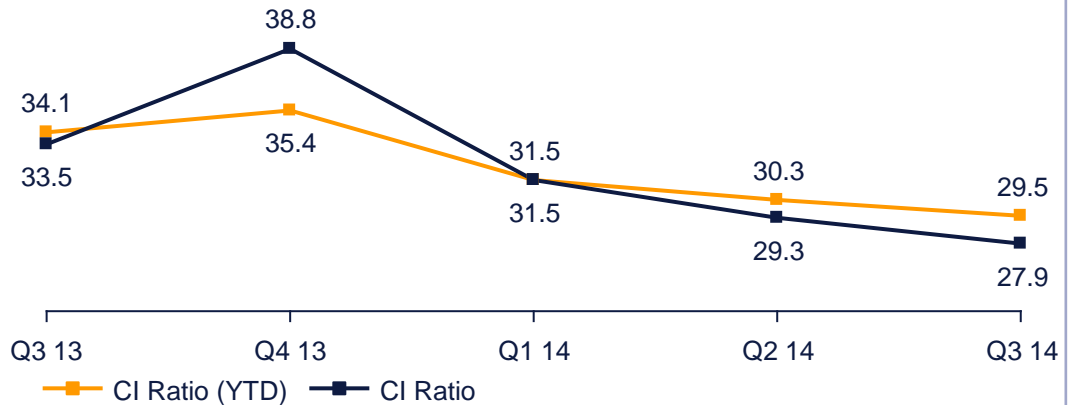
Trend in Core Gross Fee Income (AED Mn)



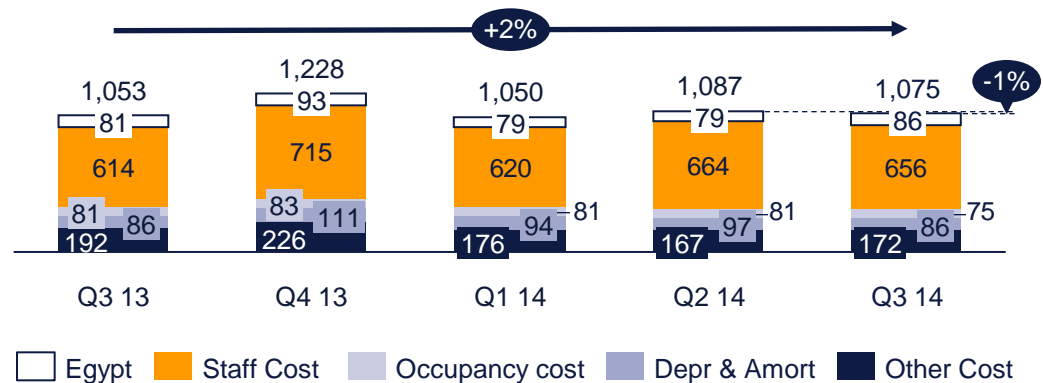
Highlights

- Costs increased 2% y-o-y in Q3 but decreased 1% q-o-q
- Cost to Income Ratio improved by 1.4% q-o-q to 27.9% due to strong income growth and a control on costs. Adjusted for one-offs Cost to Income Ratio would be 31.6% for Q3-14 YTD and 31.4% for Q3-14
- The longer term management target for cost to income ratio is 33% which provides headroom for investments in future

Cost to Income Ratio (%)



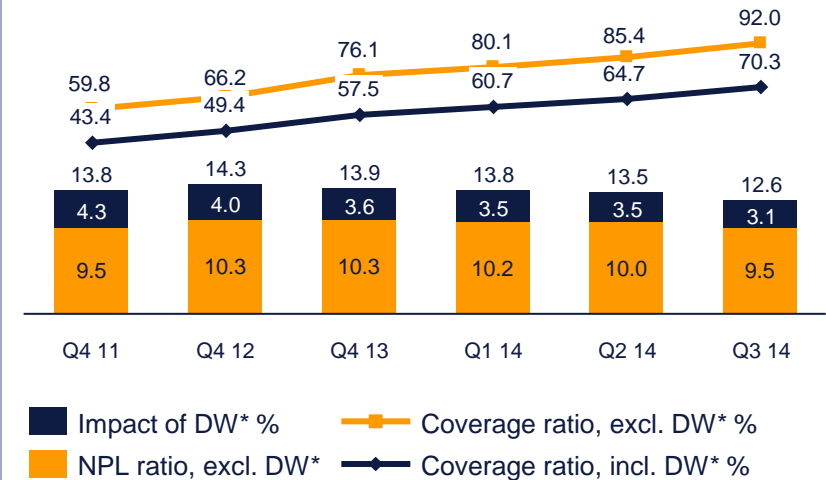
Cost Composition (AED Mn)



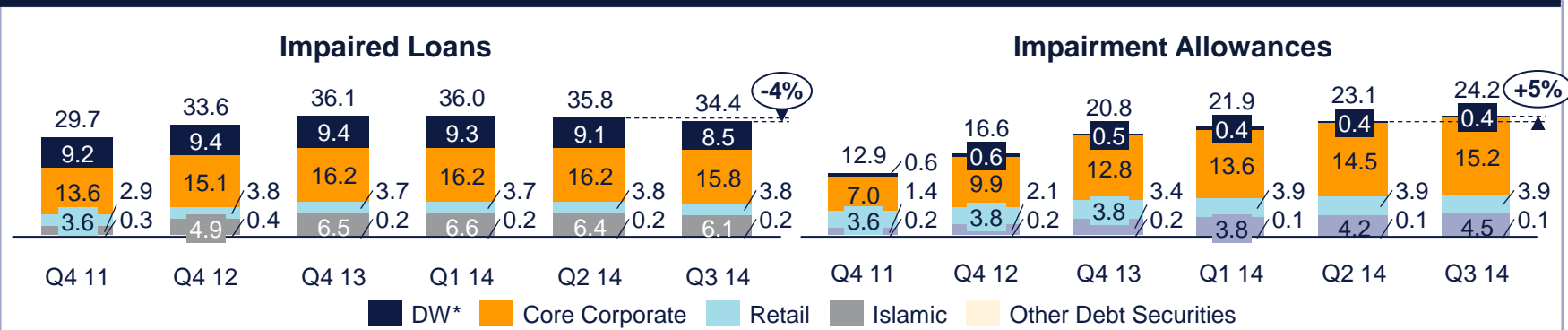
Highlights

- NPL ratio improved by 0.9% q-o-q to 12.6%
- Net impaired loans decreased by AED 1.4 Bn in Q3 helped by repayments and recoveries
- Q3-14 YTD net impairment charge of AED 3.8 Bn driven by additional net specific Corporate and Islamic loan provisions
- Coverage ratio increased by 5.6% in Q3 to 70.3%
- At current rate of provisioning we will reach our 100% coverage target (excluding Dubai World) in early 2015

Impaired Loan & Coverage Ratios (%)



Impaired Loans and Impairment Allowances (AED Bn)

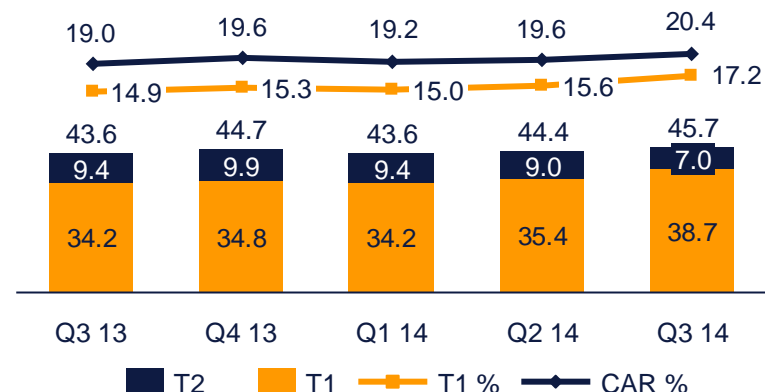


*DW = exposure AED 8.54 Bn; provision AED 390 Mn

Highlights

- CAR improved by 0.8% and Tier 1 ratio improved by 1.6% in Q3 due to:
 - Issuance of \$500m Tier 1 notes and retained earnings
 - Repayment of AED 4.8 billion of MOF Tier 2 deposits
 - Modest decrease in risk weighted assets
- Tier 1 ratio has improved by 1.9% during 2014
- Capital Management exercise successfully completed with the entire repayment of crisis era support

Capitalisation



Capital Movements (AED Bn)

FY 13 to Q3-14 YTD (AED Bn)	Tier 1	Tier 2	Total
Capital as at 31-Dec-2013	34.7	9.9	44.6
Net profits generated	3.9	-	3.9
FY 2013 dividend paid	(1.4)	-	(1.4)
Tier 1 Issuance	1.8	-	1.8
Repayment of Tier 2	-	(2.9)	(2.9)
Amortisation of MOF T2 / sub debt	-	-	-
Interest on T1 securities	(0.4)	-	(0.4)
Tier 2 Issuance	-	0.1	0.1
Repayment of subordinated debt	-	-	-
Goodwill	0.1	-	0.1
Other	-	(0.1)	(0.1)
Capital as at 30-Sep-2014	38.7	7.0	45.7

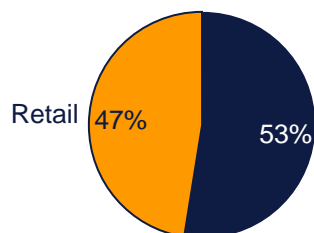
Risk Weighted Assets – Basel II (AED Bn)



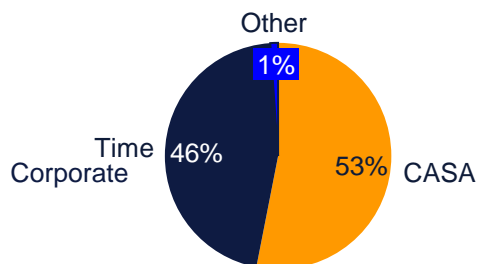
Highlights

- Full service commercial banking platform:
 - Corporate Banking: focused on large corporate and MNCs; serves c.4,000 clients
 - Retail Banking: High growth segment; serves c.246,000 clients
- Wide presence in Egypt through 62 branches and 187 ATMs
- Financially sound with robust profitability and a healthy balance sheet
- Improving Cost to Income Ratio

Net Loans
100% = AED 3.5 Bn



Deposits
100% = AED 9.6 Bn



Financials

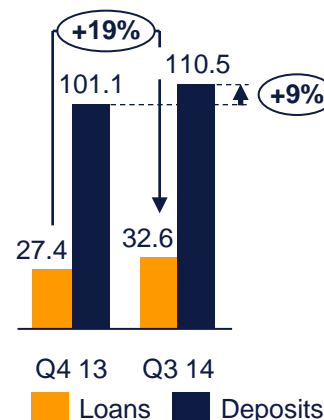
AED Mn	Year 2013 (from 9-June-13)	Q3-14 YTD
Net interest income	225	347
Non-interest income	133	159
Total income	358	506
Operating expenses	(193)	(243)
Pre-impairment operating profit	165	263
Impairment allowances	(22)	(22)
Operating profit	143	241
Taxation charge	(30)	(74)
Net profit	113	167

AED Bn	31-Dec-13	30-Sep-2014
Net Loans	3.7	3.5
Deposits	9.0	9.6
Impaired Loan Ratio (%)	0.2%	0.52%
Cost to Income Ratio (%)	53.8%	48.1%

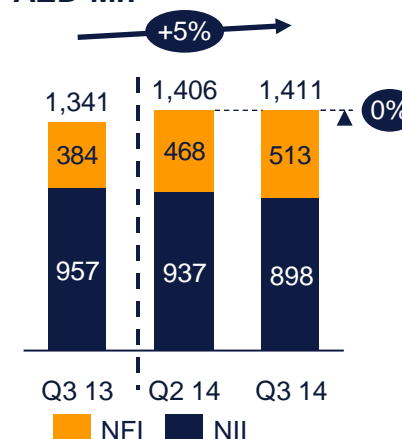
Retail Banking & Wealth Management

- Revenue improved 5% y-o-y and remained stable q-o-q.
- Deposits grew 9% from end 2013 driven by CASA growth
- Loans grew 19% from end 2013 driven by growth in credit cards, overdrafts and temporary IPO leverage effect.
- The bank has improved its distribution as part of its channel optimization strategy and had 525 ATMs and 99 branches as at 30-September

Balance Sheet Trends AED Bn



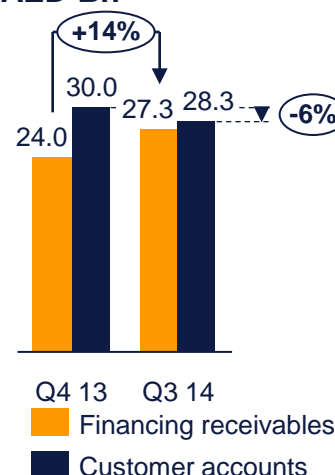
Revenue Trends AED Mn



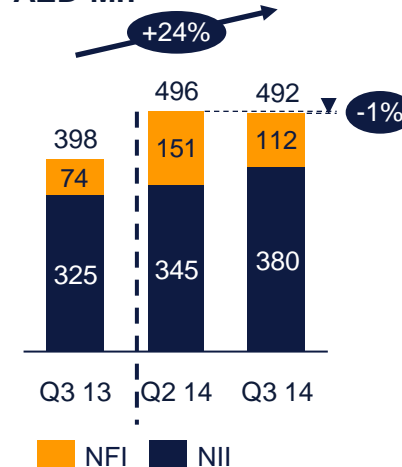
Islamic Banking

- Islamic Banking revenue improved 24% y-o-y but declined 1% q-o-q to AED 492 Mn in Q3
- Financing receivables grew by 14% in 2014 mainly due to increases in Murabaha financing
- Customer accounts declined by 6% in 2014 mainly due to repayment of MoF Tier 2 deposits
- At Q3-14, EI had 56 branches and ATM & CDM network of 179
- Islamic Banking business continues to develop through a strengthened core franchise coupled with an expansion of retail, SME, and corporate offerings

Balance Sheet Trends AED Bn



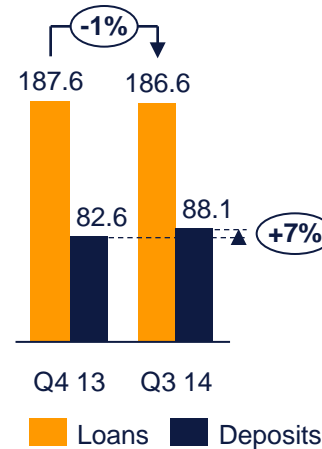
Revenue Trends AED Mn



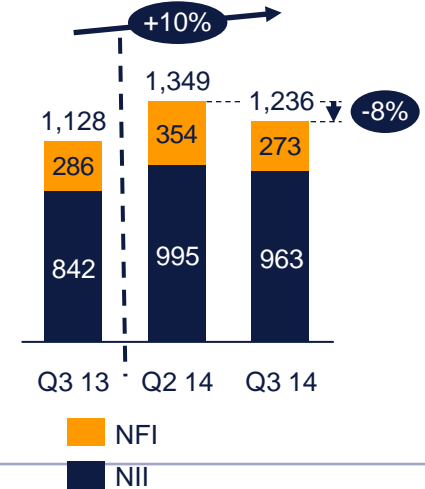
Wholesale Banking

- Wholesale Banking revenues declined 8% q-o-q but grew 10% y-o-y
- Loans dropped by 1% from end 2013 as normal loan repayments offset new underwriting
- Deposits grew by 7% from end 2013
- Focus during 2014 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



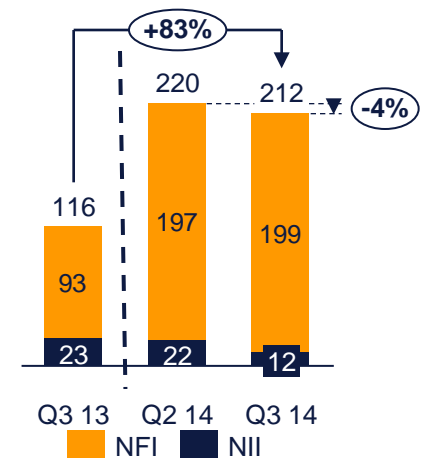
Revenue Trends AED Mn



Global Markets & Treasury

- Revenue at AED 212 Mn in Q3-14 declined by 4% q-o-q but improved 83% y-o-y
- Y-o-y growth due to robust increase in sales revenue and strong performance by Credit Trading desk.
- In 2014 we continue to see higher income from investments

Revenue Trends AED Mn



Economic Outlook

- 2014 GDP growth expectations for the UAE have been revised upwards to 5% due to a strong expansion in the non-oil private sector.
- 2014 GDP growth expectations also revised upwards to 5% for Dubai as manufacturing, hospitality, transport and logistics expanded robustly. Buoyant real estate and construction sectors will also boost growth
- In 2014 Dubai residential property price growth slowed significantly for villas and apartments
- Inflation expected to rise to 3% in 2014 from 1.1% in 2013 on the back of higher housing costs and higher input prices
- Emirates NBD has improved its capital and funding profile allowing it to take advantage of the expected future growth in Dubai and the region
- As Dubai continues to grow we expect a further positive trend in impaired loans leading to a stronger balance sheet

Profitability

- Pre-impairment operating profit of AED 7,675 Mn in Q3-14 YTD, up 34% y-o-y
- Net profit of AED 3,913 Mn improved 51% y-o-y

Credit Quality

- NPL ratio improved by 0.9% to 12.6% in Q3-14 due to strong recoveries

Provisions

- Net impairment allowances of AED 3,831 Mn in Q3-14 YTD have boosted the coverage ratio to 70.3%, up 12.8% from end-2013

CI Ratio

- Cost to Income ratio improved by 4.6% y-o-y to 29.5% in Q3-14 YTD
- Q4-14 spend is expected to grow as we invest in systems and people to support future business growth

Income

- Total income improved 25% y-o-y to AED 10,887 Mn helped by an improving asset mix, efficient funding & capital base and strong fee income

Net Interest Margin

- NIMs improved to 2.83% in Q3-14 YTD

Capital and Liquidity

- Capital and liquidity position extremely strong offering resilience for the future
- Tier 1 ratio improved by 1.9% during 2014 to 17.2%

Outlook

- The Bank will continue to implement its successful strategy and consolidate our position as a dominant player in the UAE and the region

Investor Relations

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