

H1 2016 Results Presentation

18 July 2016



Emirates NBD



Important Information

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Emirates NBD delivered a solid set of results in H1-16 amid a challenging environment

H1 2016 at a glance

		H1 2016	vs. revised 2016 guidance
Profitability	Net profit	AED 3.7 Bn	
		+12% y-o-y	
	Net interest margin	2.58%	2.55 – 2.65% range
	Cost-to-income ratio	32.3%	33% management target
Credit Quality	NPL ratio	6.6%	
	Coverage ratio	118.5%	
Capital & Liquidity	Tier 1 ratio	17.8%	
	Capital adequacy ratio	20.5%	
	AD ratio	96.1%	90-100% management target
Assets	Loan growth (net)	6% ytd	mid-to-high single digit

2016 Macro themes

	Regional	Global
+	<ul style="list-style-type: none"> Resilience of UAE economy due to non-oil sectors Regional stock market movement largely correlated to rebound in oil price. 	<ul style="list-style-type: none"> Recovering US economy Rebound in oil price from \$30 per barrel in January to around \$50 per barrel in June
-	<ul style="list-style-type: none"> Strong dollar impact on Dubai tourism counterbalanced by growth in visitors from new routes Tighter banking system liquidity due to government deposits outflows; eased via international deposits & debt issuances Focus continues on SME credit quality 	<ul style="list-style-type: none"> Global stock market volatility dampened investor confidence Slowdown in global growth contributed to weaker business and investor sentiment UK's decision to leave the E.U.



H1-16 Financial Results

Highlights

- Net profit of AED 3,718 million for H1-16 improved 12% y-o-y
- Net interest income improved 2% y-o-y as loan growth more than offset NIM contraction
- Non-interest income remained flat y-o-y as higher core fee income, particularly from foreign exchange, helped offset lower income from the sale of properties
- Costs grew 11% y-o-y on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality. Staff costs now falling as cost control measures implemented in Q1-16 take effect. Cost trends within guidance and continue to be tightly managed
- Provisions of AED 1,456 million improved 27% y-o-y as cost of risk continues to normalize on the back of improving asset quality metrics
- NPL ratio improved to 6.6% and coverage ratio strengthened to 118.5%
- AD ratio of 96.1% within management range
- NIMs declined to 2.58% as loan spreads did not keep pace with the higher cost of deposits

Key Performance Indicators

AED Mn	H1-16	H1-15	Better / (Worse)	H2-15	Better / (Worse)
Net interest income	5,099	4,982	2%	5,260	(3%)
Non-interest income	2,572	2,573	(0%)	2,414	7%
Total income	7,671	7,555	2%	7,674	(0%)
Operating expenses	(2,476)	(2,236)	(11%)	(2,484)	(0%)
Pre-impairment operating profit	5,195	5,319	(2%)	5,190	0%
Impairment allowances	(1,456)	(1,986)	27%	(1,420)	(2%)
Operating profit	3,739	3,333	12%	3,770	(1%)
Share of profits from associates	61	75	(18%)	92	(33%)
Taxation charge	(82)	(90)	9%	(54)	(52%)
Net profit	3,718	3,317	12%	3,807	(2%)
Cost: income ratio (%)	32.3%	29.6%	(2.7%)	32.4%	(0.1%)
Net interest margin (%)	2.58%	2.83%	(0.25%)	2.81%	(0.23%)

AED Bn	30-Jun-16	30-Jun-15	%	31-Dec-15	%
Total assets	425.8	388.1	10%	406.6	5%
Loans	286.0	256.2	12%	270.6	6%
Deposits	297.6	274.4	8%	287.2	4%
AD ratio (%)	96.1%	93.3%	(2.8%)	94.2%	(1.9%)
NPL ratio (%)	6.6%	7.4%	0.8%	7.1%	0.5%



Q2-16 Financial Results Highlights

Highlights

- Net profit of AED 1,910 million for Q2-16 improved 16% y-o-y and 6% q-o-q
- Net interest income improved 2% y-o-y due to loan growth and higher EIBOR, and remained flat q-o-q as loan growth was offset by NIM contraction
- Non-interest income improved 1% y-o-y due to higher core fee income and declined 10% q-o-q due to lower one-off gains from the sale of investment securities
- Costs increased 6% y-o-y on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality. Costs improved 2% q-o-q as cost control measures implemented in Q1-16 take effect
- Provisions of AED 626 million improved 30% y-o-y and 25% q-o-q as cost of risk continues to normalize helped by higher writebacks and recoveries
- NPL ratio improved to 6.6% and coverage ratio strengthened to 118.5%
- AD ratio of 96.1% within management range
- NIMs declined marginally to 2.55% in Q2-16 as loan spreads for retail and Islamic products did not keep pace with the higher cost of deposits

Key Performance Indicators

AED Mn	Q2-16	Q2-15	Better / (Worse)	Q1-16	Better / (Worse)
Net interest income	2,544	2,497	2%	2,555	(0%)
Non-interest income	1,221	1,213	1%	1,350	(10%)
Total income	3,766	3,710	2%	3,905	(4%)
Operating expenses	(1,226)	(1,157)	(6%)	(1,250)	2%
Pre-impairment operating profit	2,540	2,553	(1%)	2,655	(4%)
Impairment allowances	(626)	(901)	30%	(829)	25%
Operating profit	1,914	1,652	16%	1,826	5%
Share of profits from associates	34	39	(11%)	27	28%
Taxation charge	(38)	(45)	16%	(45)	16%
Net profit	1,910	1,646	16%	1,808	6%
Cost: income ratio (%)	32.6%	31.2%	(1.4%)	32.0%	0.6%
Net interest margin (%)	2.55%	2.76%	(0.21%)	2.62%	(0.07%)

AED Bn	30-Jun-16	31-Dec-15	%	31-Mar-16	%
Total assets	425.8	406.6	5%	414.5	3%
Loans	286.0	270.6	6%	279.1	2%
Deposits	297.6	287.2	4%	290.9	2%
AD ratio (%)	96.1%	94.2%	(1.9%)	95.9%	(0.2%)
NPL ratio (%)	6.6%	7.1%	0.5%	6.9%	0.3%

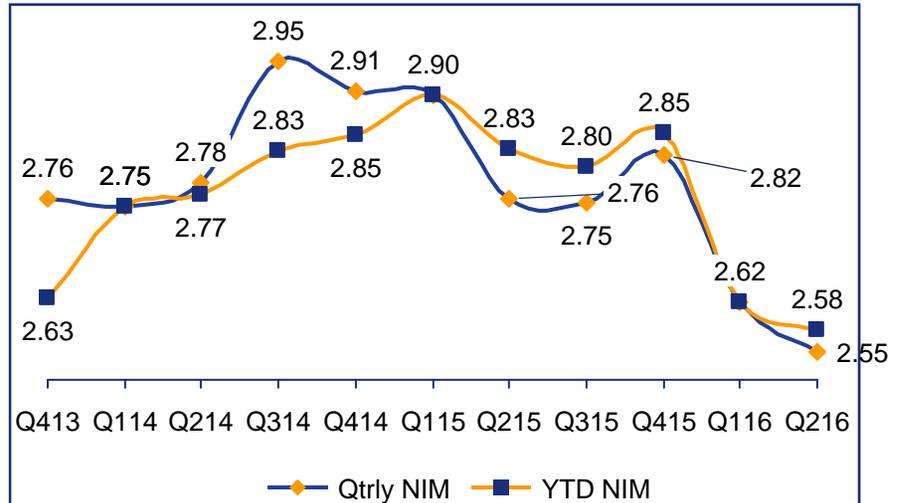


Net Interest Income

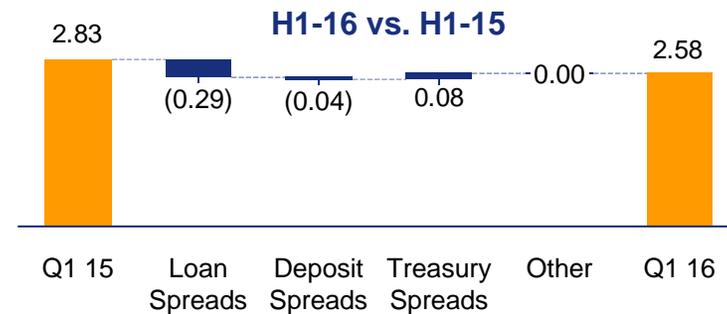
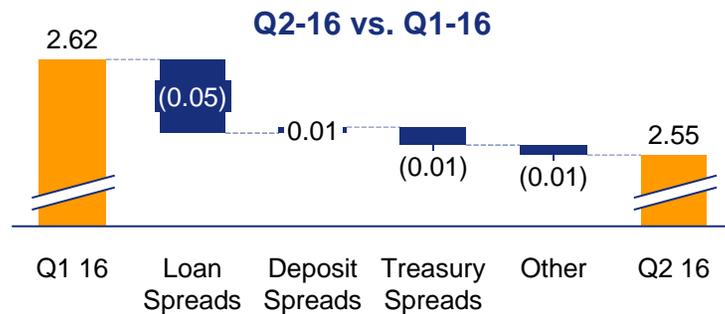
Highlights

- NIMs declined to 2.58% in H1-16 and to 2.55% in Q2-16
- Loan spreads declined on retail and Islamic products as loan margins did not keep pace with rising EIBOR rates
- Deposit spreads improved q-o-q as strong CASA balances helped offset higher EIBOR rates and declined marginally y-o-y due to higher fixed deposit balances
- Treasury spreads improved y-o-y due to more profitable deployment of excess liquidity
- NIM guidance revised down to 2.55-2.65% as loan spreads did not keep pace with the higher cost of deposits

Net Interest Margin (%)



Net Interest Margin Drivers (%)



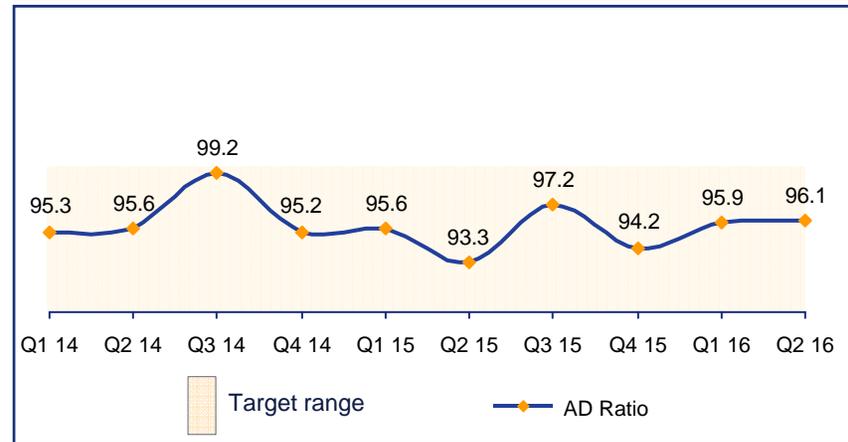


Funding and Liquidity

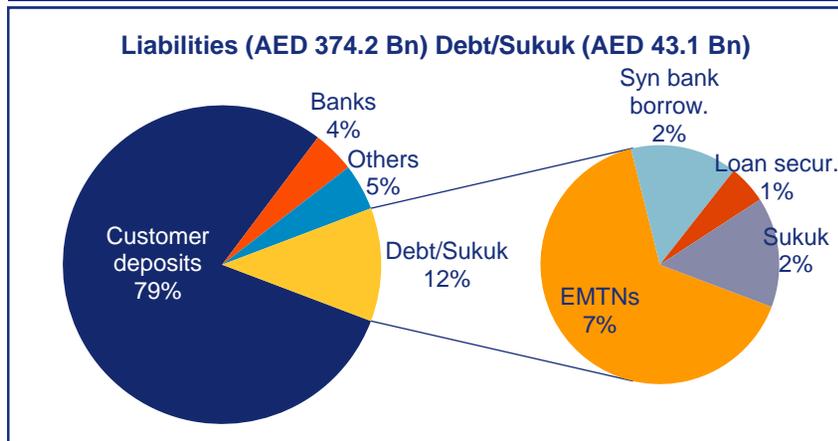
Highlights

- AD ratio of 96.1% within 90-100% management target range
- Liquid assets* of AED 51.3 Bn as at H1-16 (13.7% of total liabilities)
- Debt & Sukuk term funding represent 12% of total liabilities
- In H1 2016, AED 3.6 Bn debt matured and a AED 2.9 Bn club loan was repaid. This was replaced with AED 14.4 Bn raised via AED 5.4 Bn of private placements issued in 5 currencies, a AED 2.8 Bn sukuk issue and a AED 6.2 Bn club loan
- Maturity profile affords Emirates NBD ability to consider public and private debt issues opportunistically

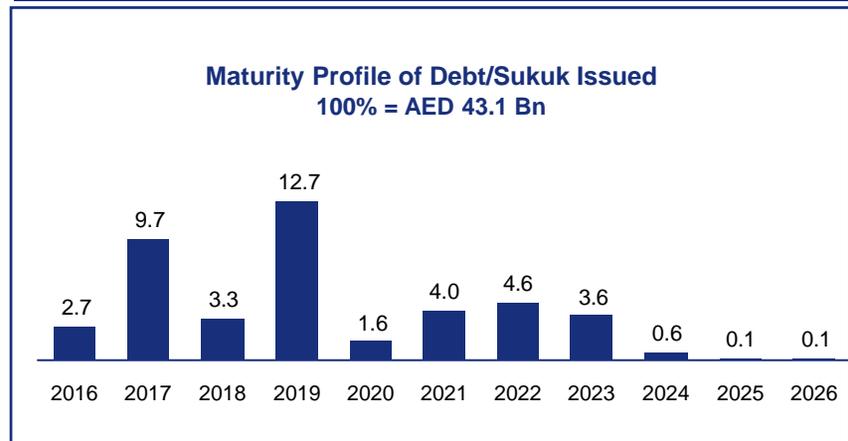
Advances to Deposit (AD) Ratio (%)



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

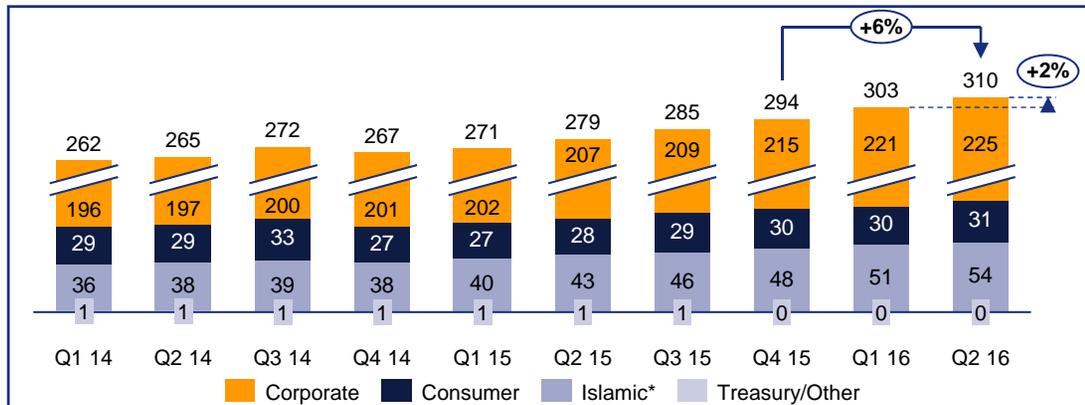


Loan and Deposit Trends

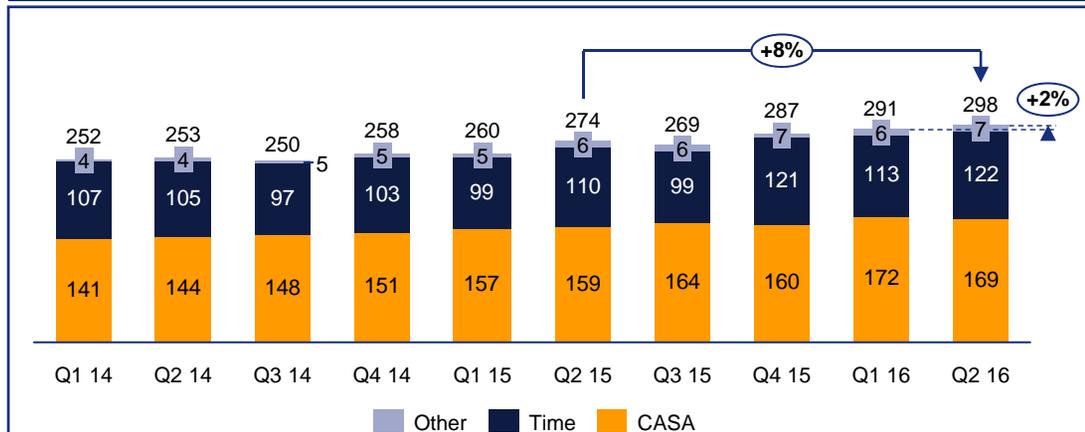
Highlights

- Gross loans grew 6% since end 2015 with good growth in Corporate and Islamic lending
- Islamic financing grew 12% since end 2015 due to growth in trade and services sectors and retail
- Corporate lending grew 5% since end 2015 due to growth in trade and manufacturing sectors
- Consumer lending grew 3% since end 2015 across a range of products
- Deposits increased 2% q-o-q and 8% y-o-y
- CASA deposits grew 6% since end 2015 and represent 57% 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

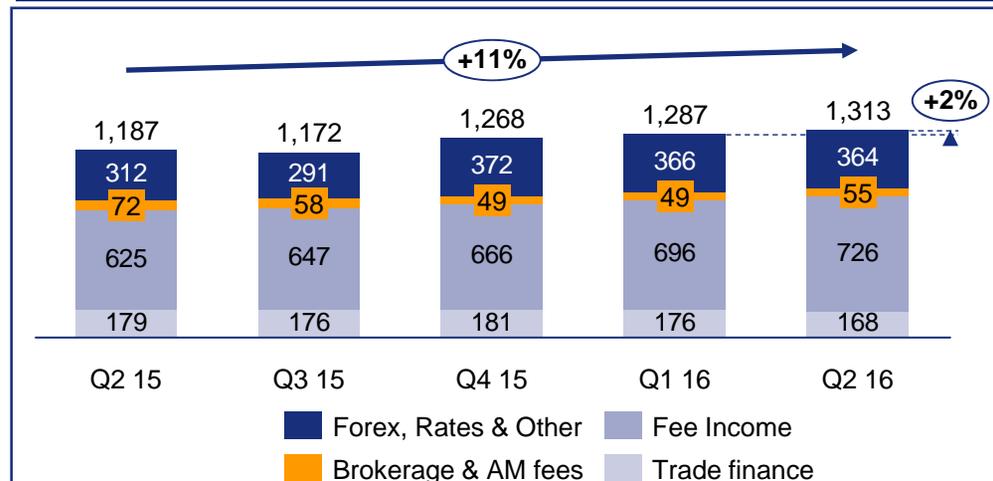
Highlights

- Non-interest income held steady y-o-y and improved 7% compared to the previous half year
- Core fee income improved 5% y-o-y and 6% compared to the previous half year driven by growth in credit card and foreign exchange 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	H1-16	H1-15	Better / (Worse)	H2-15	Better / (Worse)
Core gross fee income	2,599	2,457	6%	2,440	7%
Fees & commission expense	(416)	(369)	(13%)	(371)	(12%)
Core fee income	2,183	2,088	5%	2,069	6%
Property income / (loss)	65	234	(72%)	87	(25%)
Investment securities & other income	324	251	29%	259	25%
Total Non Interest Income	2,572	2,573	(0%)	2,415	7%

Trend in Core Gross Fee Income (AED Mn)



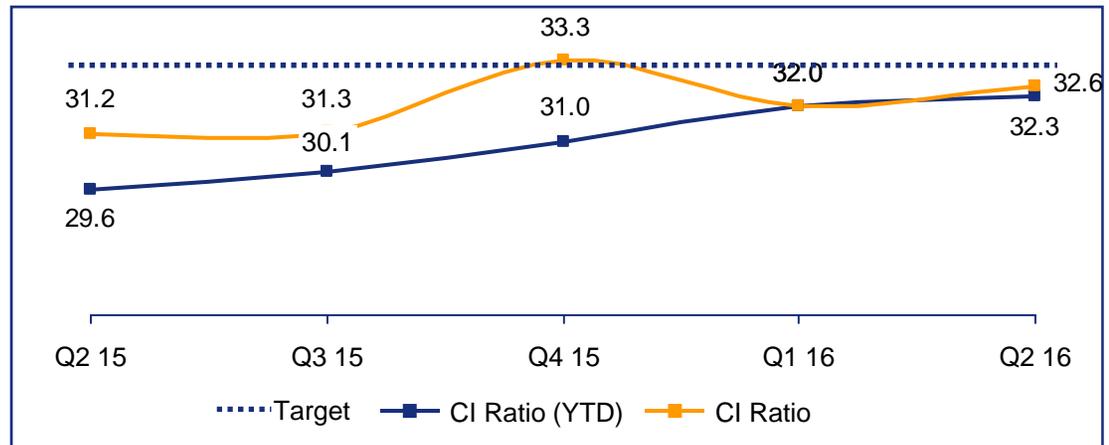


Operating Costs and Efficiency

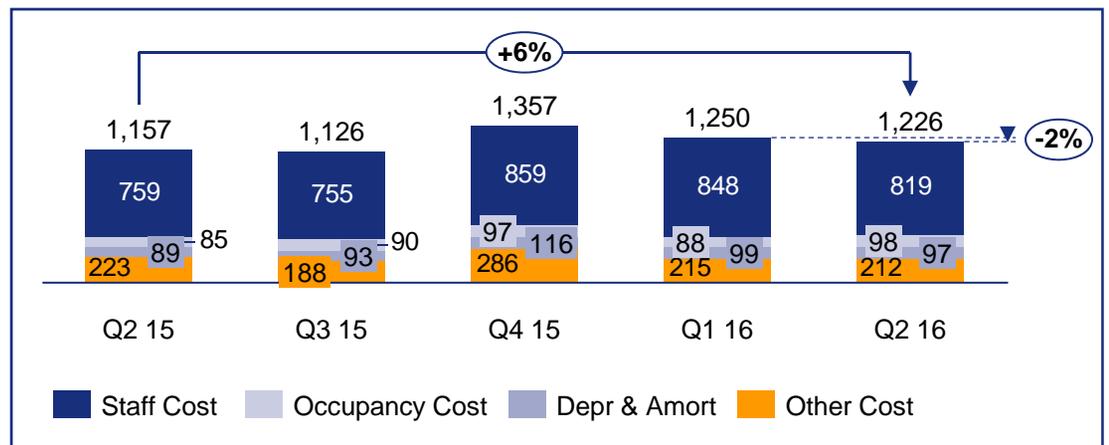
Highlights

- In Q2-16, costs improved by 2% q-o-q following cost control measures implemented in Q1-16 and increased by 6% y-o-y on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality
- Cost-to-Income Ratio rose by 0.6% q-o-q to 32.6% as lower exceptional income compared to the preceding quarter more than offset cost reductions
- Adjusted for one-offs, the Cost-to-Income Ratio for H1-16 was 33.0%
- Cost-to-Income Ratio expected to remain within 33% management target as recent cost reduction measures continue to take effect

Cost to Income Ratio (%)



Cost Composition (AED Mn)



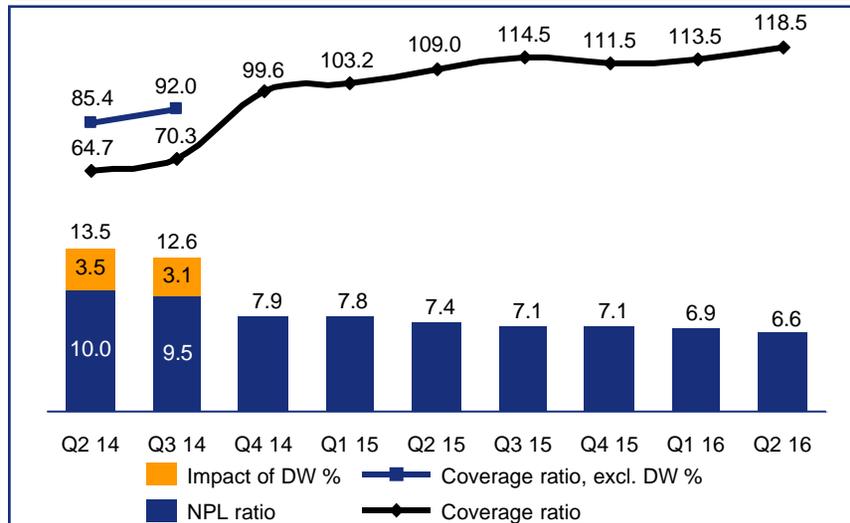


Credit Quality

Highlights

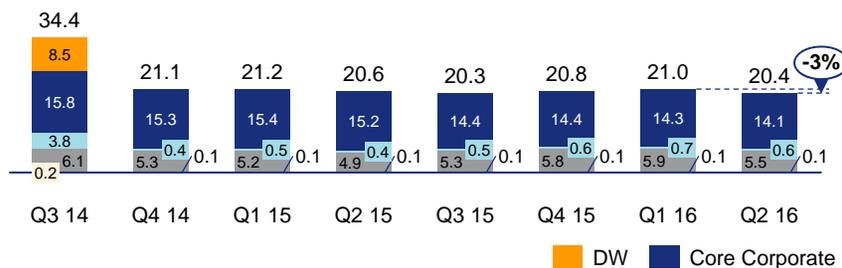
- NPL ratio improved to 6.6%
- Impaired loans improved to AED 20.4 Bn helped by AED 960 Mn of write backs & recoveries in H1-16
- 1H-16 cost of risk at 94 bps (annualized) continued to normalize in Q2-16 as net impairment charge of AED 1,456 million in H1-16 improved 27% y-o-y
- Coverage ratio increased to 118.5%
- Total portfolio impairment allowances amount to AED 7.1 Bn or 3.16% of credit RWAs

Impaired Loan & Coverage Ratios (%)

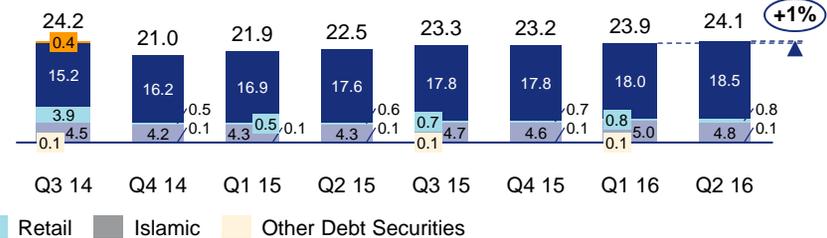


Impaired Loans and Impairment Allowances (AED Bn)

Impaired Loans



Impairment Allowances



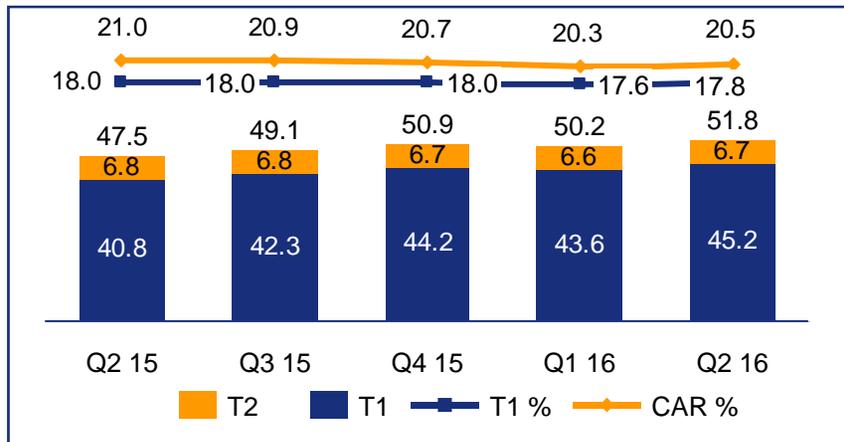


Capital Adequacy

Highlights

- In Q2-16, Tier 1 ratio and CAR increased by 0.2% to 17.8% and 20.5% respectively
- Increase in Tier 1 capital from retained earnings more than offset modest increase in risk weighted assets

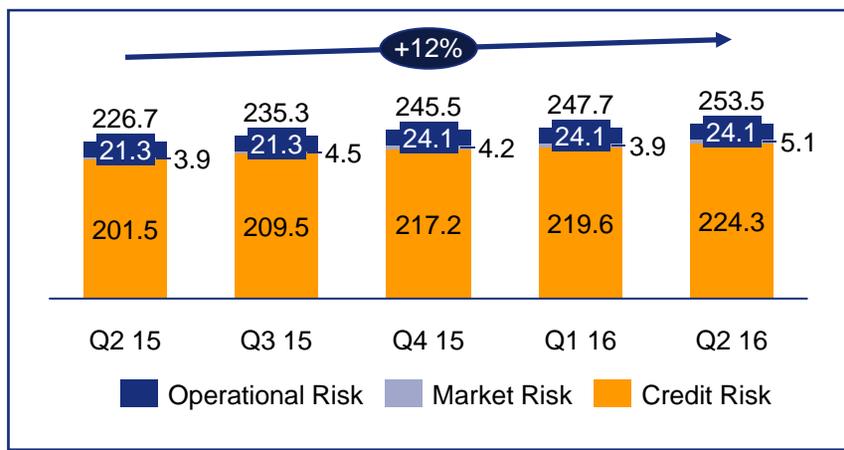
Capitalisation



Capital Movements

AED Bn	Tier 1	Tier 2	Total
Capital as at 31-Dec-2015	44.2	6.7	50.9
Net profits generated	3.7	-	3.7
FY 2015 dividend paid	(2.2)	-	(2.2)
Tier 1 Issuance/Repayment	-	-	-
Tier 2 Issuance/Repayment	-	-	-
Amortisation of Tier 2	-	-	-
Interest on T1 securities	(0.3)	-	(0.3)
Goodwill	0.1	-	0.1
Other	(0.4)	(0.0)	(0.4)
Capital as at 30-Jun-2016	45.2	6.7	51.8

Risk Weighted Assets – Basel II (AED Bn)



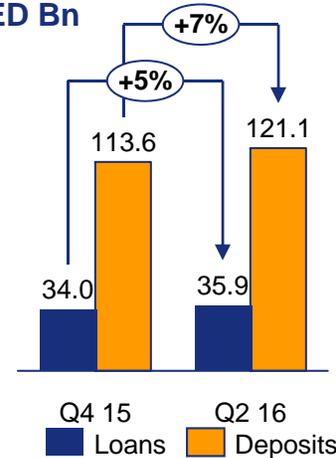


Divisional Performance

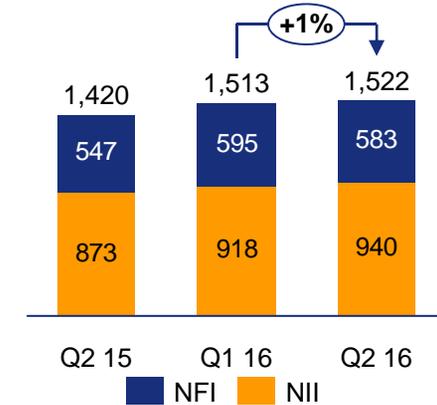
Retail Banking & Wealth Management

- RBWM revenues grew 1% q-o-q
- In H1-16, fee income accounted for 39% of total RBWM revenue
- Retail loans grew by 5% and deposits by 7% from end 2015
- The bank has improved its distribution capabilities as part of its channel optimization strategy and had 556 ATMs and 97 branches as at 30-Jun-16
- RBWM offers an award winning 'best-in-class' digital banking solution with innovative services such as DirectRemit, Mobile Cheque Deposit and FlexiLoan; and plans to launch UAE's first digital bank for millennials

Balance Sheet Trends AED Bn



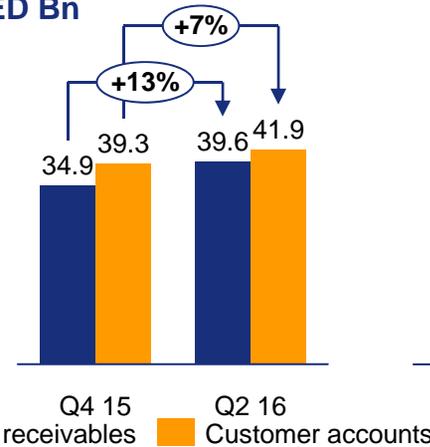
Revenue Trends AED Mn



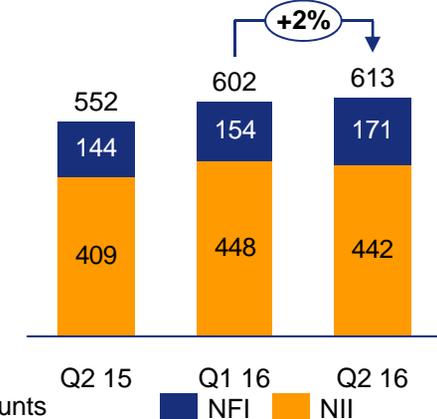
Islamic Banking

- Islamic Banking revenue grew 2% q-o-q
- Financing receivables grew 13% from end 2015 across a range of products
- Customer accounts increased by 7% from end 2015
- As at 30-Jun-16, EI had 61 branches and an ATM & CDM network of 190
- Emirates Islamic successfully issued \$750m sukuk. This stand-alone issue generated USD 2.25 Bn of demand which allowed EI to upsize the deal whilst tightening pricing

Balance Sheet Trends AED Bn



Revenue Trends AED Mn



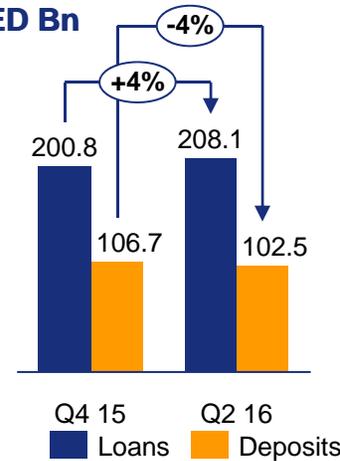


Divisional Performance (cont'd)

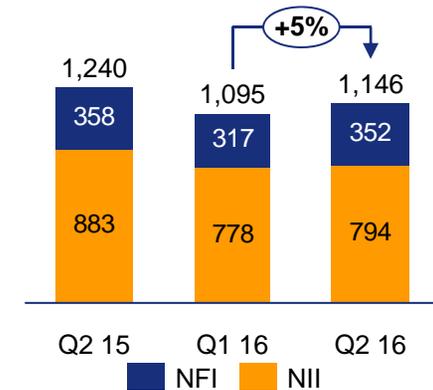
Wholesale Banking

- Wholesale Banking revenues improved 5% q-o-q
- Loans grew 4% from end 2015
- Deposits declined 4% from end 2015, reflecting continued efforts to reduce the average cost of funding while maintaining liquidity at optimum levels
- 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



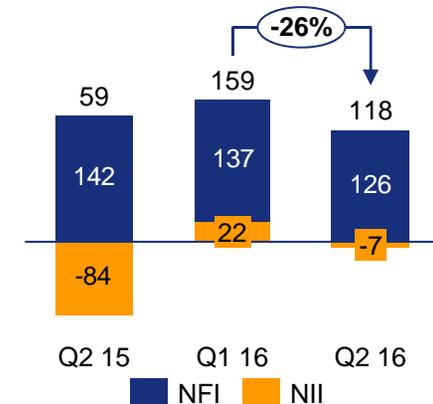
Revenue Trends AED Mn



Global Markets & Treasury

- GM&T revenues declined 26% q-o-q
- Sales revenues saw strong growth due to 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 raised AED 14.4 Bn of term debt via AED 5.4 Bn of private placements, a AED 2.8 Bn of sukuk issuance and an AED 6.2 Bn club deal

Revenue Trends AED Mn



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