

Emirates NBD
Q1 2020 Results Presentation



Important Information

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Emirates NBD maintains strong balance sheet and good profitability despite increased impairments in Q1-20

Key Metrics				2020 Macro themes		
		Q1 2020	2020 Guidance		Regional	Global
Profit	Net Profit	AED 2.1 Bn +3% q-o-q -24% y-o-y		+	<ul style="list-style-type: none"> Strong regulatory and government support to mitigate effects of COVID-19 	<ul style="list-style-type: none"> Strong measures by Governments and Central Banks to provide additional liquidity and support for businesses affected by COVID-19
	NIM	3.02%	2.55-2.65%			
	Cost to income	29.8%	33%			
Credit Quality	NPL Ratio	5.5%	Increasing	-	<ul style="list-style-type: none"> Unprecedented economic impact expected due to COVID-19 Prolonged low oil price and contraction in non-oil private sector 	<ul style="list-style-type: none"> Sharp GDP contraction expected in 2020 Financial market volatility and slowing global trade
	Coverage Ratio	120.5%	Strong			
Capital	CET 1	14.8%		-	<ul style="list-style-type: none"> Unprecedented economic impact expected due to COVID-19 Prolonged low oil price and contraction in non-oil private sector 	<ul style="list-style-type: none"> Sharp GDP contraction expected in 2020 Financial market volatility and slowing global trade
	Tier 1	16.8%				
	CAR	17.9%				
Liquidity	LCR	149.7%		-	<ul style="list-style-type: none"> Unprecedented economic impact expected due to COVID-19 Prolonged low oil price and contraction in non-oil private sector 	<ul style="list-style-type: none"> Sharp GDP contraction expected in 2020 Financial market volatility and slowing global trade
	ADR	94.8%	Increasing			
Assets	Loan Growth	1%	mid-single digit			

Q1 2020 Financial results highlights

Highlights

- Net profit of AED 2,081 Mn was down 24% y-o-y, or 43% excluding DenizBank, mainly due to higher provisions. Net profit up 3% q-o-q
- Results include DenizBank revenue of AED 2,255 Mn and net profit of AED 504 Mn
- Net interest income improved 45% y-o-y on loan growth and higher NIMs from DenizBank and declined 3% q-o-q as lower interest rates fed through to the loan book
- Excluding DenizBank net interest income declined 1% y-o-y on lower interest rates in Q1-20 partially offset by 6% loan growth
- NIMs of 3.02% improved 19 bps y-o-y helped by the positive impact from DenizBank and declined 9 bps q-o-q
- Non-interest income improved 48% y-o-y and 8% q-o-q on account of higher core fee income
- Excluding DenizBank non-interest income declined 4% y-o-y due to lower fee, commission and investment securities related income
- Costs increased 47% y-o-y due to the DenizBank acquisition, or increased 2% excluding DenizBank
- Costs improved 18% q-o-q on lower staff and marketing expenses and improved cost management by DenizBank
- Impairment allowance of AED 2,558 Mn increased 349% y-o-y and 24% q-o-q due to higher stage 1 and 2 ECL allowances. Excluding DenizBank impairment allowances increased 177% y-o-y
- NPL ratio settled at 5.5% in Q1-20
- LCR of 149.7% and AD ratio of 94.8% demonstrate the Group's healthy liquidity position
- Net cost of risk increased to 210 bps in recognition of the potential deterioration in credit quality in subsequent quarters related to the COVID-19 pandemic

Key performance indicators

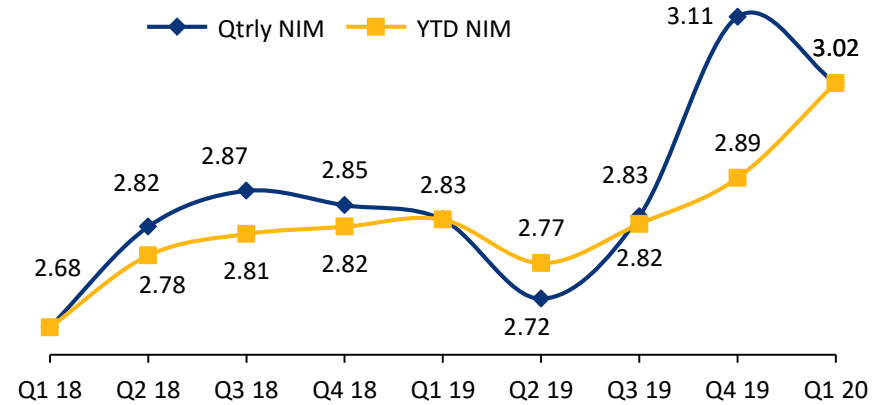
AED Mn	Q1-20	Q1-19	Better / (Worse)	Q4-19	Better / (Worse)
Net interest income	4,936	3,400	45%	5,065	(3)%
Non-interest income	1,948	1,317	48%	1,812	8%
Total income	6,885	4,717	46%	6,877	0%
Operating expenses	(2,049)	(1,397)	(47)%	(2,501)	18%
Pre-impairment operating profit	4,836	3,320	46%	4,377	10%
Impairment allowances	(2,558)	(570)	(349)%	(2,064)	(24)%
Operating profit	2,278	2,750	(17)%	2,313	(2)%
Share of profits from associates	0.1	27	(100)%	2	(94)%
Gain on bargain purchase	-	-	n/a	(50)	n/a
Taxation charge	(197)	(34)	(479)%	(245)	20%
Net profit	2,081	2,743	(24)%	2,020	3%
Cost: income ratio	29.8%	29.6%	(0.2)%	36.4%	6.6%
Net interest margin	3.02%	2.83%	0.19%	3.11%	(0.09)%
AED Bn	31-Mar-20	31-Mar-19	%	31-Dec-19	%
Total assets	691.7	525.8	32%	683.3	1%
Loans	443.0	337.7	31%	437.4	1%
Deposits	467.2	359.4	30%	472.2	(1)%
LCR (%)	149.7%	198.8%	(49.1)%	160.0%	(10.3)%
ADR (%)	94.8%	94.0%	(0.8)%	92.6%	(2.2)%
NPL ratio (%)	5.5%	5.9%	0.4%	5.6%	0.1%

Net interest income

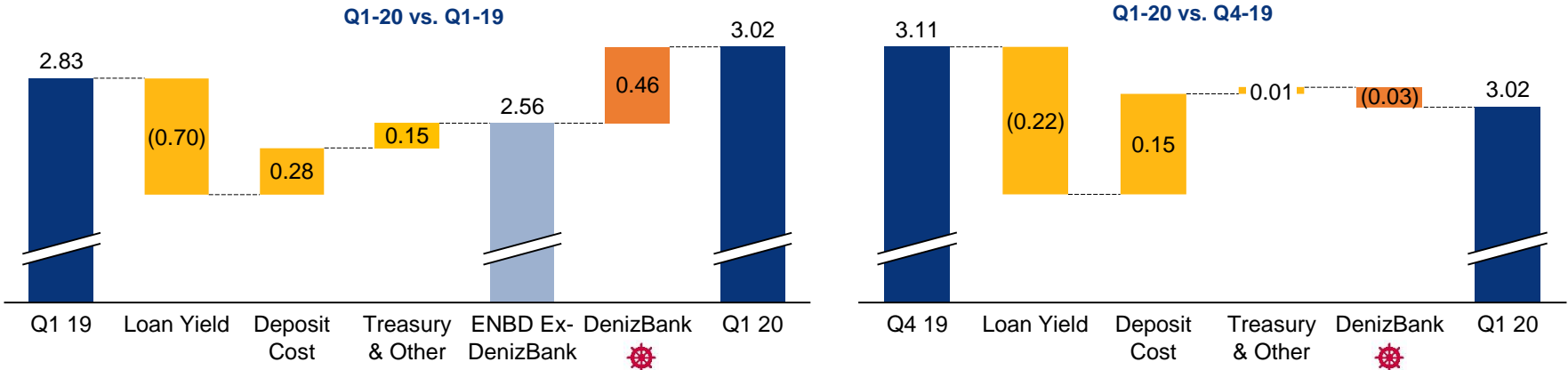
Highlights

- Q1-20 NIM of 3.02% increased 19 bps y-o-y as higher margins from DenizBank coupled with improved deposit and funding costs offset the reduction in loan yields
- Excluding DenizBank, Q1-20 NIM of 2.56% declined 27 bps y-o-y as lower loan yields offset the benefit from lower deposit cost
- NIM declined 9 bps q-o-q as the reduction in loan yields and DenizBank margins offset the impact of lower deposit cost
- Loan yields declined 70 bps y-o-y and 22 bps q-o-q which offset the improved deposit cost of 28 bps y-o-y and 15 bps q-o-q
- NIM guidance revised down to 2.55-2.65% as recent decline in interest rates start to flow through to the loan book in subsequent quarters and DenizBank assets reprice

Net Interest Margin (%)



Net Interest Margin Drivers (%)

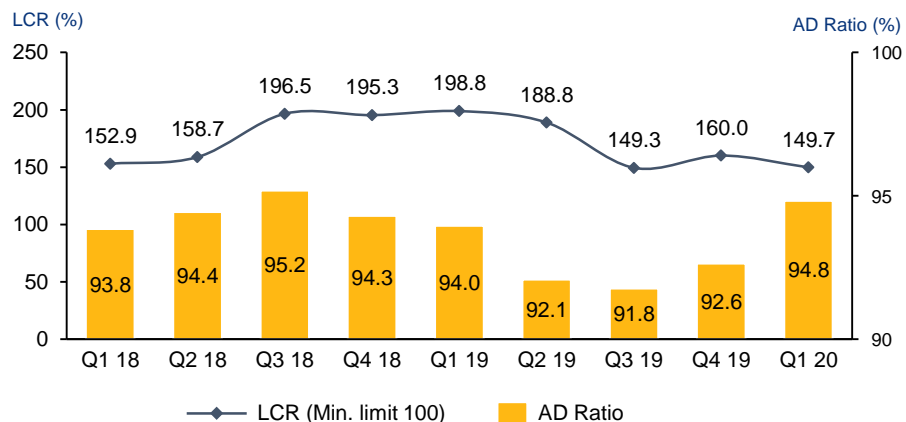


Funding and liquidity

Highlights

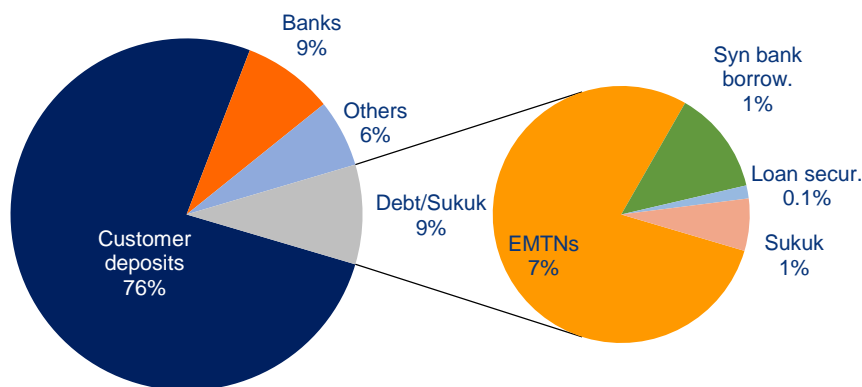
- Q1-20 LCR of 149.7% and AD ratio of 94.8% demonstrate the Group's continuing healthy liquidity
- Liquid assets* of AED 112 Bn as at Q1-20 (18% of total liabilities and 24% of total deposits)
- During Q1-20, AED 9.1 Bn of term debt issued in five currencies through two public issues and private placements with maturities out to 20 years
- 78% of the term liabilities maturing in 2020 re-financed during Q1-20 covering maturities through to July; Only AED 2.6 Bn remaining to be re-financed

Advances to Deposit and Liquidity Coverage Ratio (%)



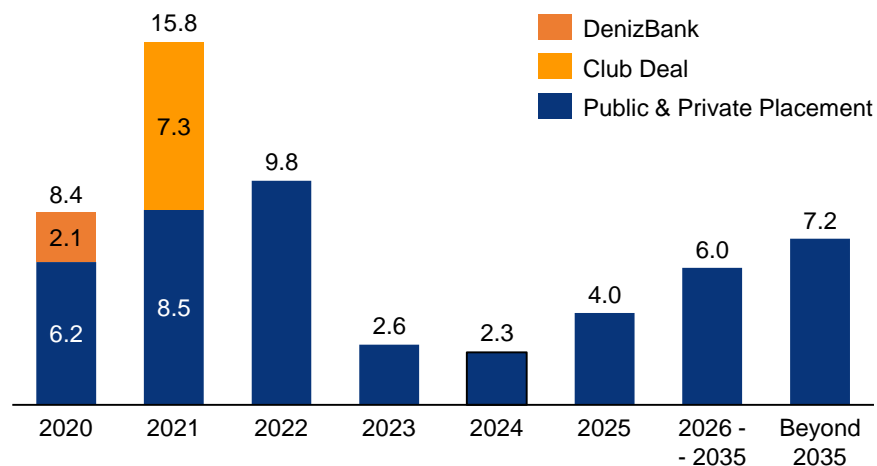
Composition of Liabilities/Debt Issued (%)

Liabilities (AED 612.4 Bn) Debt/Sukuk (AED 56.0 Bn)



Maturity Profile of Debt Issued (AED Bn)

Maturity Profile of Debt/ Sukuk Issued AED 56.0 Bn



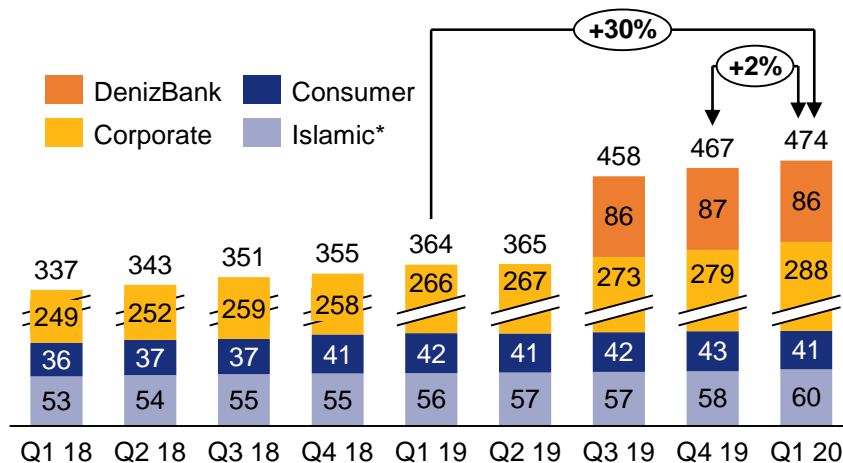
*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

Loan and deposit trends

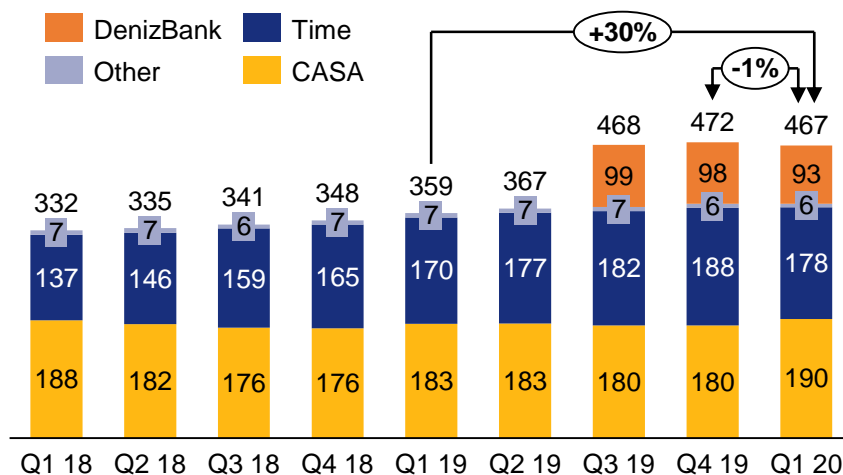
Highlights

- Gross loans grew 2% since start of the year with growth across operating segments
- Corporate lending grew 3% from end 2019 due to growth in financial institutions sectors
- Consumer lending down 5% from end 2019 due to decline in credit cards and private banking activity
- Islamic financing grew 3% from end 2019 due to growth across a range of sectors
- CASA deposits represent 46% of total Group level deposits
- Domestic CASA engine remains strong at 54% (including Islamic)

Trend in Gross Loans by Type (AED Bn)

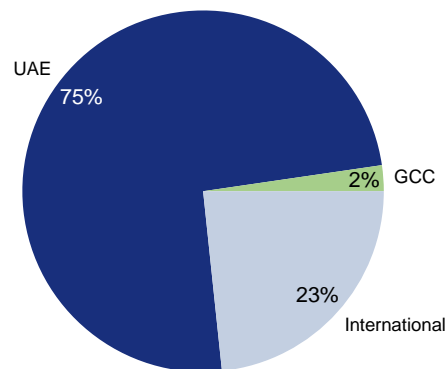


Trend in Deposits by Type (AED Bn)

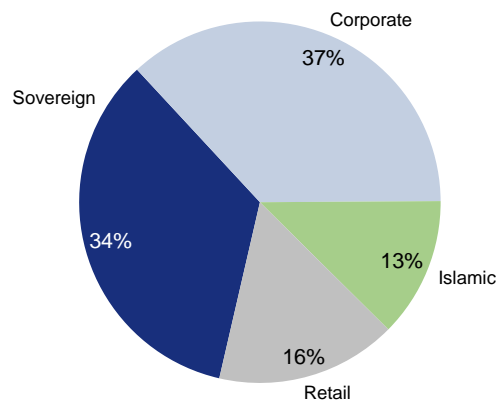


Loan composition

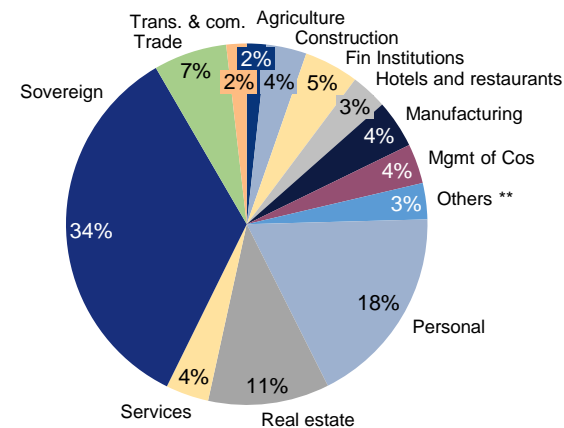
Net Loans by Geography Q1-20



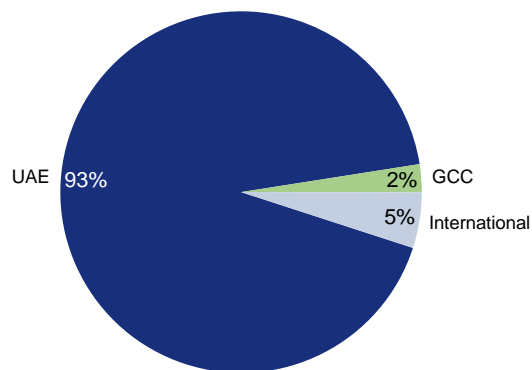
Gross Loans by Segment Q1-20



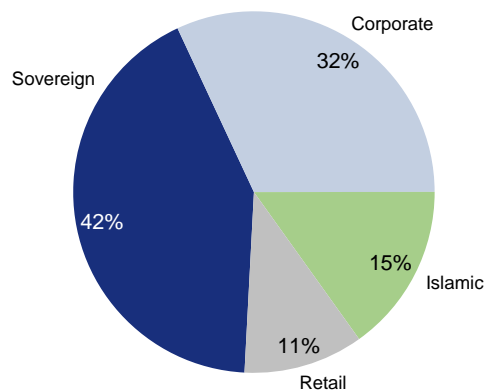
Gross Loans by Sector Q1-20



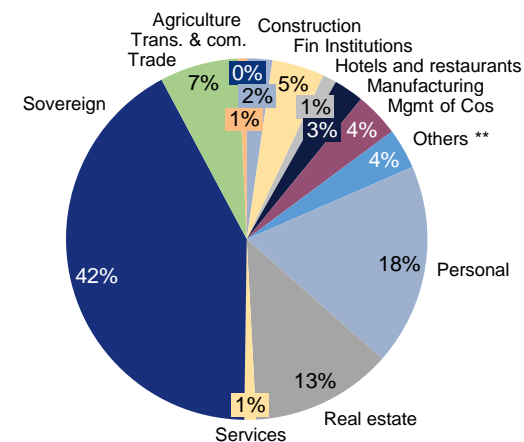
Net Loans by Geography Q1-19



Gross Loans by Segment Q1-19



Gross Loans by Sector Q1-19



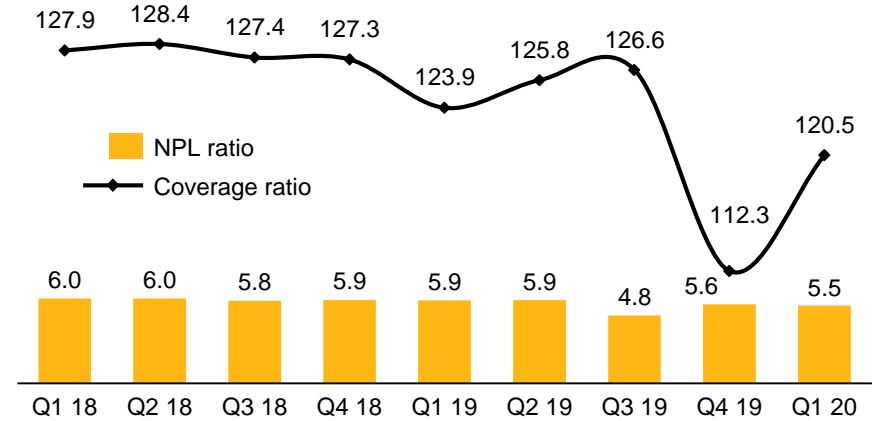
Note: Gross loans include Islamic financing gross of deferred income
 **Others include Mining & quarrying (and Agriculture for Islamic Loans)

Credit quality

Highlights

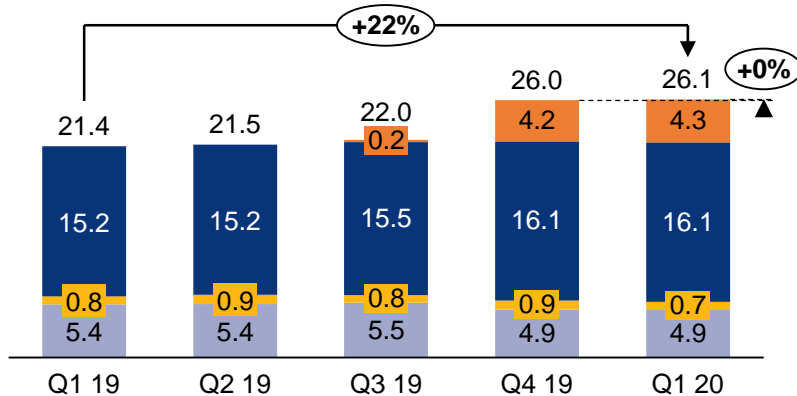
- During Q1-20 NPL ratio stable at 5.5%
- Coverage ratio improved significantly by 8.2% to 120.5% on higher expected credit loss overlay related to COVID-19
- Net cost of risk increased to 210 bps (430 bps for DenizBank and 161 bps Emirates NBD only) on higher net impairment charge of AED 2,558 Mn
- AED 356 Mn of write backs & recoveries in Q1-20 compared to AED 331 Mn during same period last year
- Stage 1 & 2 ECL allowances amount to AED 10 Bn or 2.6% of CRWA
- Provisions will be reviewed regularly as the impact of COVID-19 becomes more apparent

Impaired Loan & Coverage Ratios (%)

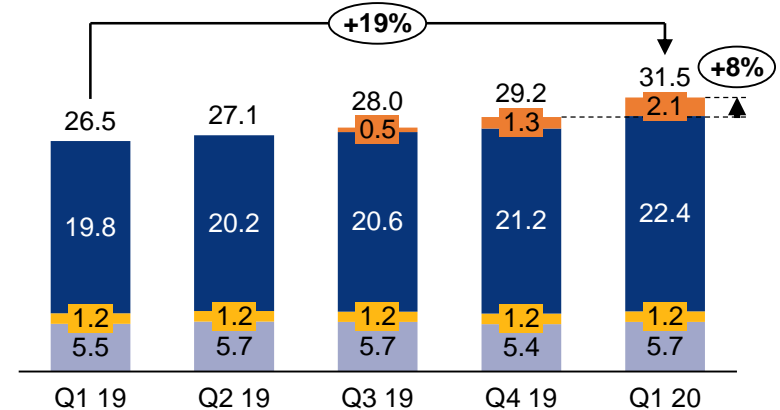


Impaired Loans and Impairment Allowances (AED Bn)

Impaired Loans*



Impairment Allowances



DenizBank Core Corporate Retail Islamic

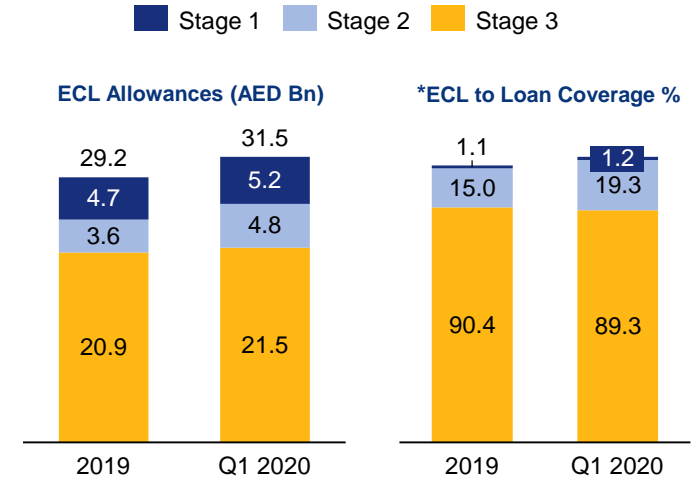
*Includes purchase originated credit impaired loans of AED 2.5 bn (Dec-19: AED 3 bn) acquired at fair value

Impairment allowances and Stage 1, 2 and 3 Coverage

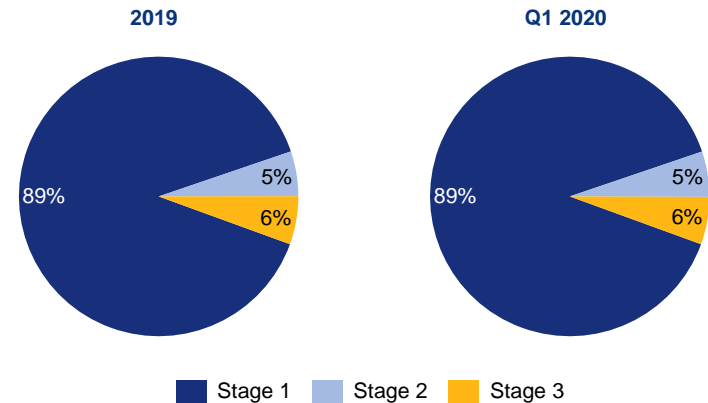
Highlights

- Stage 1 coverage ratio improved to 1.2% from 1.1% in Q1-20 as Stage 1 impairment allowances increased to AED 5.2 bn from AED 4.7 bn
- Stage 2 coverage ratio improved to 19.3% from 15% in Q1-20 as Stage 2 impairment allowances increased to AED 4.8 bn from AED 3.6 bn
- Continued strong Stage 3 coverage ratio at 89.3%
- Customers continue to be assessed closely for stage migrations on a case by case basis under the COVID-19 situation
- The Group has re-assessed scenario weighting to reflect the impact of current uncertainty in measuring ECLs across portfolios and also applied additional adjustments for retail exposures to employees of specific industries most impacted due to COVID-19 such as airlines, hospitality, retail and tourism
- The increase in the downside weighting of the macro-economic scenario and the management overlays have resulted in an additional ECL of AED 878 million for the Group
- The Group has used expert judgement where required to assess the overlays and will continue to reassess the position and related impact on a regular basis.

Impairment allowances and Coverage %



Total Gross Loans (AED Bn)



Non-interest income

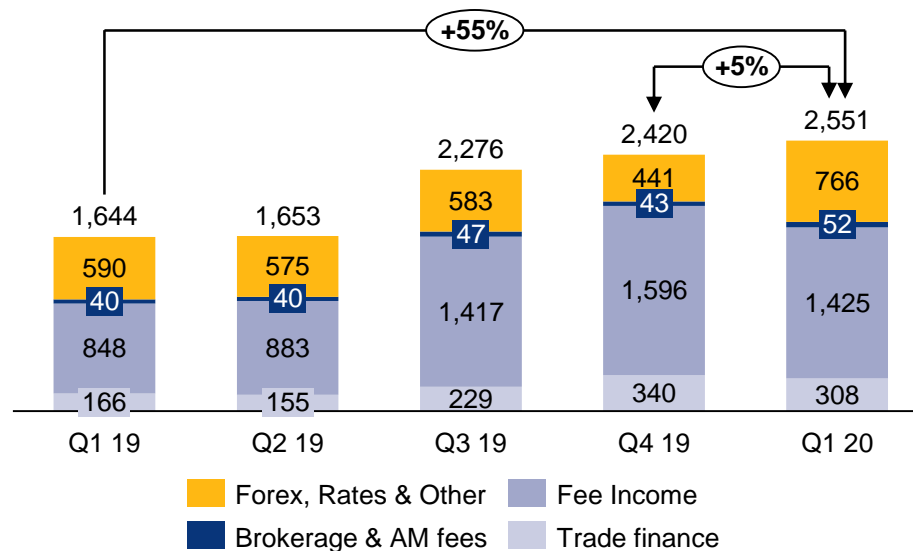
Highlights

- Core fee income up 46% y-o-y due to the DenizBank acquisition
- Investment securities income declined 36% y-o-y mainly due to changing interest rates
- Non-interest income higher by 8% q-o-q mainly on account of higher derivative income
- Excluding DenizBank, non-interest income declined 4% y-o-y on account of lower fee, commission and investment securities related income

Composition of Non Interest Income (AED Mn)

AED Mn	Q1-20	Q1-19	Better / (Worse)
Core gross fee income	2,551	1,644	55%
Fees & commission expense	(604)	(314)	(92)%
Core fee income	1,947	1,330	46%
Property income / (loss)	(41)	(80)	48%
Investment securities & other income	42	67	(36)%
Total Non Interest Income	1,948	1,317	48%

Trend in Core Gross Fee Income (AED Mn)

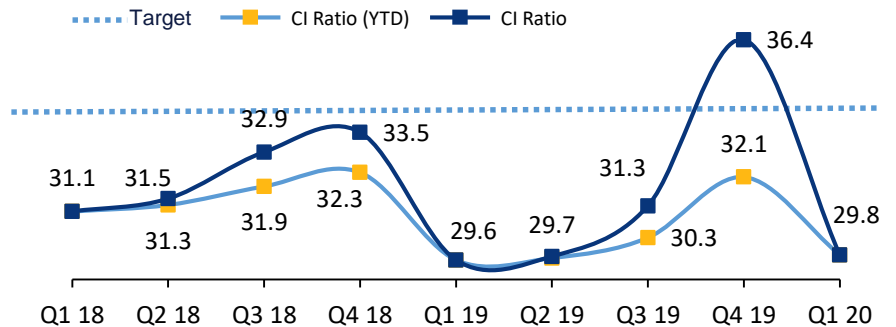


Operating costs and efficiency

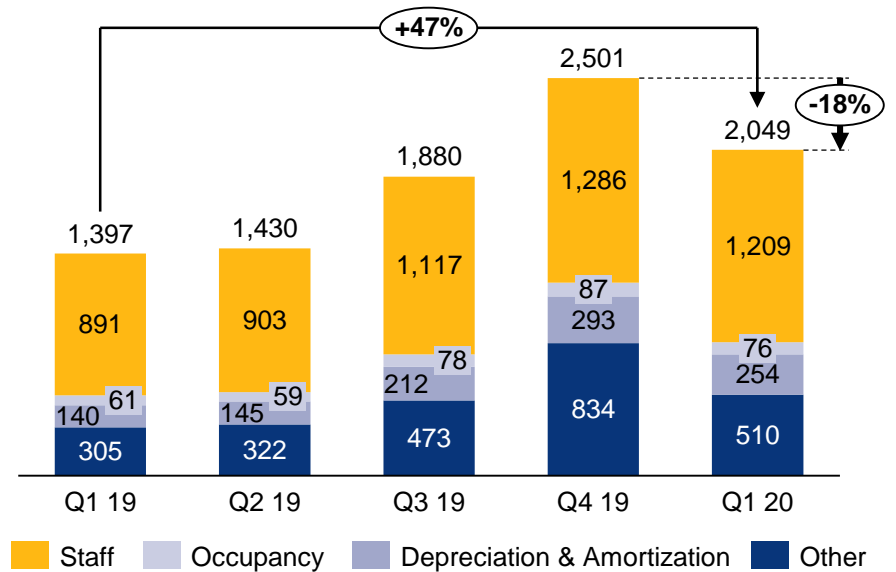
Highlights

- Q1-20 costs increased 47% y-o-y due to the DenizBank acquisition
- Excluding DenizBank, costs increased 2% y-o-y mainly due to higher depreciation charges and information technology related costs
- Costs improved 18% q-o-q due to lower staff and marketing expenses and improved cost management by DenizBank
- The cost to income ratio at 29.8% is within 2020 guidance but is expected to increase during the year on lower expected income partially offset by further cost management

Cost to Income Ratio (%)



Cost Composition (AED Mn)

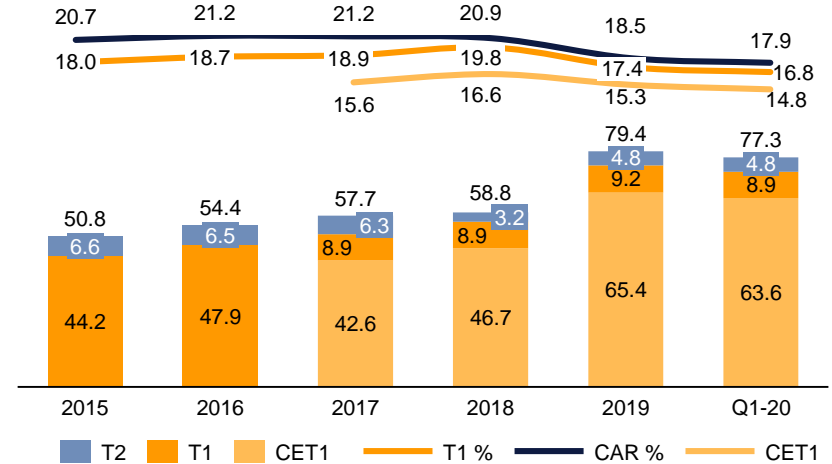


Capital adequacy

Highlights

- In Q1-20, capital ratios declined as 2019 dividends and additional risk-weighted assets more than offset the impact of retained earnings
- Capital ratios remain above original minimum regulatory requirements of 11% for CET-1 ratio, 12.5% for Tier 1 ratio and 14.5% for CAR ratio
- Capital ratios not expected to weaken materially whilst TESS provides temporary relief of 3% from minima (1.5% CCB and 1.5% D-SIB)

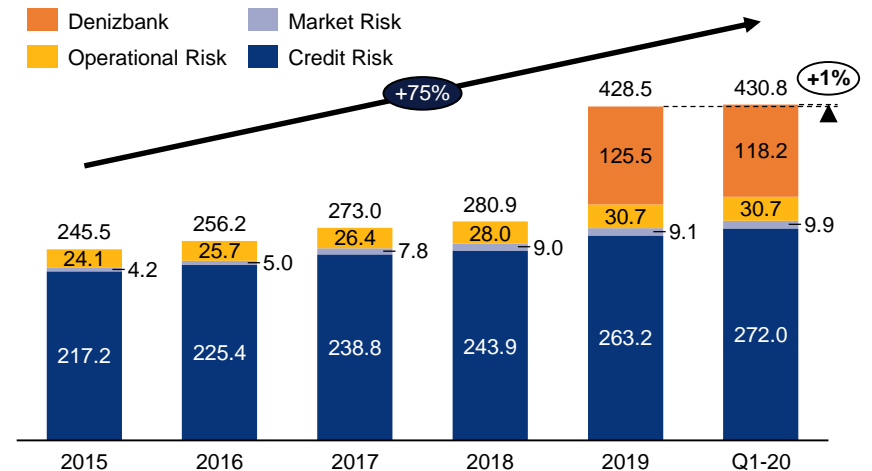
Capitalisation



Capital Movements table

AED Bn	CET1	Tier 1	Tier 2	Total
Capital as at 31-Dec-2019	65.4	74.6	4.8	79.4
Net profits generated	2.1	2.1	-	2.1
2019 Dividend	(2.5)	(2.5)	-	(2.5)
Interest on T1 securities	(0.2)	(0.2)	-	(0.2)
Amortisation of T1	-	(0.2)	-	(0.2)
Other	(1.2)	(1.3)	0.0	(1.3)
Capital as at 31-Mar-2020	63.6	72.5	4.8	77.3

Risk Weighted Assets

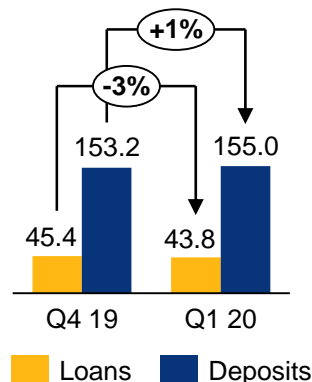


Divisional performance (Excluding DenizBank)

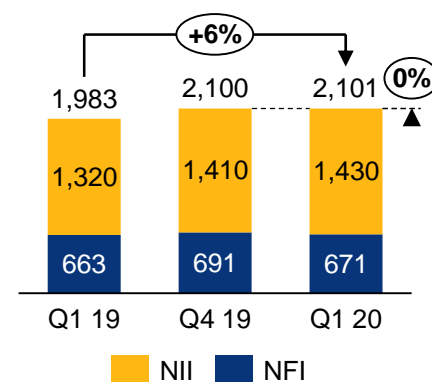
Retail Banking & Wealth Management

- RBWM income grew 6% y-o-y due to higher net interest income backed by increased volumes and higher core fee income
- Liabilities grew by 1% supported by customer campaigns and customer advances were lower by 3% due to reduced activity
- Low cost CASA to deposit ratio increased to 77% from 75% in previous quarter
- Cost to Income ratio improved to 24.9% from 27.4% y-o-y
- Relief measures rolled out for customers to minimize the impact of ongoing COVID-19 pandemic

Balance Sheet Trends AED Bn



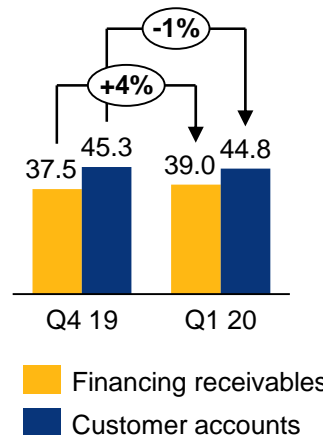
Income Trends AED Mn



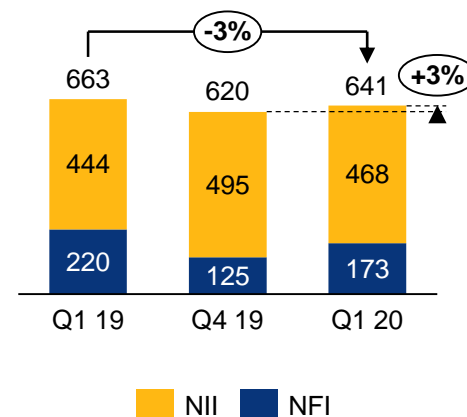
Emirates Islamic

- EI total income was lower by 3% y-o-y due to a reduction in non-funded and investment income partially offset by increase in funded income supported by balance sheet growth
- Total assets reached AED 62.9 billion at the end of Q1-20
- Financing and Investing Receivables increased by 4% to AED 39 billion from end 2019
- Customer deposits at AED 44.8 billion broadly flat from end 2019
- CASA balances represented 66% of total customer accounts compared with 63% at the end of 2019
- EI's headline Financing to Deposit ratio stood at 87% and is comfortably within the management's target range

Balance Sheet Trends AED Bn



Income Trends AED Mn

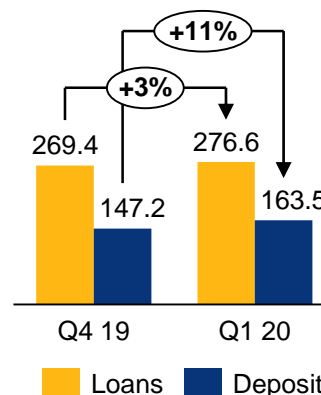


Divisional performance (Excluding DenizBank)

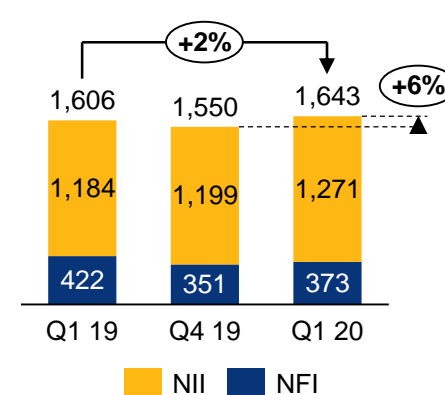
Corporate and Institutional Banking

- CIB income up 2% y-o-y due to a 7% increase in net interest income mainly due to growth in lending activity
- Fee income declined 12% y-o-y due to lower lending fee, trade commissions and treasury sales, partially off-set by increased investment banking activity
- The division continued to spend on digitization programs and technology to enhance the Transaction Banking Services product offering
- Loans grew 3% during the year with stable momentum in lending activity
- Deposits grew 11% with continued focus on growing CASA balances reflecting the Group's aim to reduce the average cost of funding while maintaining liquidity at an optimum level

Balance Sheet Trends AED Bn



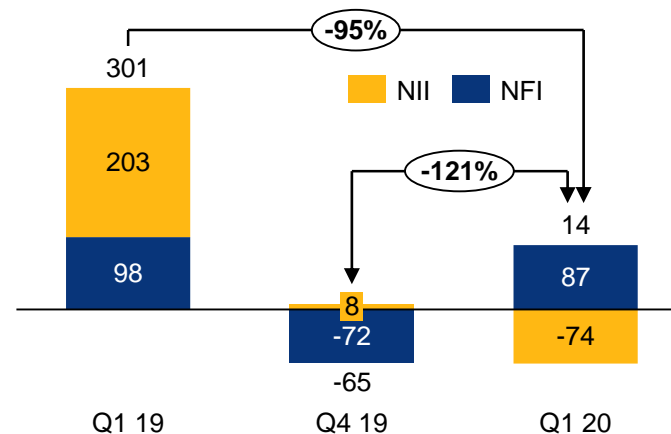
Income Trends AED Mn



Global Markets & Treasury

- GM&T income declined 95% y-o-y primarily due to the decrease in net interest income on account of lower interest rates. NFI declined 11% y-o-y
- Trading and Sales desks continued to deliver a solid performance despite significant market volatility
- During Q1-20, AED 9.1 Bn of term debt issued in five currencies through two public issues and private placements with maturities out to 20 years
- 78% of the term liabilities maturing in 2020 re-financed during Q1-20 covering maturities through to July; Only AED 2.6 Bn remaining to be re-financed

Income Trends AED Mn



DenizBank Business Overview



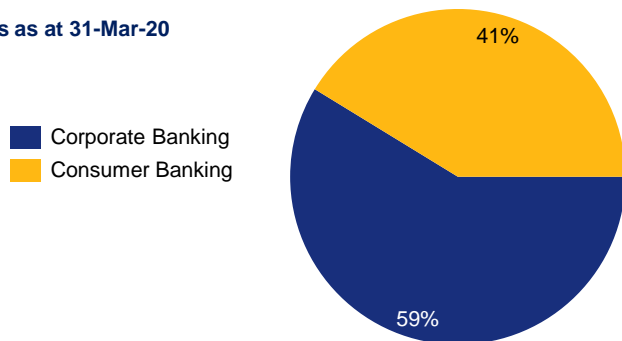
- ### Business Overview
- DenizBank contributed total income of AED 2,255 million and net profit of AED 504 million to the Bank for the first three months in 2020
 - Operating expenses and impairment allowances amounted to AED 627 million and AED 981 million respectively for the same period
 - Total assets of AED 128 billion, net loans of AED 84 billion and deposits of AED 93 billion at the end of Q1-20
 - DenizBank is the fifth largest private bank in Turkey with wide presence through a network of 752 branches and 3,000+ ATMs
 - Operates with 708 branches in Turkey and 44 in other territories (Austria, Germany, Bahrain)
 - Full service commercial banking platform of Corporate banking, Retail banking and Treasury
 - Servicing around 14 million customers, through 14,000+ employees

Financial Highlights

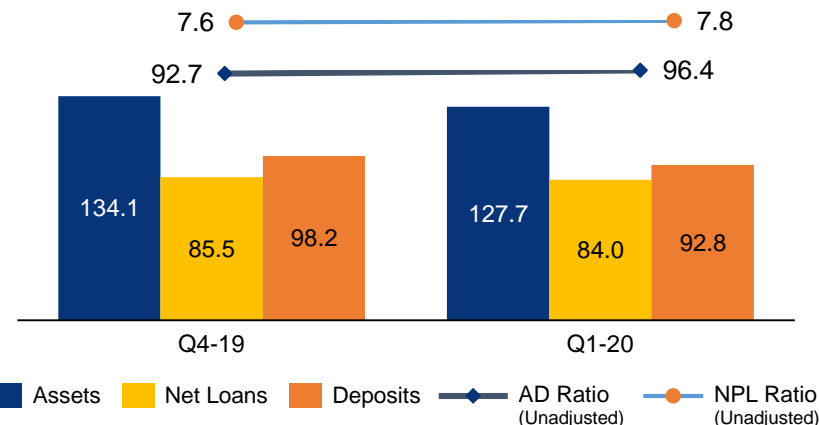
AED Mn**	Q1-20	Q4-19	Better / (Worse)
Net interest income	1,571	1,665	(6)%
Non-interest income	684	722	(5)%
Total income	2,255	2,387	(6)%
Operating expenses	(627)	(833)	25%
Pre-impairment operating profit	1,628	1,553	5%
Impairment allowances	(981)	(924)	(6)%
Operating profit	647	630	3%
Taxation charge	(143)	(218)	35%
Net profit	504	411	23%
Cost: income ratio	27.8%	34.9%	7.1%
Net interest margin	4.92%	5.06%	(0.14)%

Segment breakdown

Net Loans as at 31-Mar-20



Financial Highlights (AED Bn**)



All financial numbers post acquisition (1-Aug-19) include the fair value adjustments, unless otherwise stated.
 **Metrics converted to AED using spot / average exchange rate for balance sheet / income statement



Get in touch.

INVESTOR RELATIONS



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