Q1 2016 Results Presentation

19 April 2016

Emirates NBD

Important Information

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Emirates NBD delivered a solid set of results in Q1-16 amid a challenging environment

Q1 2016 at a glance

		Q1 2016	vs. 2016 guidance
Profitability	**Net profit**	**AED 1.8 Bn** **+8%** y-o-y	
	Net interest margin	2.62%	2.70 – 2.85% range
	Cost-to-income ratio	32.0%	33% management target
Credit Quality	NPL ratio	6.9%	
	Coverage ratio	113.5%	
Capital & Liquidity	Tier 1 ratio	17.6%	
	Capital adequacy ratio	20.3%	
	AD ratio	95.9%	90-100% management target
Assets	Loan growth (net)	3% ytd	5% range

2016 Macro themes

	Regional	Global
+	• Resilience of UAE economy due to non-oil sectors • Regional stock market movement strongly correlated to rebound in oil price.	• Recovering US economy • Rebound in oil price from $30 per barrel in January to above $40 per barrel.
-	• Strong dollar impact on Dubai tourism counterbalanced by overall growth in number of visitors helped by new routes • Tighter market liquidity conditions due to outflow of government deposits in the banking system • Focus continues on SME credit quality	• Global stock market volatility dampened investor confidence • Slowdown in global growth contributed to weaker business and investor sentiment

Q1-16 Financial Results Highlights

Highlights

- Net profit of AED 1,808 Mn for Q1-16 improved 8% y-o-y and declined 15% q-o-q
- Net interest income improved 3% y-o-y due to loan growth and higher EIBOR, and declined 4% q-o-q as asset growth was offset by NIM contraction
- Non-interest income declined 1% y-o-y and 4% q-o-q as core fee income held steady and income from property and investments declined
- Costs increased 16% y-o-y due to higher staff costs linked with increased business volumes but improved by 8% q-o-q. Cost trends within guidance and continue to be tightly managed
- Provisions of AED 829 Mn improved 24% y-o-y and increased 39% q-o-q which boosted the coverage ratio to 113.5%
- AD ratio of 95.9% within management range
- NPL ratio improved to 6.9%
- NIMs tightened in Q1-16 by 20 bp q-o-q to 2.62% due to margin compression across a range of products coupled with a smaller contribution from write backs

Key Performance Indicators

AED Mn	Q1-16	Q1-15	Better / (Worse)	Q4-15	Better / (Worse)
Net interest income	2,555	2,485	3%	2,669	(4%)
Non-interest income	1,350	1,360	(1%)	1,404	(4%)
Total income	**3,905**	**3,845**	**2%**	**4,073**	**(4%)**
Operating expenses	(1,250)	(1,079)	(16%)	(1,357)	8%
Pre-impairment operating profit	**2,655**	**2,766**	**(4%)**	**2,716**	**(2%)**
Impairment allowances	(829)	(1,085)	24%	(599)	(39%)
Operating profit	**1,826**	**1,681**	**9%**	**2,117**	**(14%)**
Share of profits from associates	27	36	(26%)	53	(49%)
Taxation charge	(45)	(46)	2%	(36)	(23%)
Net profit	**1,808**	**1,671**	**8%**	**2,134**	**(15%)**
Cost: income ratio (%)	32.0%	28.1%	(3.9%)	33.3%	1.3%
Net interest margin (%)	2.62%	2.90%	(0.28%)	2.82%	(0.20%)

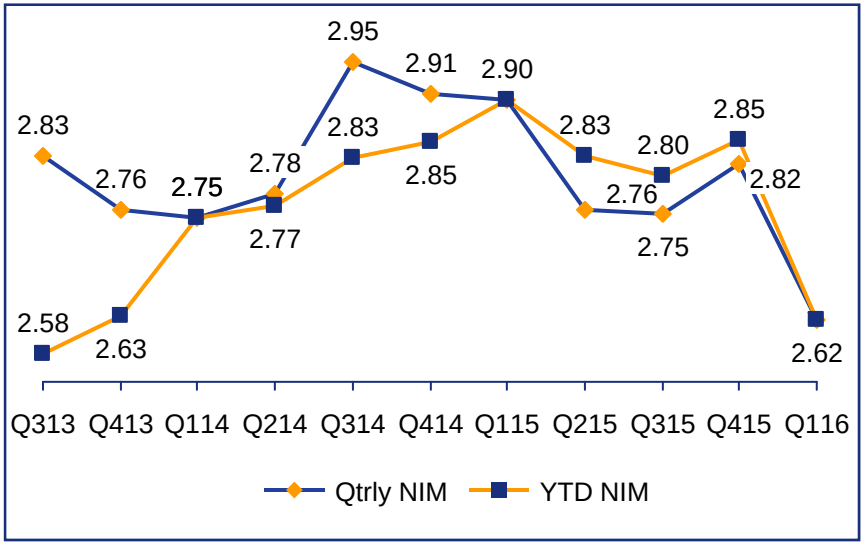
AED Bn	31-Mar-16	31-Mar-15	%	31-Dec-15	%
Total assets	414.5	367.5	13%	406.6	2%
Loans	279.1	248.9	12%	270.6	3%
Deposits	290.9	260.4	12%	287.2	1%
AD ratio (%)	95.9%	95.6%	(0.3%)	94.2%	(1.7%)
NPL ratio (%)	6.9%	7.8%	0.9%	7.1%	0.1%

Net Interest Income

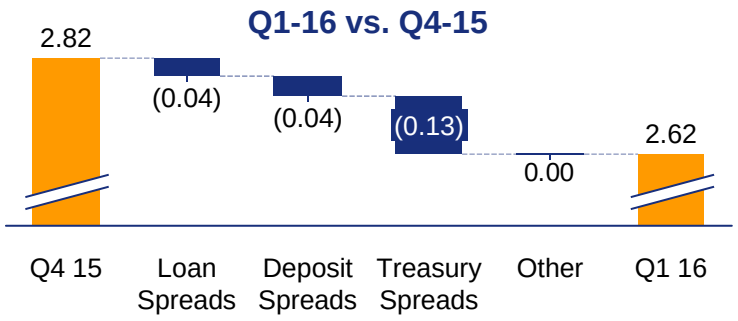
Highlights

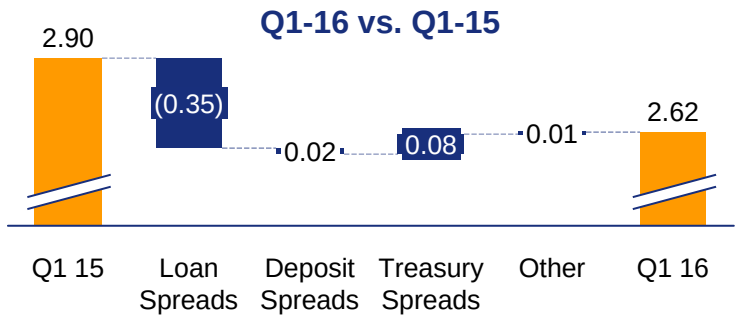
- Q1-16 NIMs tightened 20 bp q-o-q and 28 bp y-o-y to 2.62%
- Loan spreads widened q-o-q but at a slower pace than EIBOR, and declined y-o-y due to competitive margin compression across a broad range of products and smaller contribution from write backs
- Deposit spreads declined q-o-q due to higher balance of fixed deposits during the quarter
- Treasury spreads declined q-o-q as excess liquidity was deployed at comparatively lower yields, and improved y-o-y as short-term and long-term funding became cheaper relative to EIBOR
- We expect NIMs for 2016 to be in the range of 2.70 – 2.85%

Net Interest Margin (%)



Net Interest Margin Drivers (%)



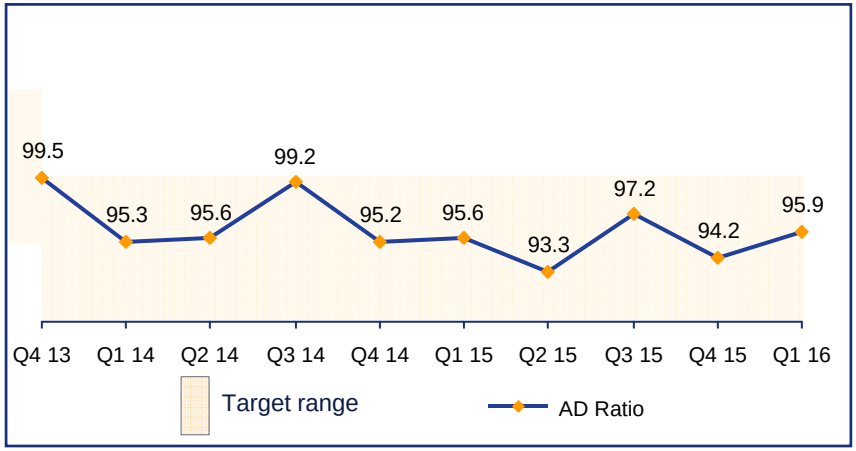


Funding and Liquidity

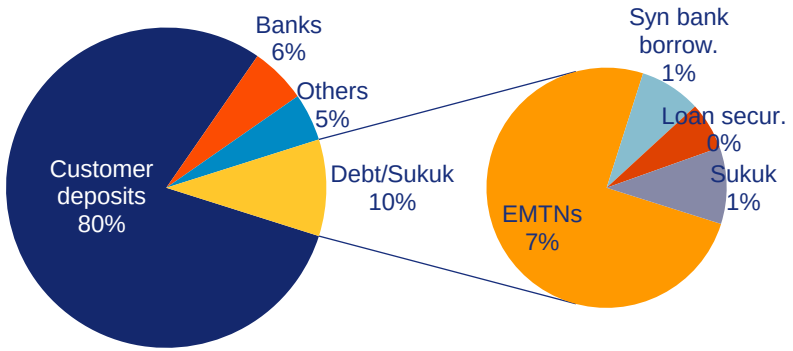
Highlights

- AD ratio of 95.9% within 90-100% management target range
- Liquid assets* of AED 46.3 Bn as at Q1-16 (12.7% of total liabilities)
- Debt & Sukuk term funding represent 10% of total liabilities
- In Q1 2016, AED 1.5 Bn debt matured and this was replaced with AED 2.0 Bn of private placements issued in 4 currencies
- Maturity profile affords Emirates NBD ability to consider public and private debt issues opportunistically

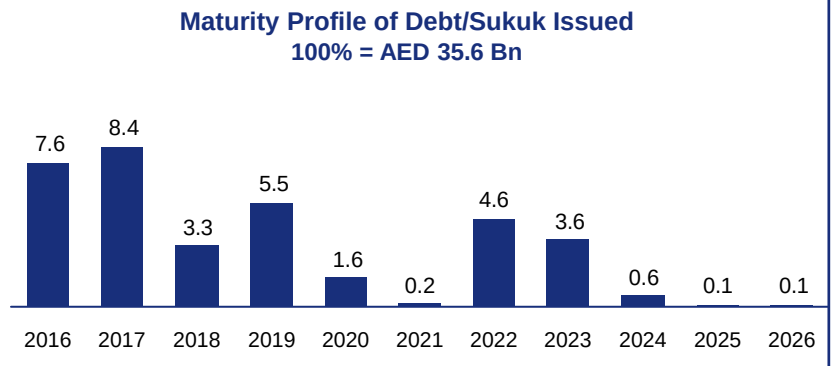
Advances to Deposit (AD) Ratio (%)



Composition of Liabilities/Debt Issued (%)



Maturity Profile of Debt Issued (AED Bn)



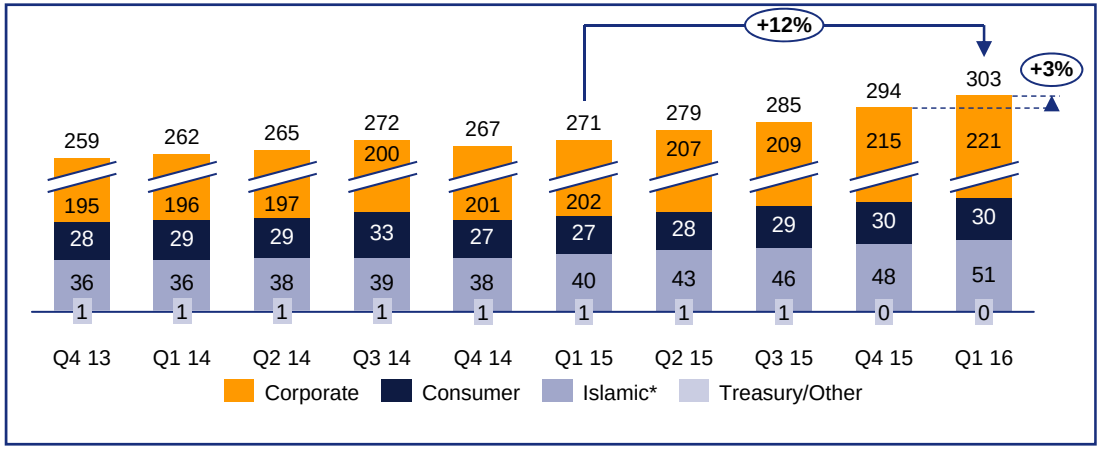
*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Loan and Deposit Trends

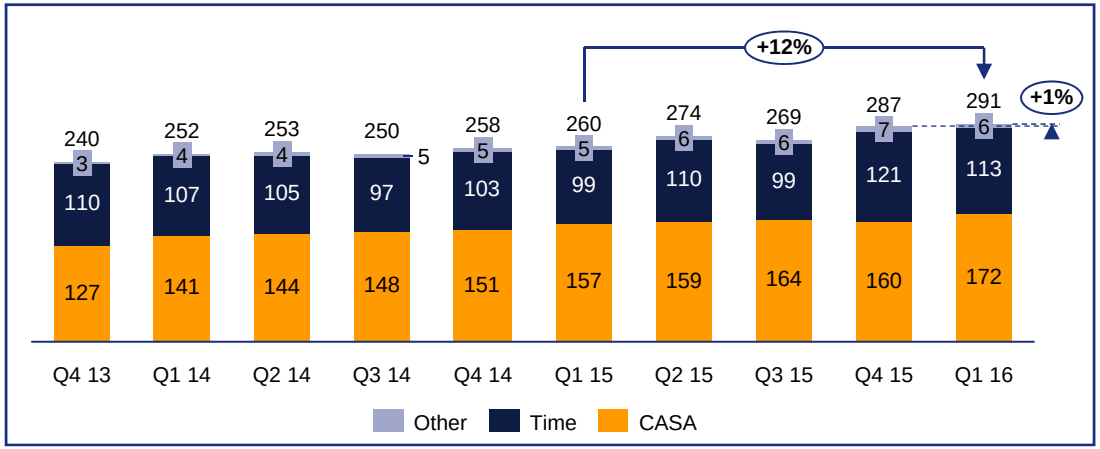
Highlights

- Gross loans grew 3% since end 2015 with good growth in Corporate and Islamic lending
- Islamic financing grew 6% since end 2015
- Corporate lending grew 3% since end 2015
- Consumer lending was flat since end 2015
- Deposits increased 1% q-o-q and 12% y-o-y
- Time deposits declined 7% q-o-q as some expensive fixed deposits rolled-off in Q1 2016
- CASA deposits grew 8% since end 2015 and represent 59% 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

Non-Interest Income

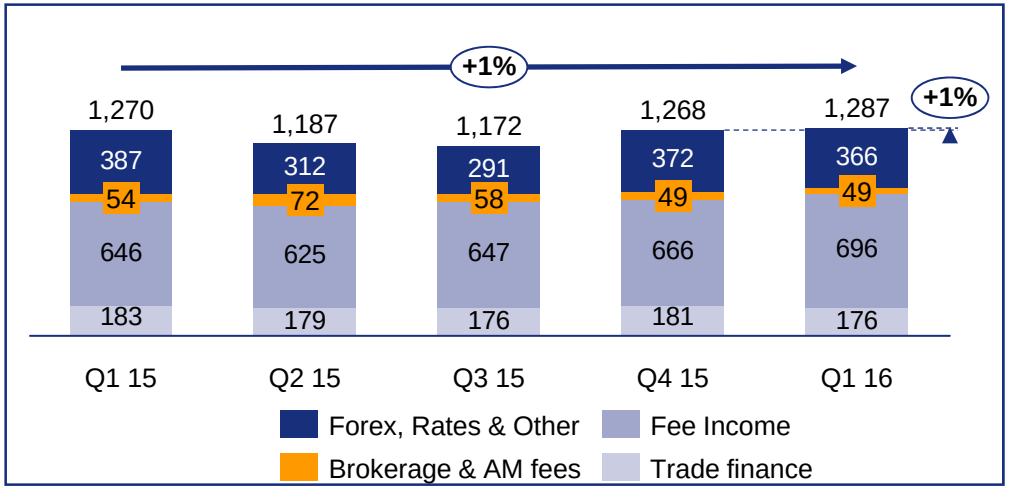
Highlights

- Non-interest income declined 1% y-o-y and 4% q-o-q as core fee income held steady and income from property and investments declined
- Core fee income held steady y-o-y and improved 1% q-o-q driven by growth in credit card volumes
- Property income declined on lower demand for bulk and individual property sales compared to 2015
- Income from Investment Securities improved y-o-y due to gains from the sale of investments

Composition of Non Interest Income (AED Mn)

AED Mn	Q1-16	Q1-15	Better / (Worse)	Q4-15	Better / (Worse)
Core gross fee income	1,287	1,270	1%	1,268	1%
Fees & commission expense	(195)	(175)	11%	(183)	6%
Core fee income	**1,092**	**1,095**	**0%**	**1,085**	**1%**
Property income / (loss)	35	170	(79%)	59	(40%)
Investment securities & other income	223	95	135%	263	(15%)
Total Non Interest Income	**1,350**	**1,360**	**(1%)**	**1,407**	**(4%)**

Trend in Core Gross Fee Income (AED Mn)

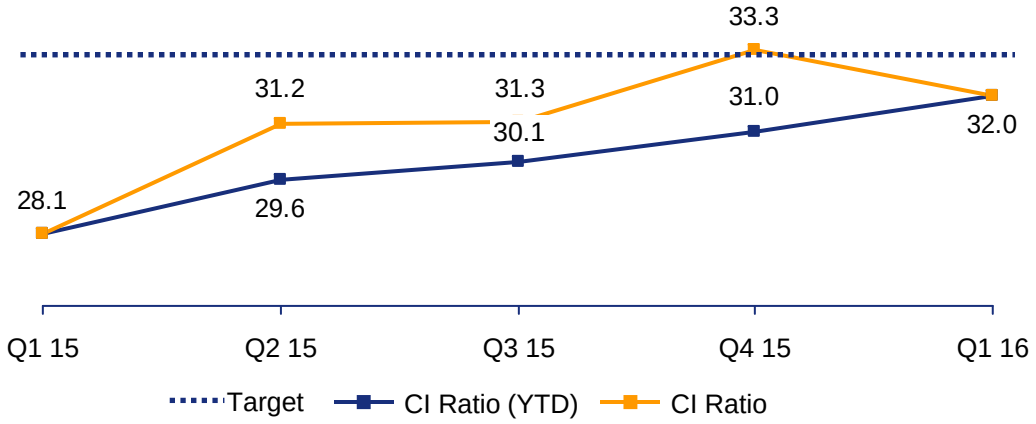


Operating Costs and Efficiency

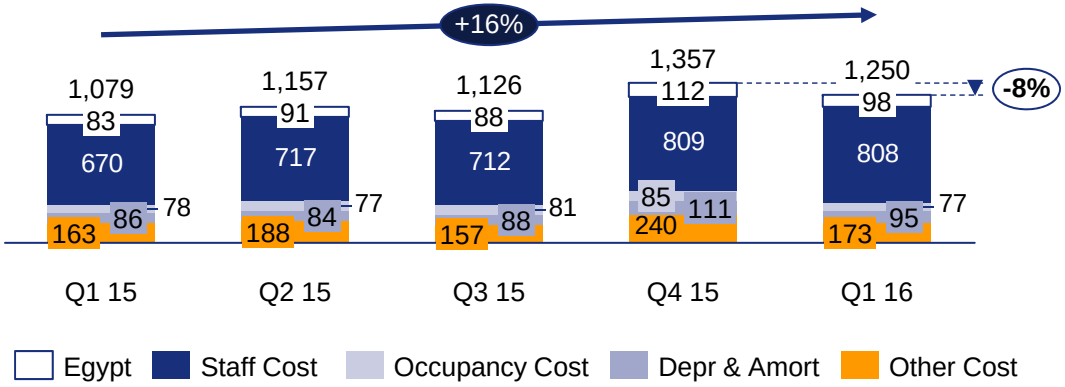
Highlights

- Costs decreased by 8% q-o-q in Q1-16
- Costs increased by 16% y-o-y due to higher staff costs linked with increased business volumes
- Cost-to-Income Ratio improved 1.3% q-o-q to 32.0%
- Adjusted for one-offs, the Cost-to-Income Ratio for Q1-16 was 33.6%
- Cost control measures already implemented across Group to maintain Cost-to-Income Ratio within target range

Cost to Income Ratio (%)



Cost Composition (AED Mn)

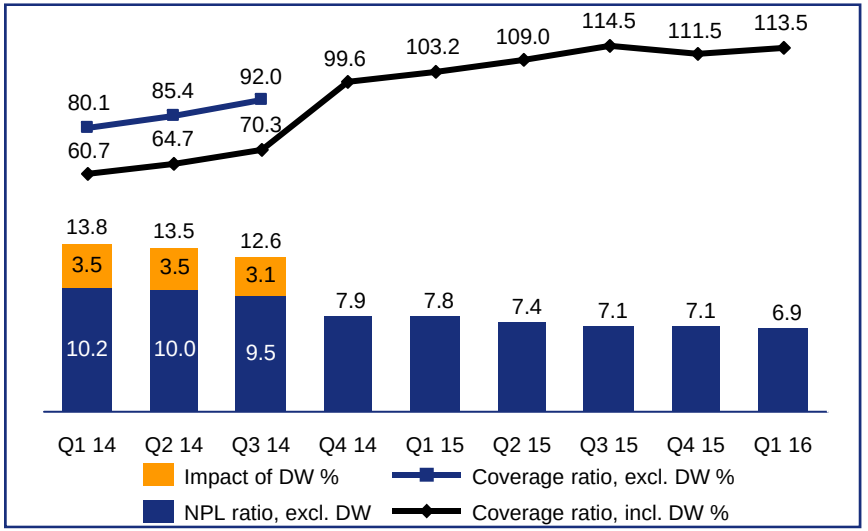


Credit Quality

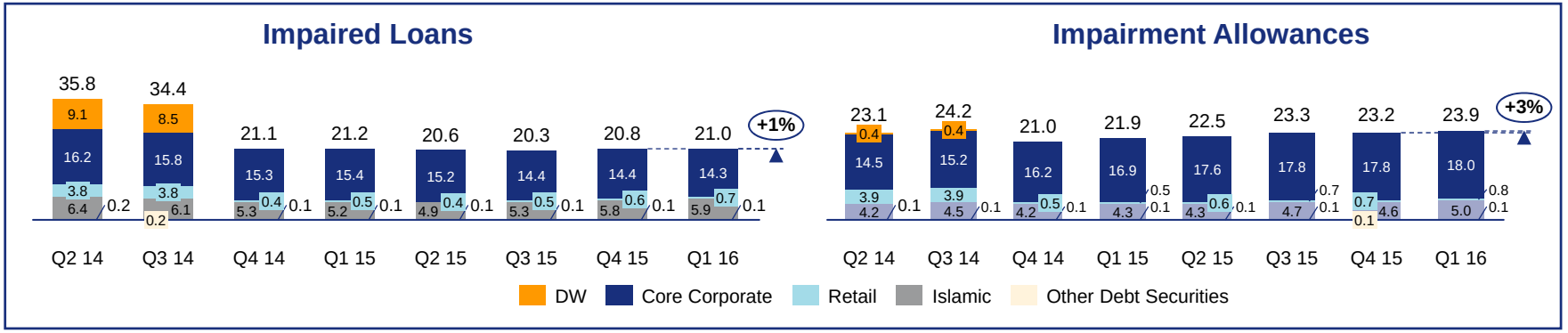
Highlights

- NPL ratio improved to 6.9%
- Impaired loans steady at AED 21.0 Bn helped by AED 226 Mn of write backs & recoveries in Q1-16
- Net impairment charge of AED 829 Mn improved 24% y-o-y and increased 39% q-o-q which boosted the coverage ratio to 113.5%
- Total portfolio impairment allowances amount to AED 6.4 Bn or 2.91% of credit RWAs

Impaired Loan & Coverage Ratios (%)



Impaired Loans and Impairment Allowances (AED Bn)

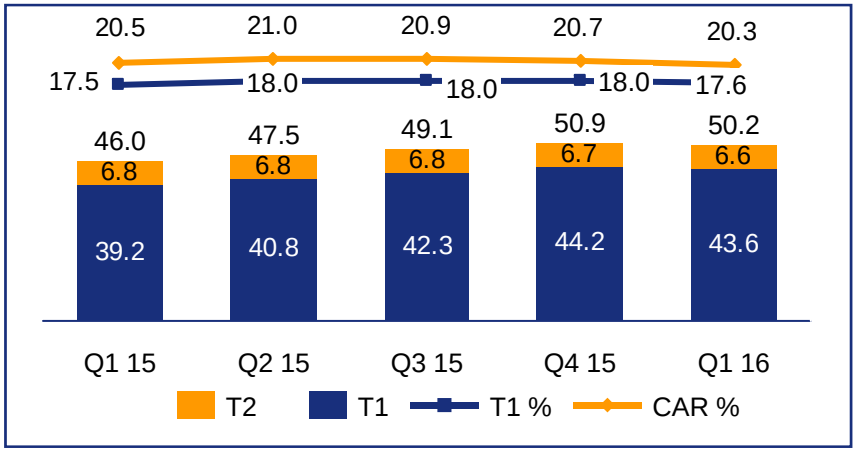


Capital Adequacy

Highlights

- In Q1-16, Tier 1 ratio and CAR decreased by 0.4% to 17.6% and 20.3% respectively due to:
  - Annual dividend payment exceeding the quarterly retained profit
  - Marginal increase in credit risk weighted assets

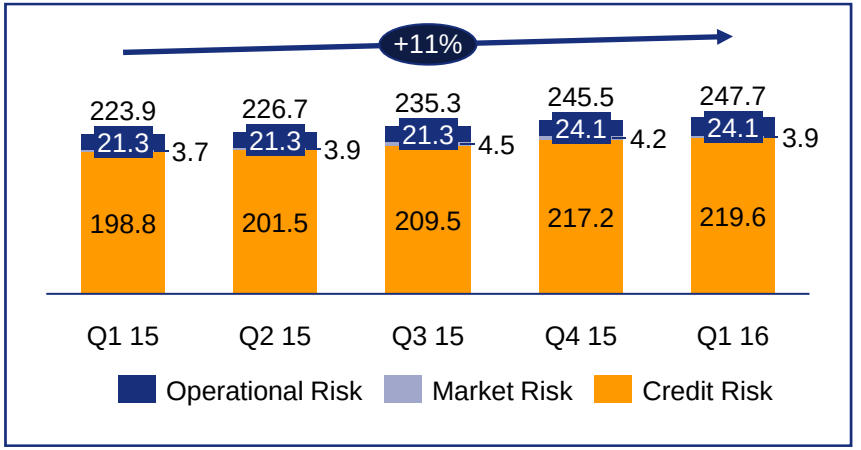
Capitalisation



Capital Movements

AED Bn	Tier 1	Tier 2	Total
Capital as at 31-Dec-2015	**44.2**	**6.7**	**50.9**
Net profits generated	1.8	-	**1.8**
FY 2015 dividend paid	(2.2)	-	**(2.2)**
Tier 1 Issuance/Repayment	-	-	**-**
Tier 2 Issuance/Repayment	-	-	**-**
Amortisation of Tier 2	-	-	**-**
Interest on T1 securities	(0.1)	-	**(0.1)**
Goodwill	0.1	-	**0.1**
Other	(0.2)	(0.1)	**(0.3)**
Capital as at 31-Mar-2016	**43.6**	**6.6**	**50.2**

Risk Weighted Assets – Basel II (AED Bn)

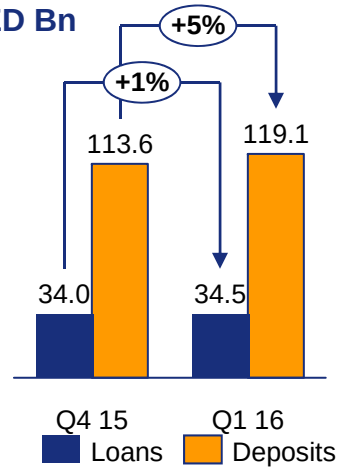


Divisional Performance

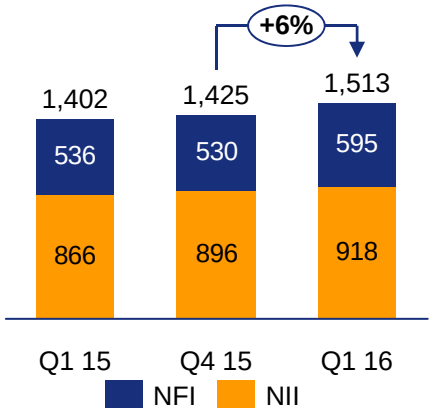
Retail Banking & Wealth Management

- RBWM revenues grew 6% q-o-q
- Fee income grew 12% q-o-q, driven by growth in credit card volumes. Fee income now accounts for 39% of total RBWM revenue.
- Retail loans grew by 1% and deposits by 5% from end 2015
- The bank has improved its distribution capabilities as part of its channel optimization strategy and had 553 ATMs and 97 branches as at 31-Mar-16
- RBWM offers an award winning 'best-in-class' digital banking solution with innovative services such as DirectRemit, Mobile Cheque Deposit and Smart Touch.

Balance Sheet Trends
AED Bn



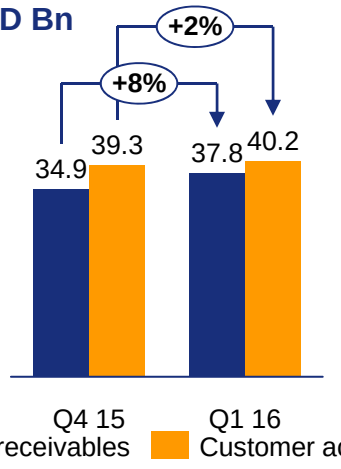
Revenue Trends
AED Mn



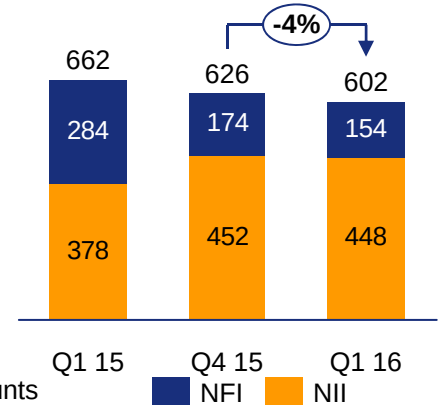
Islamic Banking

- Islamic Banking revenue declined 4% q-o-q. Fee income declined due to one-off investment property sales in Q1 15
- Financing receivables grew 8% from end 2015 across a range of products
- Customer accounts increased by 2% from end 2015
- As at 31-Mar-16, EI had 61 branches and an ATM & CDM network of 199

Balance Sheet Trends
AED Bn



Revenue Trends
AED Mn

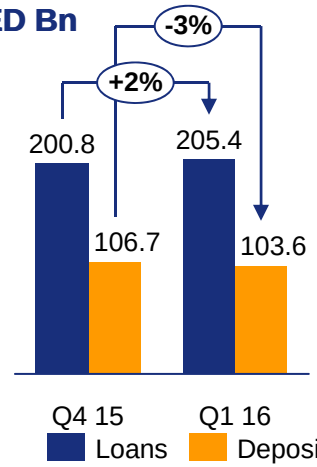


Divisional Performance (cont'd)

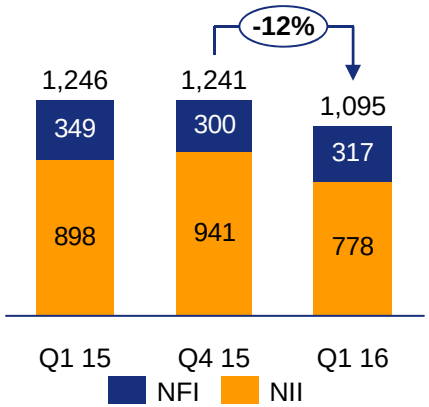
Wholesale Banking

- Wholesale Banking revenues declined 12% q-o-q due to a change in internal transfer pricing and margin compression
- Loans grew 2% from end 2015
- Deposits declined 3% from end 2015 as fixed deposits sourced in Q4 2015 started to roll off in Q1 2016
- Focus in 2016 continues to be 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



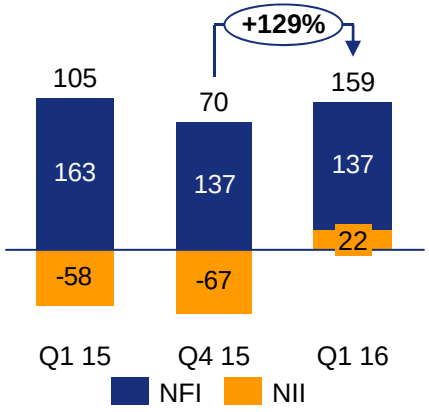
Revenue Trends
AED Mn

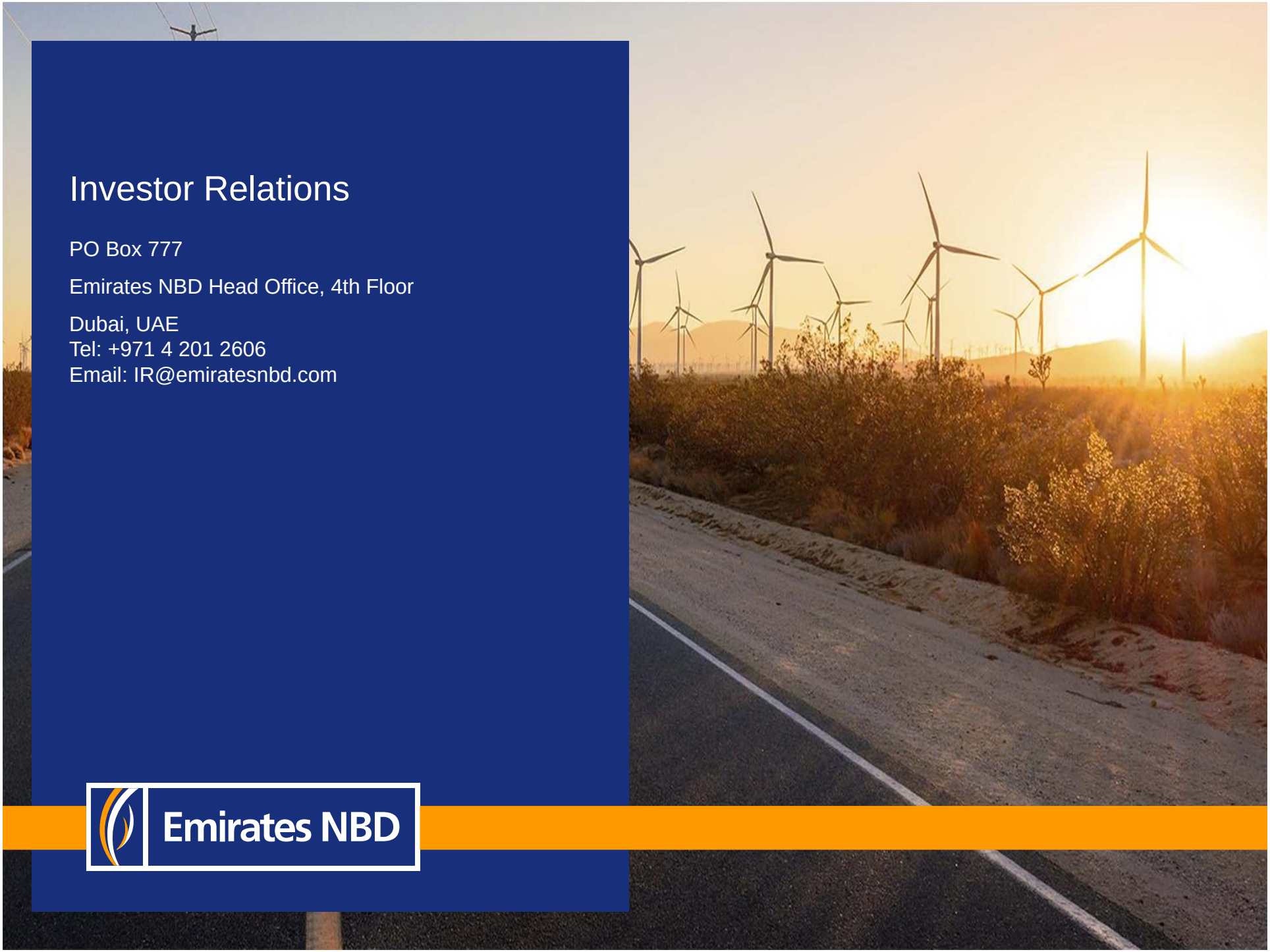


Global Markets & Treasury

- GM&T revenues improved 129% q-o-q
- Net Interest Income benefited from a combination of the US rate hike in December, cheaper interbank funding costs and a change in internal transfer pricing
- Sales revenues grew 16% y-o-y as we witnessed 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 challenging market conditions
- Global Funding issued AED 2 Bn of term debt through private placements which more than replaced the AED 1.5 billion that matured in Q1

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

Emirates NBD