

# Emirates NBD

Investor Presentation



# Important Information

## **Disclaimer**

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## **Forward Looking Statements**

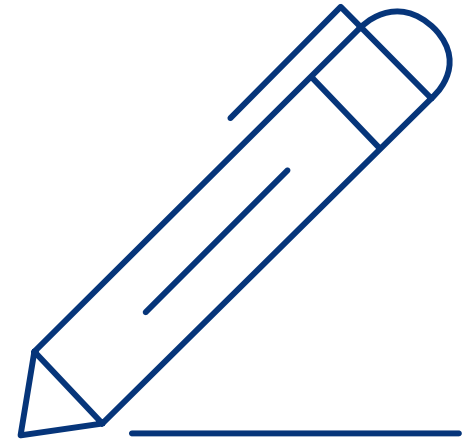
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- 1. Emirates NBD Profile**
- 2. Financial & Operating Performance**
- 3. Economic Environment**
- 4. Divisional Performance**



# Emirates NBD at a glance.

## Leaders in the Region.

### Market share in the UAE\*

- Assets 18.5%; Loans 21.7%; Deposits 20.8%
- **Largest financial institution in Dubai**, 3<sup>rd</sup> largest in the GCC
- **Leading retail banking franchise** with a branch network of around 1,000 branches throughout the MENAT region with operations in 13 countries
- **Leader in digital banking**: 6th best banking app worldwide with expanding customer acquisition
- **Fully fledged diversified financial offering** covering a full range of services in Wholesale Banking, Retail Banking, Private Banking, Islamic Banking and Asset Management
- **55.8%** indirectly owned by the Government of Dubai through its investment arm (Investment Corporation of Dubai)

## International Presence.



- Branch
- Rep office
- Egypt (77 branches)
- Turkey (749 branches - incl. 44 in other territories)

# Emirates NBD at a glance.

## Credit Ratings.

The Bank has stable long-term credit ratings

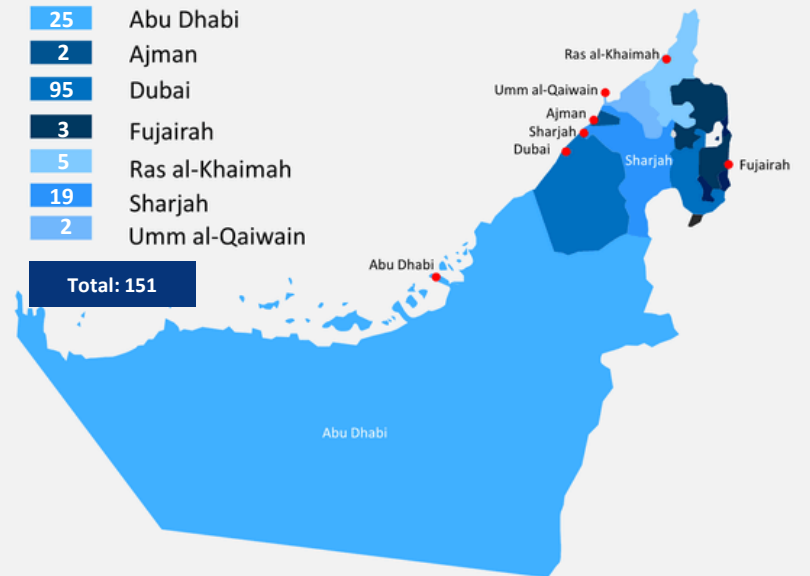
FitchRatings

MOODY'S

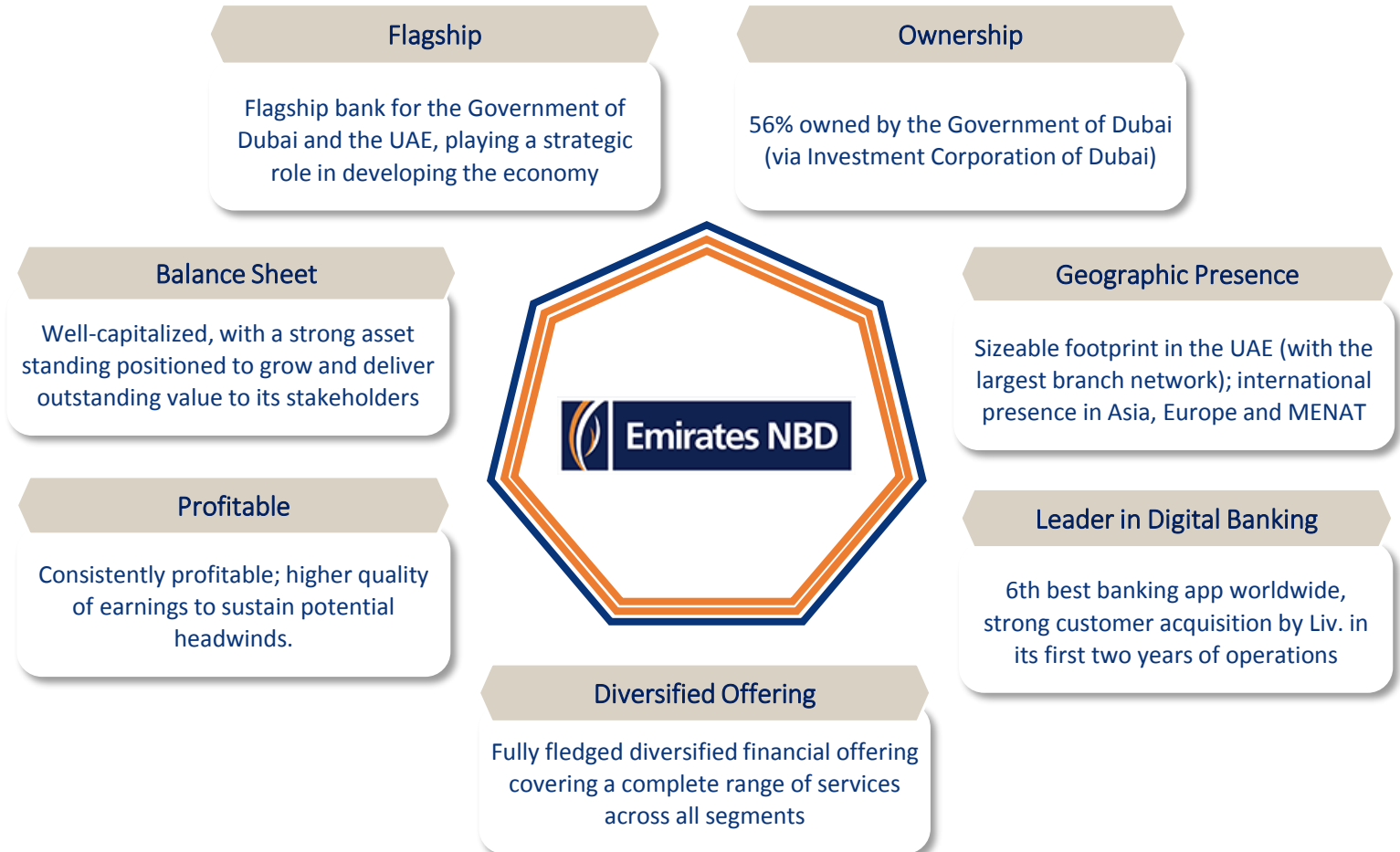
CI CAPITAL INTELLIGENCE

Long Term/Short Term	Outlook	Most Recent Rating Action
A+ / F1	Stable	Ratings Affirmed (04-Feb-2019)
A3 / P-2	Stable	Ratings Affirmed (23-May-18)
A+ / A1	Stable	Ratings Affirmed (09-Oct-2018)

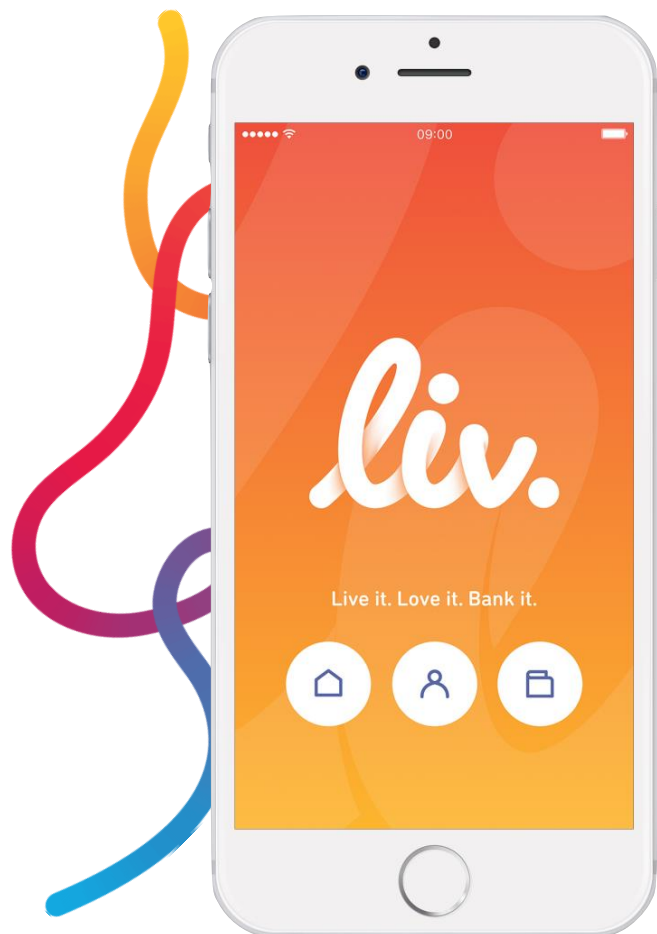
## Largest Branch Network in the UAE.



# Key Strengths



# Digital lifestyle banking continuing innovation



## Recent Launches

Liv. Sure, Smartphone insurance – a range of insurance products for millennials

Olivia, a Millennial chatbot – a conversational AI (artificial intelligence) based chatbot

Goal accounts – multiple goal based saving options for the customers

## Key Achievements

Fastest growing retail bank in the UAE with more than 10,000 customers added to the network per month

Expanded its range of services to over 20 countries with capabilities like international transfers

Crossed the 250,000 customer mark within two years of commencing operations

Strong customer engagement with an average of 14 logins per customer per month

Highest rated amongst all banking applications with a Google Play Store rating of 4.6 out of 5

## Direct Remit – an innovative remittance service

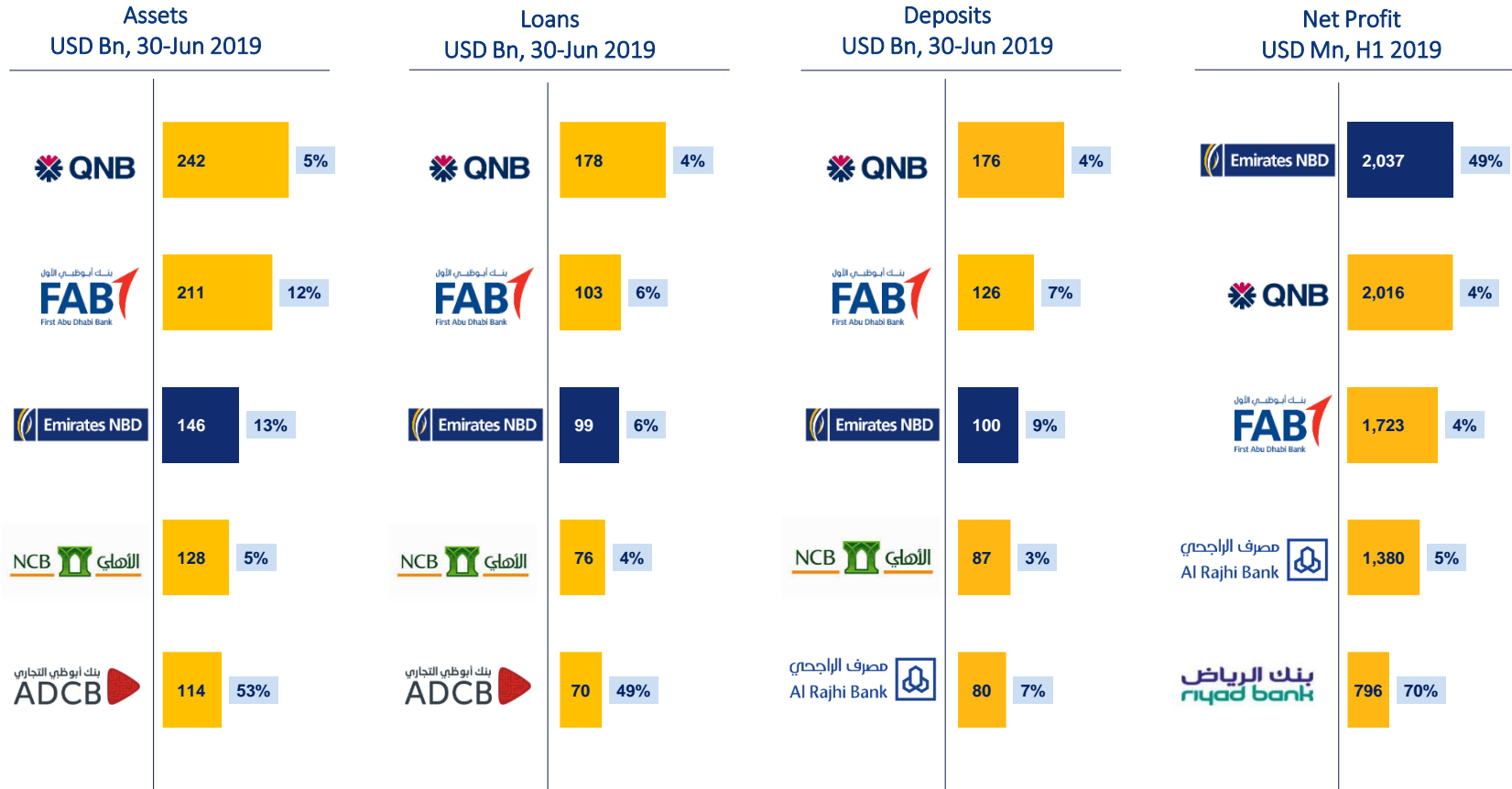
- Allows customers to do instant money transfers to their home country for free
- Direct Remit transaction can be initiated via Online Banking, Mobile Banking and selected ATMs
- Direct Remit option is currently available for the following countries in INR, PHP, PKR, EGP, LKR and GBP
- Unlimited number of Direct Remit transactions for free with a minimum of AED 100 in their respective home currency
- All Direct Remit transfers are subjected to strict compliance controls and regulatory reviews as part of transaction screening to ensure adherence with global payment screening standards
- In Jan-May 2019, Direct Remit represented over 90% of all individual transfers done by Emirates NBD customers and has started disrupting legacy money transfer services via exchange houses in the UAE, with an estimated 4% market share





# Emirates NBD is one of the largest banks in the GCC

% June 2019 vs. June 2018



# Emirates NBD is one of the largest banks in the GCC

CET 1 ratio  
30-Jun 2019



CAR ratio  
30-Jun 2019



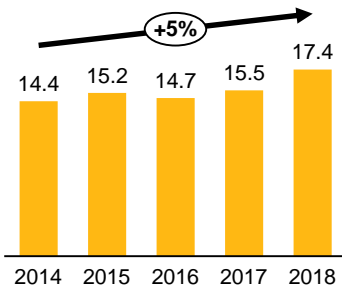
Coverage ratio  
30-Jun 2019



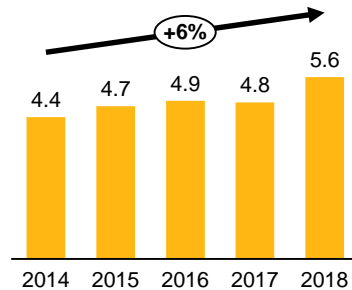
# Profit and balance sheet growth in recent years

## Revenues and Costs (AED Bn)

### Revenues

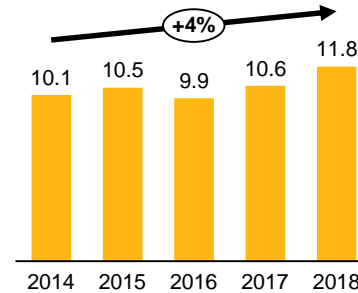


### Costs

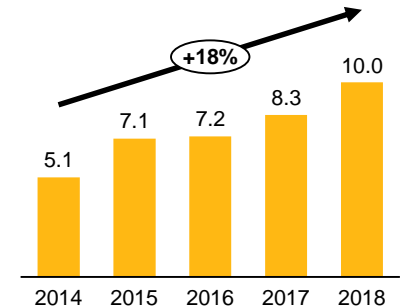


## Profits (AED Bn)

### Pre-Provision Operating Profits

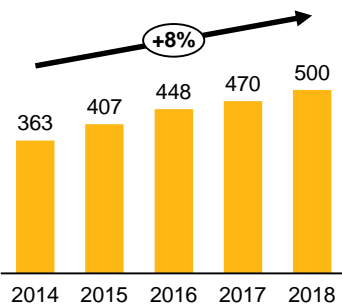


### Net Profits

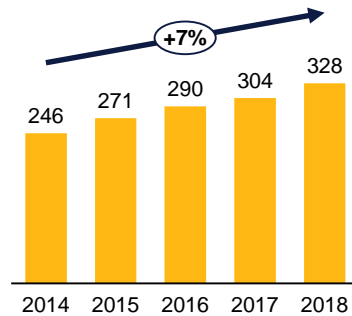


## Assets and Loans (AED Bn)

### Assets

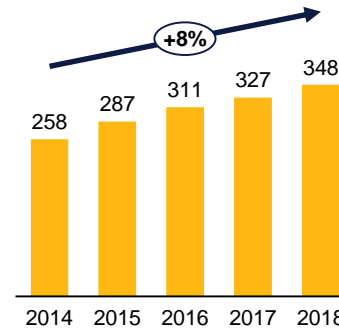


### Loans

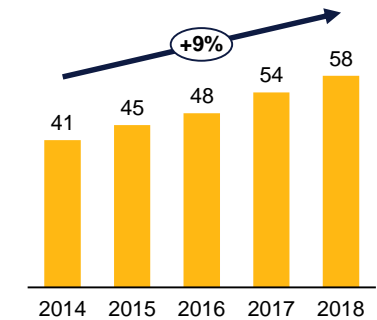


## Deposits and Equity (AED Bn)

### Deposits



### Equity



# Emirates NBD delivered a strong set of results in H1-19

Key Metrics		2019 Macro themes	
		H1 2019	2019 Guidance
<b>Profit</b>	Net Profit	AED 7.5 Bn +49% y-o-y	
	NIM	2.77%	2.75-2.85%
	Cost to income	29.7%	33%
<b>Credit Quality</b>	NPL	5.9%	Stable
	Coverage	125.8%	✓
<b>Capital</b>	CET 1	17.4%	
	Tier 1	20.4%	
	CAR	21.5%	
<b>Liquidity</b>	AD Ratio	92.1%	90-100%
	LCR Ratio	188.8%	
<b>Assets</b>	Loan Growth	3.0%	mid-single digit

Regional	Global
 <ul style="list-style-type: none"> <li>• GCC growth supported by stable oil production</li> </ul>	 <ul style="list-style-type: none"> <li>• Slowing but still growing US economy</li> <li>• Positive outlook on Emerging Markets</li> </ul>
 <ul style="list-style-type: none"> <li>• Geo-politics</li> <li>• Softening UAE real estate prices</li> </ul>	 <ul style="list-style-type: none"> <li>• Impact of US-China trade war on markets</li> <li>• Brexit uncertainty</li> </ul>

# H1-19 Financial results highlights

## Highlights

- Net profit of AED 7,482 Mn for H1-19 increased 49% y-o-y and 49% over the preceding half year
- The results include a gain on disposal of a stake in Network International of AED 2.1 billion
- Core Operating Profit grew 8% y-o-y supported by strong asset growth and higher fee income
- Net interest income improved 10% y-o-y and 3% compared to H2-18 on asset growth that more than offset a small decline in net interest margin
- Non-interest income advanced 20% y-o-y and 17% over H2-18 due to higher foreign exchange revenue and increased investment banking activity
- Costs increased 7% y-o-y due to a rise in staff costs relating to international expansion, digital and technology
- Provisions of AED 1,226 Mn increased 62% y-o-y as the net cost or risk increased to an annualized 82 bps. AED 527 Mn of write backs and recoveries in H1-19
- NPL ratio stable at 5.9%.
- LCR of 188.8% and AD ratio of 92.1% demonstrates the Group's healthy liquidity position

## Key performance indicators

AED Mn	H1-19	H1-18	Better / (Worse)	H2-18	Better / (Worse)
Net interest income	6,852	6,229	10%	6,659	3%
Non-interest income	2,676	2,222	20%	2,292	17%
<b>Total income</b>	<b>9,527</b>	<b>8,451</b>	<b>13%</b>	<b>8,951</b>	<b>6%</b>
Operating expenses	(2,826)	(2,646)	(7%)	(2,974)	5%
<b>Pre-impairment operating profit</b>	<b>6,701</b>	<b>5,805</b>	<b>15%</b>	<b>5,978</b>	<b>12%</b>
Impairment allowances	(1,226)	(755)	(62%)	(994)	(24%)
<b>Operating profit</b>	<b>5,474</b>	<b>5,050</b>	<b>8%</b>	<b>4,984</b>	<b>10%</b>
Gain on disposal of stake in jointly controlled entity	2,066	0	100%	0	100%
Share of profits from associates	12	49	(76%)	87	(86%)
Taxation charge	(70)	(82)	15%	(47)	(49%)
<b>Net profit</b>	<b>7,482</b>	<b>5,018</b>	<b>49%</b>	<b>5,024</b>	<b>49%</b>
Cost: income ratio	29.7%	31.3%	1.6%	33.2%	3.5%
Net interest margin	2.77%	2.78%	(0.01%)	2.86%	(0.09%)
AED Bn	30-Jun 2019	30-Jun 2018	%	31-Dec 2018	%
Total assets	537.8	477.5	13%	500.3	7%
Loans	337.7	316.4	7%	327.9	3%
Deposits	366.7	335.0	9%	347.9	5%
AD ratio (%)	92.1%	94.4%	2.3%	94.3%	2.2%
NPL ratio (%)	5.9%	6.0%	0.1%	5.9%	0.0%

## Q2-19 Financial results highlights

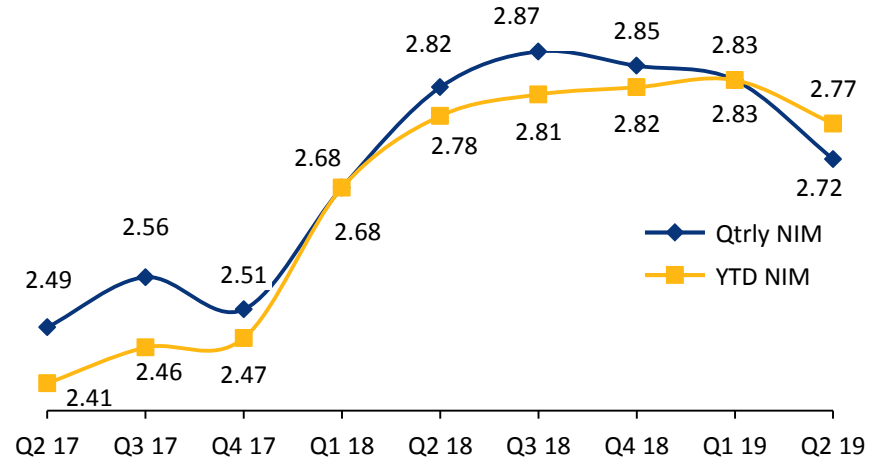
Highlights	Key performance indicators					
<ul style="list-style-type: none"> <li>Net profit of AED 4,739 Mn for Q2-19 increased 80% y-o-y and 73% q-o-q</li> <li>The results include a gain on disposal of a stake in Network International of AED 2.1 billion</li> <li>Core Operating Profit grew 2% year-on-year, supported by strong asset growth and higher fee income</li> <li>Net interest income improved 6% y-o-y and 2% q-o-q on asset growth that more than offset a decline in net interest margin</li> <li>Non-interest income advanced 23% y-o-y and 3% q-o-q due to higher foreign exchange revenue coupled with increased investment banking activity</li> <li>Costs increased 4% y-o-y and 2% q-o-q due to a rise in staff costs relating to international expansion, digital and technology</li> <li>Provisions of AED 656 Mn were 108% higher y-o-y and increased 15% q-o-q. The coverage ratio strengthened to 125.8%</li> <li>AED 197 Mn of write backs and recoveries in Q2-19</li> </ul>	AED Mn	Q2-19	Q2-18	Better / (Worse)	Q1-19	Better / (Worse)
	Net interest income	3,452	3,245	6%	3,400	2%
	Non-interest income	1,359	1,103	23%	1,317	3%
	<b>Total income</b>	<b>4,810</b>	<b>4,348</b>	<b>11%</b>	<b>4,717</b>	<b>2%</b>
	Operating expenses	(1,430)	(1,370)	(4%)	(1,397)	(2%)
	<b>Pre-impairment operating profit</b>	<b>3,380</b>	<b>2,977</b>	<b>14%</b>	<b>3,320</b>	<b>2%</b>
	Impairment allowances	(656)	(315)	(108%)	(570)	(15%)
	<b>Operating profit</b>	<b>2,724</b>	<b>2,663</b>	<b>2%</b>	<b>2,750</b>	<b>(1%)</b>
	Gain on disposal of stake in jointly controlled entity	2,066	0	100%	0	100%
	Share of profits from associates	(15)	18	(185%)	27	(156%)
	Taxation charge	(36)	(50)	28%	(34)	(6%)
	<b>Net profit</b>	<b>4,739</b>	<b>2,631</b>	<b>80%</b>	<b>2,743</b>	<b>73%</b>
	Cost: income ratio	29.7%	31.5%	1.8%	29.6%	(0.1%)
	Net interest margin	2.72%	2.82%	(0.10%)	2.83%	(0.11%)
	AED Bn	30-Jun 2019	31-Dec 2018	%	31-Mar 2019	%
Total assets	537.8	500.3	7%	525.8	2%	
Loans	337.7	327.9	3%	337.7	0%	
Deposits	366.7	347.9	5%	359.4	2%	
AD ratio (%)	92.1%	94.3%	2.2%	94.0%	1.9%	
NPL ratio (%)	5.9%	5.9%	0.0%	5.9%	0.0%	

# Net interest income

## Highlights

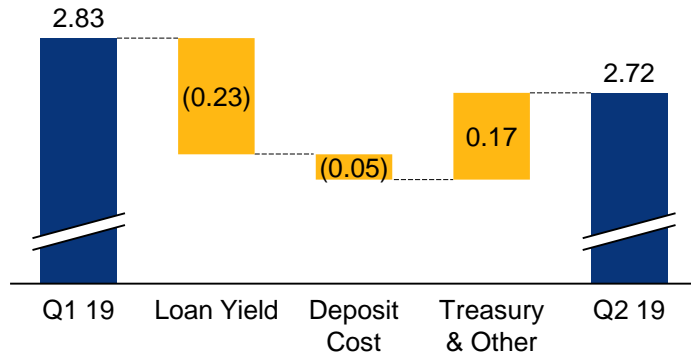
- NIMS have followed a similar pattern to short term interest rates, rising during 2018 as the US Fed increased rates, before declining to 2.77% in 2019. NIM in H1-2019 is 1 basis point lower than in 2018
- Q2-19 NIM of 2.72% declined 11 bps q-o-q which more than offset a rise in income from investments and bank placements
- Loan yields improved 31 bps y-o-y and declined 23 bps q-o-q due to moves in short term interest rates
- Deposit costs increased 43 bps y-o-y and 5 bps q-o-q due to a change in CASA - Fixed Deposit mix and short term interest rates
- NIM guidance of 2.75-2.85% unchanged, despite market uncertainty on next rate move, as Bank can retire more expensive forms of funding

## Net Interest Margin (%)



## Net Interest Margin Drivers (%)

Q2-19 vs. Q1-19



H1-19 vs. H1-18

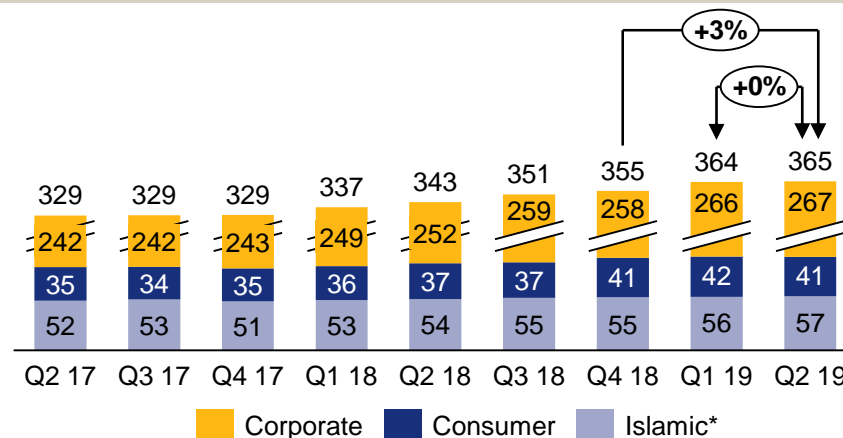


# Loan and deposit trends

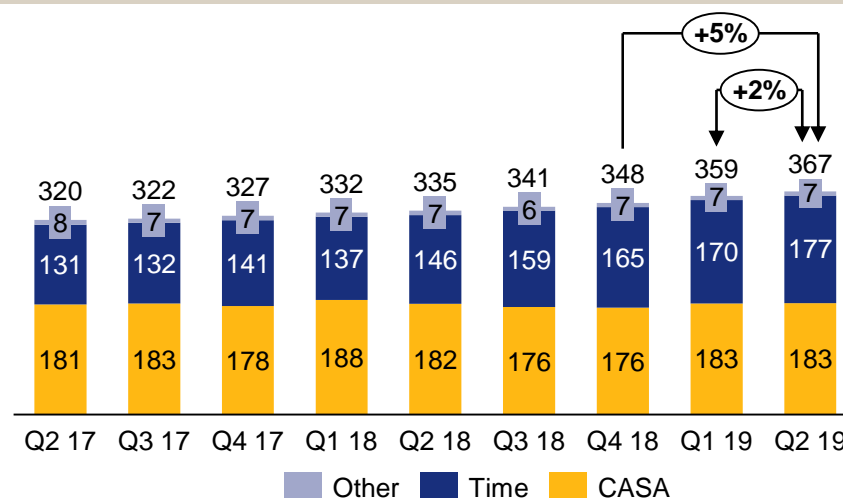
## Highlights

- Gross loans grew 3% in H1-19 with growth across all operating segments
- Corporate lending grew 3% in H1-19 due to growth in manufacturing, services and real estate sectors
- Consumer lending remained unchanged in H1-19
- Islamic financing grew 2% in H1-19 due to growth in manufacturing, personal, and real estate sectors
- Deposits grew 5% in H1-19 with CASA balances advancing by 4% and fixed deposits increasing by 7%
- CASA deposits represent 50% of total deposits, compared with 51% at the end of 2018

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



## Trend in Deposits by Type (AED Bn)





# Non-interest income

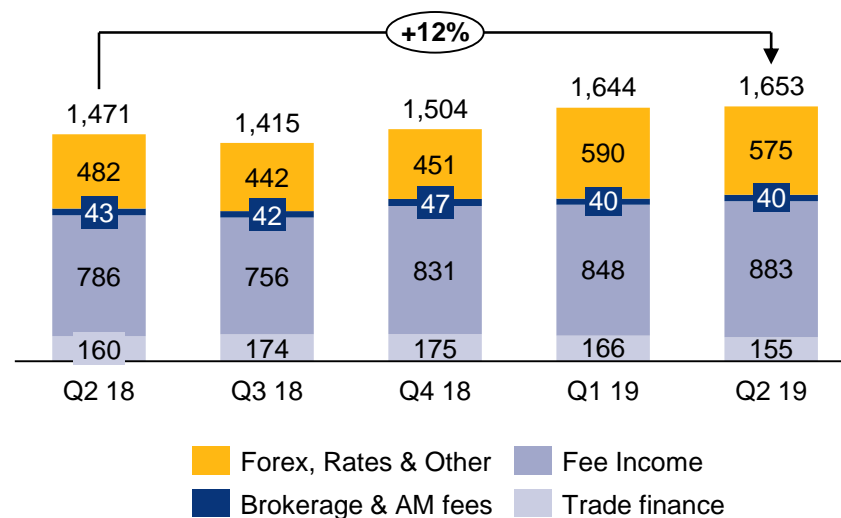
## Highlights

- Core fee income increased by 10% y-o-y on the back of higher foreign exchange income generated by the Trading and ALM desks
- Fee income also improved due to higher volume of card transactions and increased Investment Banking income
- Investment Securities Income improved y-o-y due to impairment provision on a private equity investment in 2018
- Total non-interest income advanced 23% y-o-y on higher core fee income and lower impairment on investment securities

## Composition of Non Interest Income (AED Mn)

AED Mn	Q2-2019	Q2-2018	Better / (Worse)	Q1-2019	Better / (Worse)
Core gross fee income	1,653	1,471	12%	1,644	1%
Fees & commission expense	(342)	(284)	(20%)	(314)	(9%)
<b>Core fee income</b>	<b>1,311</b>	<b>1,187</b>	<b>10%</b>	<b>1,330</b>	<b>(1%)</b>
Property income / (loss)	13	10	32%	(80)	117%
Investment securities & other income	35	(95)	137%	67	(47%)
<b>Total Non Interest Income</b>	<b>1,359</b>	<b>1,103</b>	<b>23%</b>	<b>1,317</b>	<b>3%</b>

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

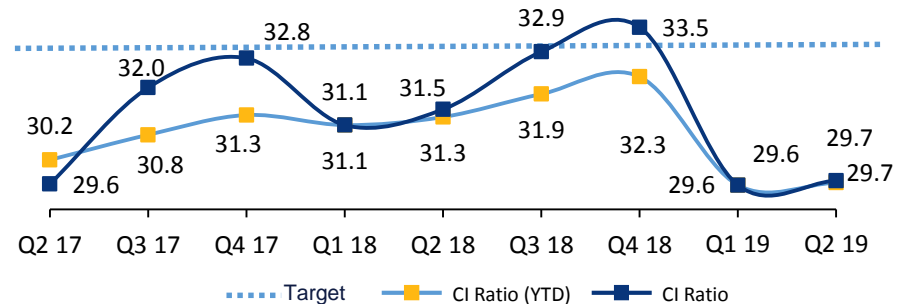


# Operating costs and efficiency

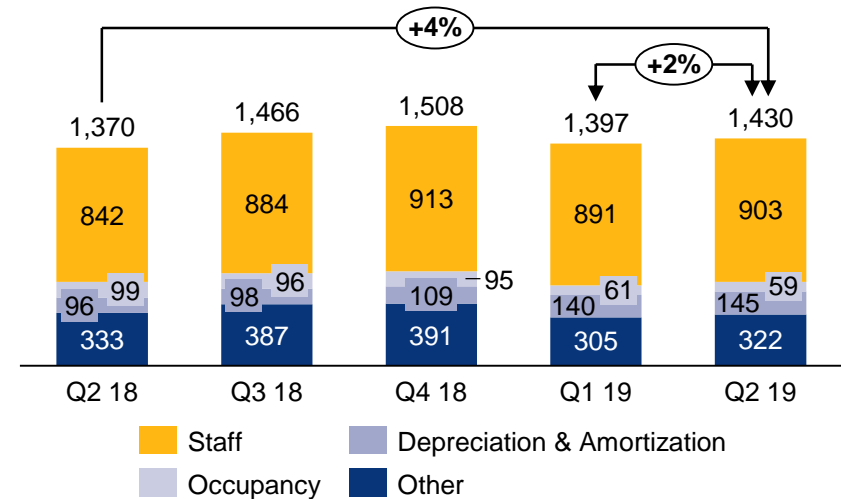
## Highlights

- Q2-19 costs were AED 1,430 Mn, a 2% q-o-q and 4% y-o-y increase due to a rise in staff costs relating to international expansion, digital and technology
- Other Costs are lower y-o-y as higher telecommunication costs were more than offset by lower consultancy costs
- The cost to income ratio at 29.7%, remains within guidance of 33% and gives headroom to invest selectively to support future growth

## Cost to Income Ratio (%)



## Cost Composition (AED Mn)

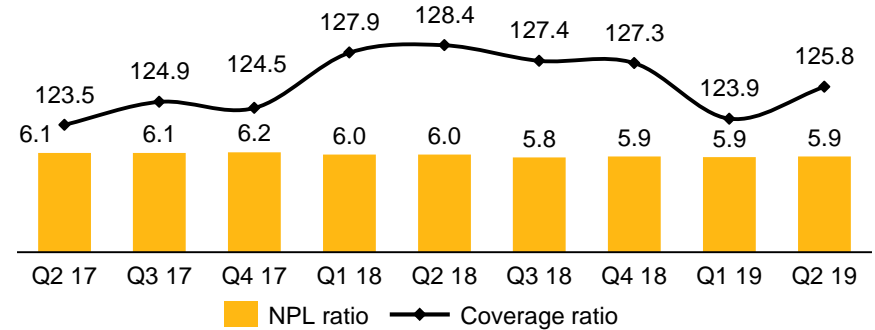


# Credit quality

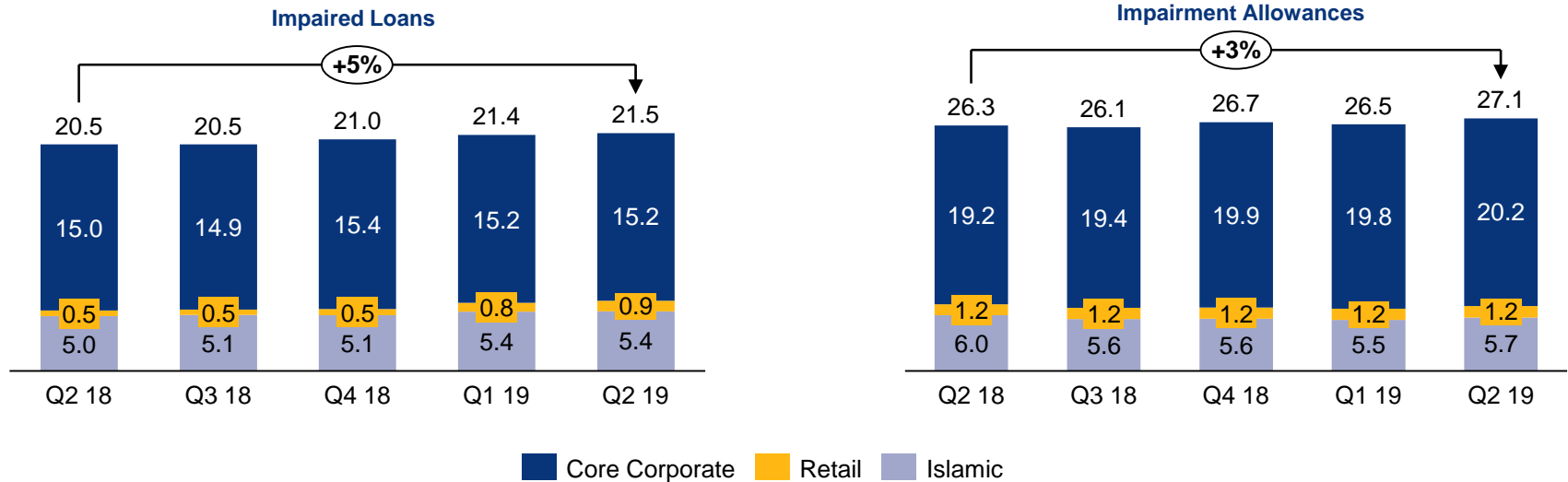
## Highlights

- NPL ratio stable to 5.9% in H1-19
- H1-19 cost of risk increased to 82 bps from 63bp in 2018 on higher net impairment charge of AED 1,226 Mn
- AED 527 Mn of write backs & recoveries in H1-19
- The coverage ratio strengthened to 125.8%
- Stage 1 & 2 ECL allowances amount to AED 8.2 Bn or 3.1% of Credit RWA

## Impaired Loan & Coverage Ratios (%)



## Impaired Loans and Impairment Allowances (AED Bn)

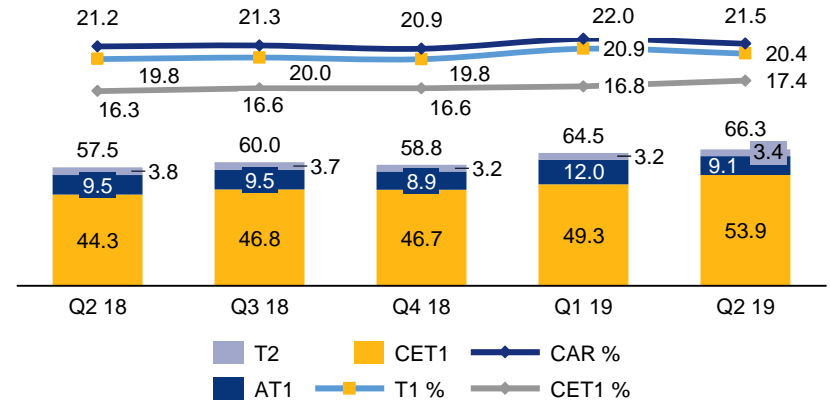


# Capital adequacy

## Highlights

- In Q2-19, CET 1 was higher at 17.4% as retained earnings more than offset an increase in RWAs
- CAR and Tier 1 ratio declined by 0.5% to 21.5% and 20.4% due to the call of USD 1 Bn non-Basel III compliant notes in May-19
- Capital ratios remain comfortably above the minimum regulatory requirements of 11% for CET-1 ratio, 12.5% for Tier 1 ratio and 14.5% for CAR ratio
- Minimum ratios include a 1.5% D-SIB buffer

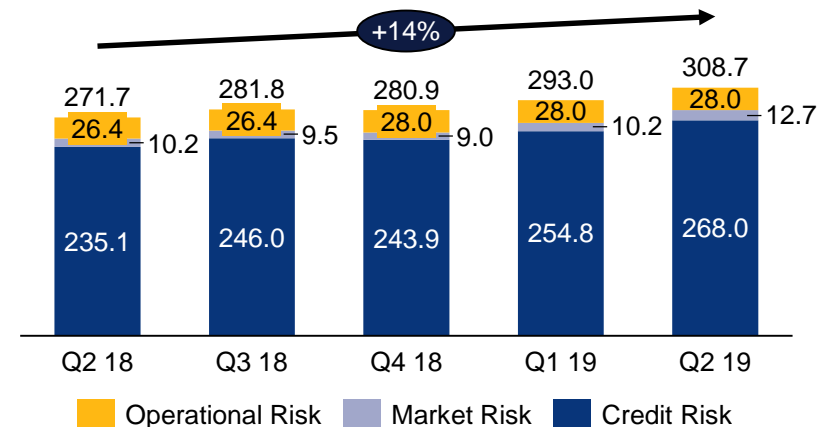
## Capitalisation



## Capital Movements table

AED Bn	CET1	Tier 1	Tier 2	Total
<b>Capital as at 31-Dec-2018</b>	<b>46.7</b>	<b>55.6</b>	<b>3.2</b>	<b>58.8</b>
Net profits generated	7.5	7.5	-	7.5
T1 Issuance	-	3.7	-	3.7
Repayment of Tier instruments	-	(3.7)	(0.1)	(3.8)
Interest on T1 securities	(0.4)	(0.4)	-	(0.4)
Amortisation of T1	-	(0.4)	-	(0.4)
Other	0.1	0.7	0.3	0.9
<b>Capital as at 30-Jun-2019</b>	<b>53.9</b>	<b>63.0</b>	<b>3.4</b>	<b>66.3</b>

## Risk Weighted Assets

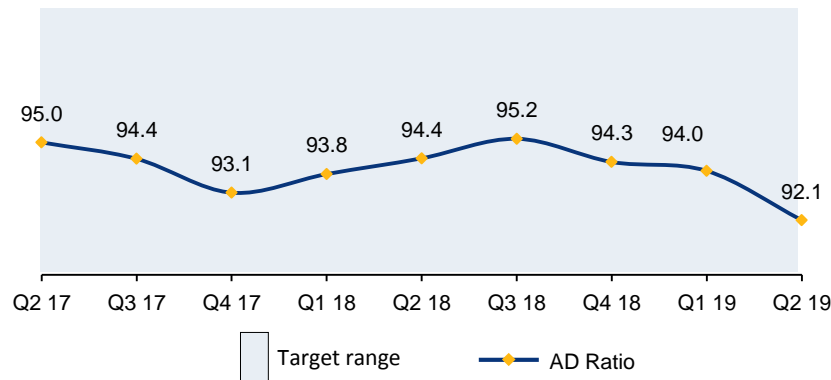


# Funding and liquidity

## Highlights

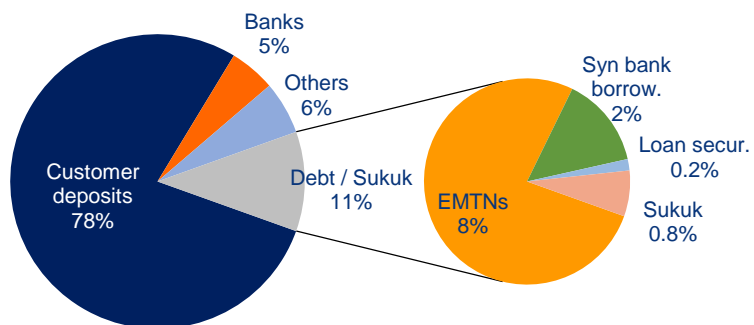
- Liquidity Coverage Ratio of 188.8% and AD ratio of 92.1% demonstrates healthy liquidity position
- Liquid assets\* of AED 84.7 Bn as at H1-19 (18.0% of total liabilities)
- In H1-19, AED 9.7 Bn of term debt issued in 7 currencies with maturities out to 20 years, more than fully covering 2019 total maturities
- Debt/Sukuk now represent 11% of total liabilities

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



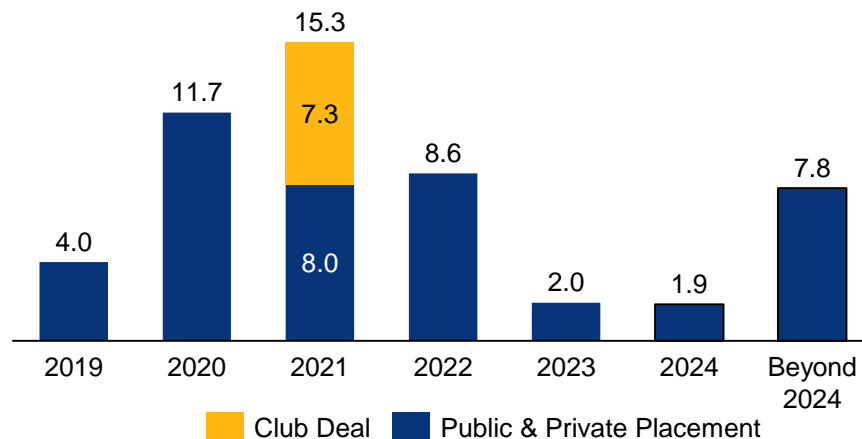
## Composition of Liabilities/Debt Issued (%)

### Liabilities (AED 468.8 Bn) Debt/Sukuk (AED 51.3 Bn)



## Maturity Profile of Debt Issued (AED Bn)

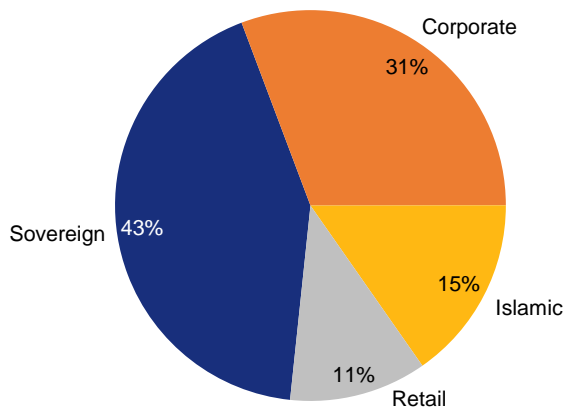
### Maturity Profile of Debt/ Sukuk Issued AED 51.3 Bn



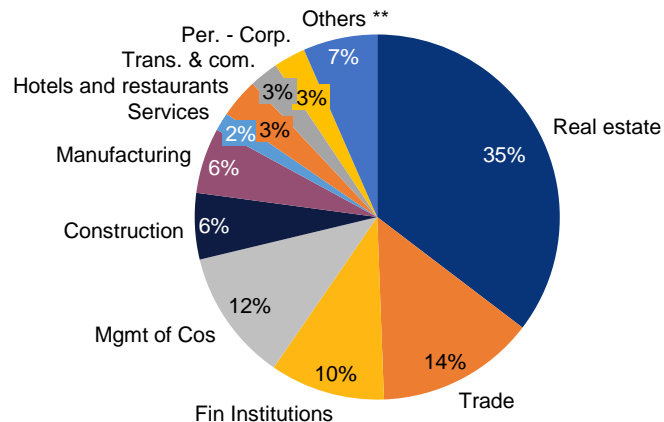
\*Including cash and deposits with Central Banks but excluding interbank balances and liquid investment securities

# Loan composition

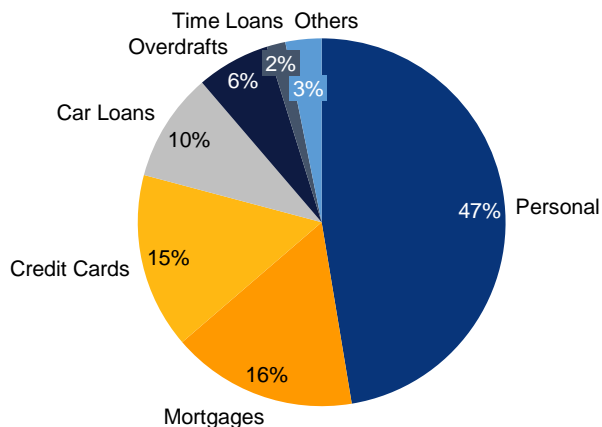
Total Gross Loans (AED 365 Bn)



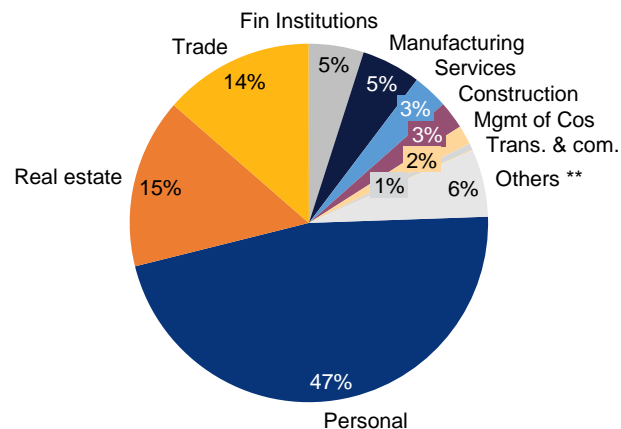
Corporate Loans (AED 112 Bn)



Retail Loans (AED 42 Bn)



Islamic\* Loans (AED 58 Bn)



\*Islamic loans gross of deferred income

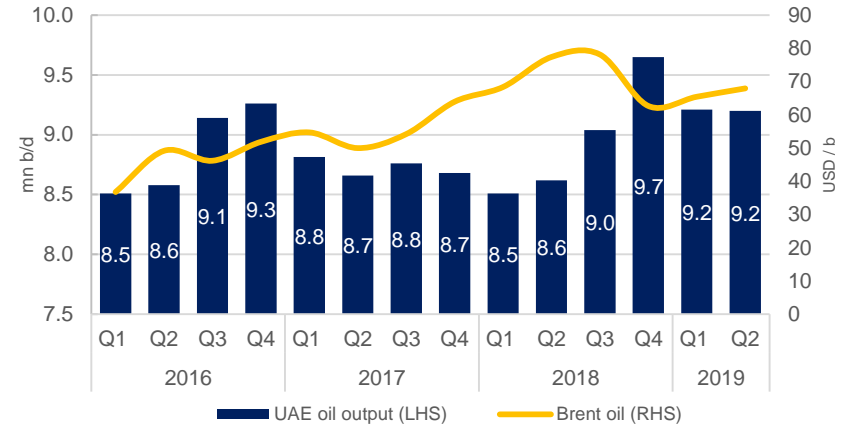
\*\*Others include Agriculture & allied activities and Mining & quarrying

# UAE: 2019 GDP growth forecast revised lower

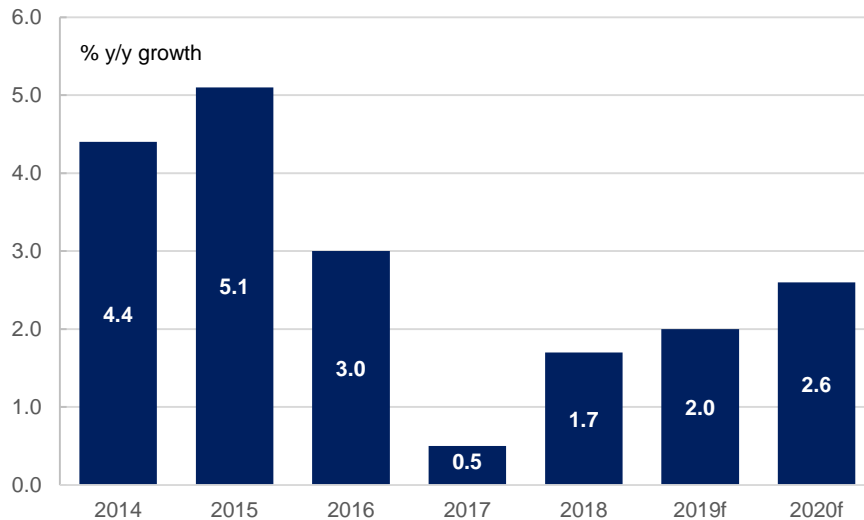
## Highlights

- UAE headline GDP growth forecast was revised to 2.0% for 2019 from 3.1% previously, as production cuts that came into effect in January are likely to be extended into H2 2019
- Dubai is expected to be the main engine of non-oil growth in the UAE this year, with GDP forecast to expand 3.0% in the emirate in 2019, in contrast with Abu Dhabi's expected 1.0% non-oil GDP growth
- The average Q2 2019 Markit Purchasing Managers' Index (PMI) for the UAE stood at the highest level since Q2 2014 as private sector gained momentum in H1 2019

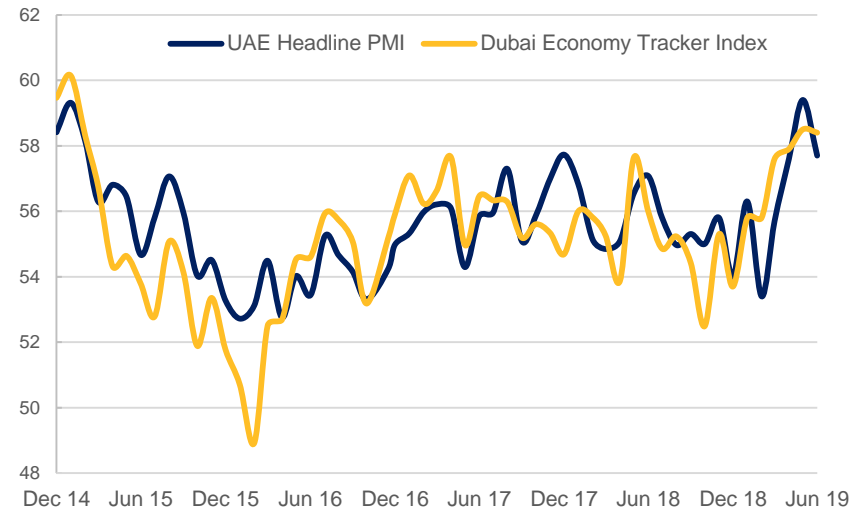
## UAE oil production and prices



## UAE GDP growth



## UAE & Dubai non-oil private sector activity

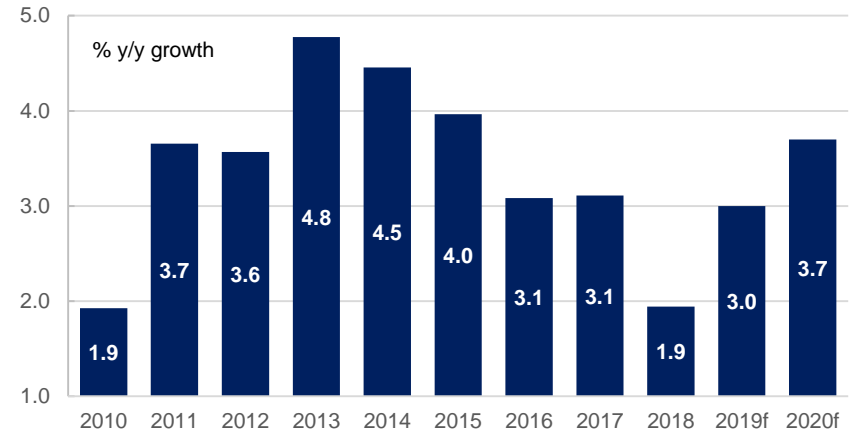


# Dubai: activity picks up in H1 2019 in the run-up to Expo 2020

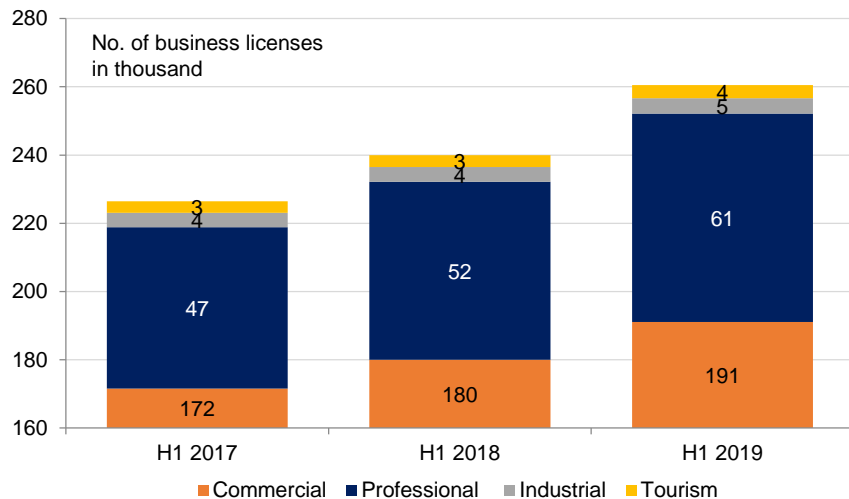
## Highlights

- The average Dubai Economy Tracker Index (effectively a PMI for Dubai) accelerated in H1 2019 compared with H1 2018. Survey data suggests that Dubai's non-oil economy grew at the fastest rate since early 2015 in Q2 2019
- However, the employment index moved to 49.9 in June despite strong growth in the volume of activities as firms remain reluctant to boost headcount, limiting the employment index marginally around the 50.0 neutral level
- The largest sector of Dubai's economy is wholesale & retail trade, which accounts for more than a quarter of total GDP. The sector grew 1.3% last year, slightly better than less than 1% growth in 2016 and 2017

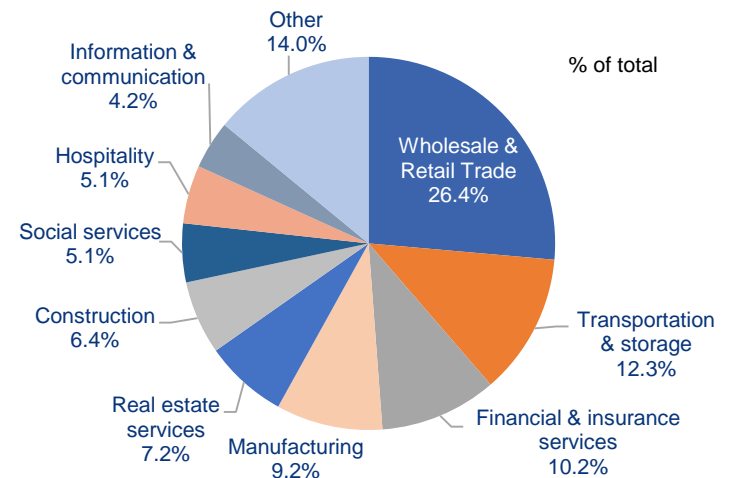
## Dubai GDP growth



## Dubai business licenses



## Dubai GDP decomposition - 2018



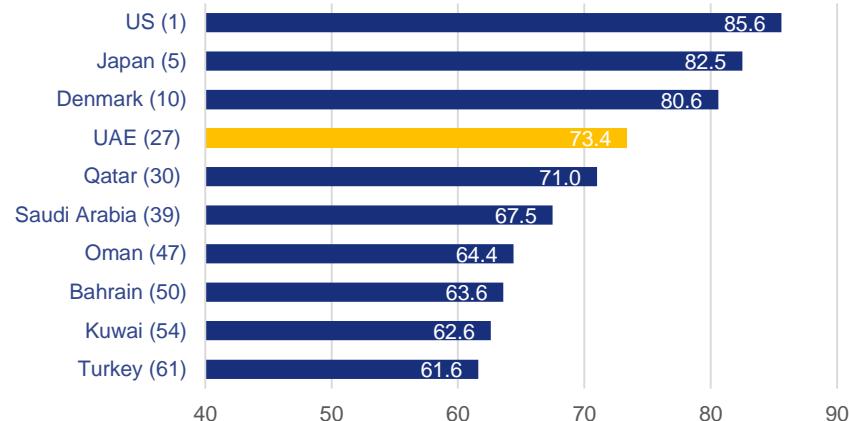


# UAE leads MENA in global competitiveness

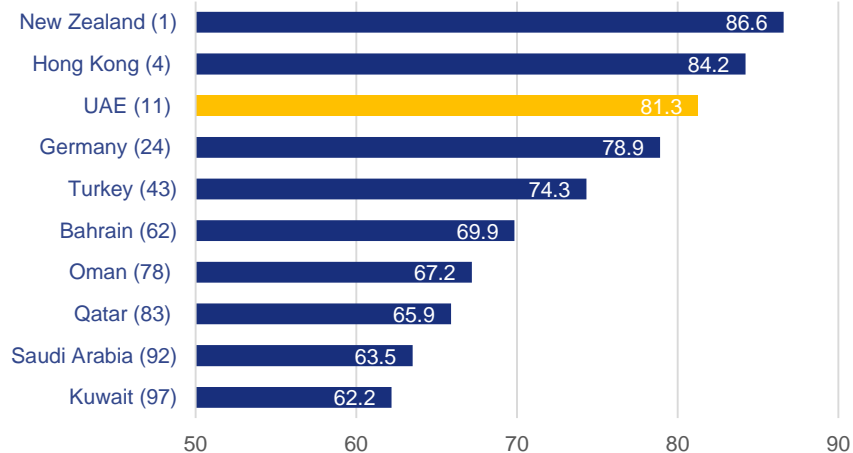
## Highlights

- Ranked 27th globally, UAE is the most competitive economy in the MENA region. The economy's main strength lies in the quality of its enabling environment, as companies can operate under stable macroeconomic conditions (1st), make use of good infrastructure (15th) and one of the highest levels of ICT adoption in the world (6th)
- Ranked 11th in the terms of ease of doing business in 2018, advancing 11 places from the 2017 report, UAE ranks 3rd in terms of dealing with construction permits, 7th for registering property and 9th for enforcing rights
- UAE ranked first in the GCC in the 2019 Global Innovation Index (GII), according to Cornell University, INSEAD, and the World Intellectual Property Organization (WIPO)

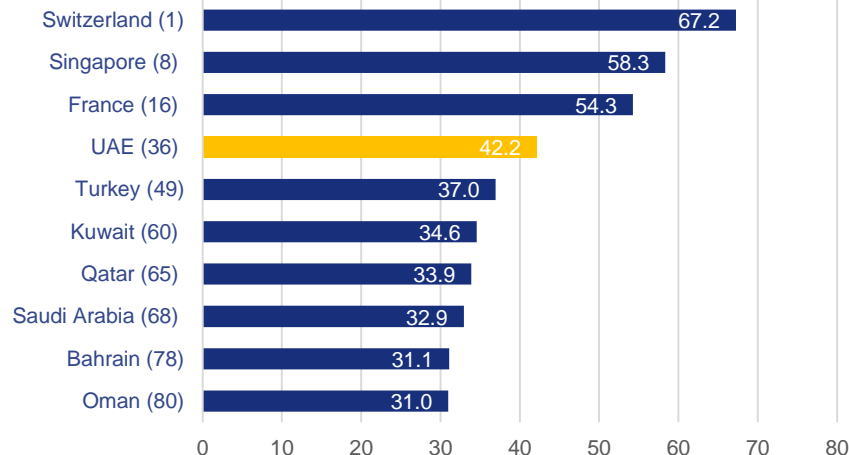
## Competitiveness, out of 140 countries



## Ease of doing business, out of 190 countries



## Global innovation, out of 129 countries

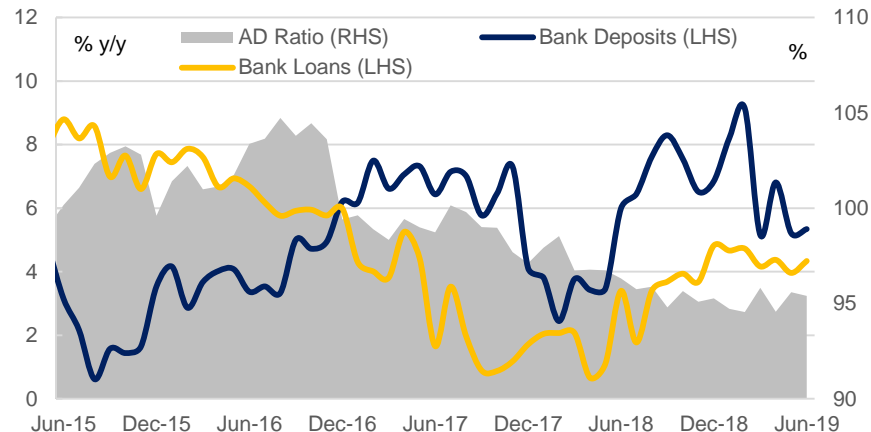


# UAE: private sector credit growth slows in Q2 2019

## Highlights

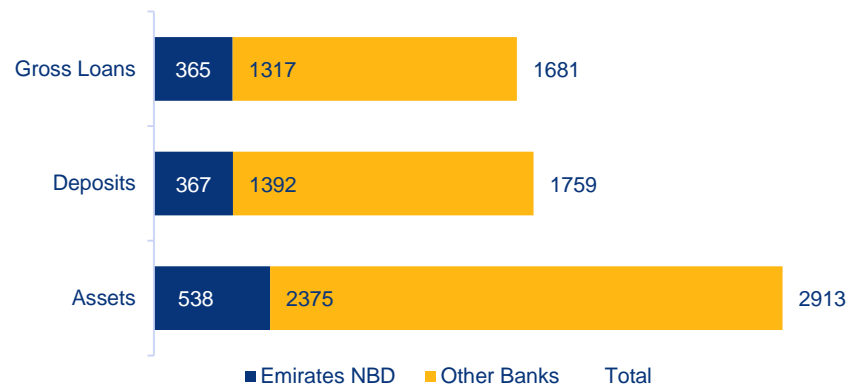
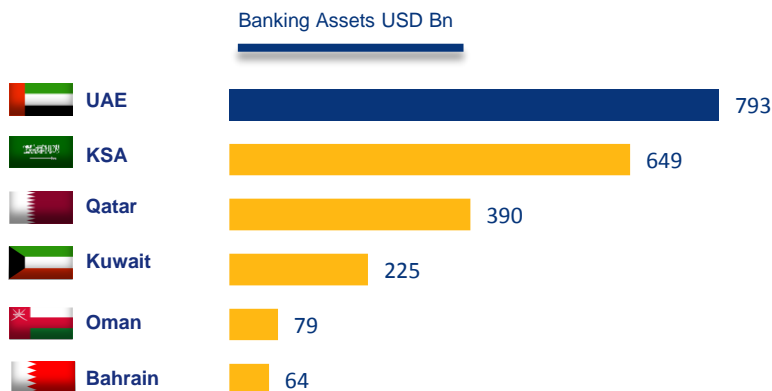
- Growth in UAE bank deposits slowed to 5.3% y/y in June, down from a 2019 peak of 9.1% in February. Non-resident deposits grew at a much faster rate than residents' deposits this year, with the latter driven by government deposits
- While gross lending rose 4.3% y/y in June, private sector loan growth slowed for the same period. Lending to individuals declined on an annual basis for the sixth consecutive month, providing further evidence of soft household consumption

## Breakdown of UAE bank credit by economic activity



## GCC banking market, June 2019

## UAE banking market (AED Bn), June 2019

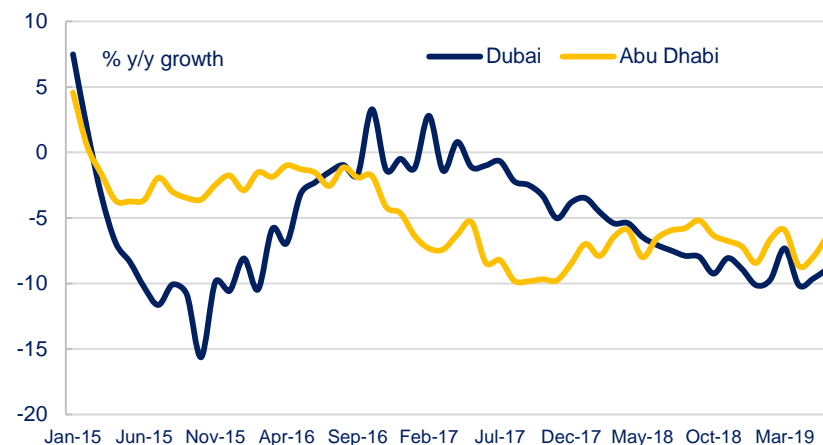


# Real estate: further softness in residential prices is expected in H2 2019

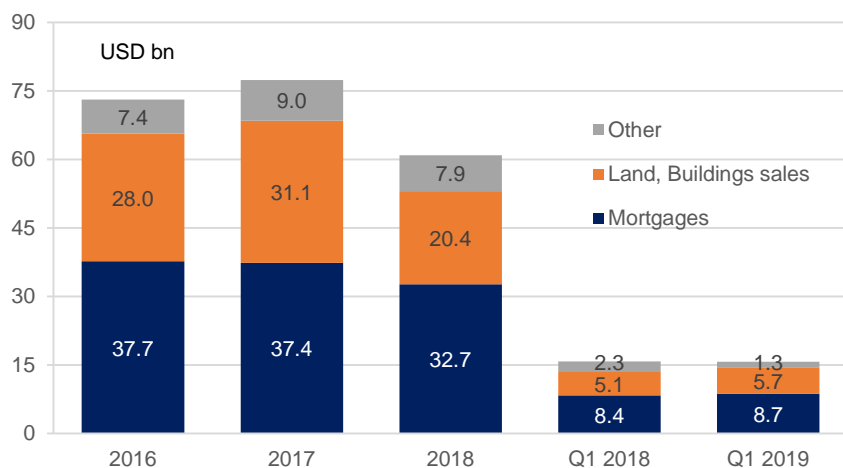
## Highlights

- Dubai's real estate price declined in H1 2019. BIS data indicates that residential real estate prices declined at a lower rate in June (-8.9% y/y from % -9.6/y/y in May)
- Real estate services and construction together account for 13.6% of Dubai's GDP. Wholesale & retail trade account for 26.4%; transport, storage & logistics accounts for 12.3% and financial services 10.2%
- Increased supply and little evidence of household income growth also contributed to a further decline in residential real estate prices in Dubai

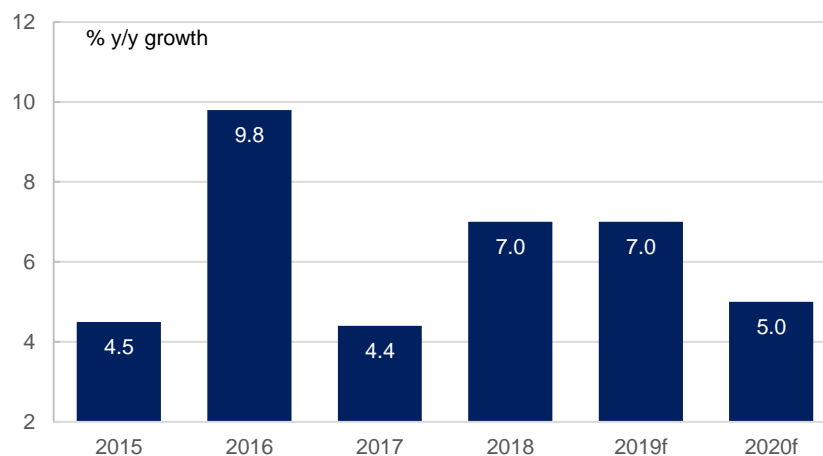
## Residential property prices still falling



## Investment in Dubai real estate in USD bn



## Real estate services sector growth (Dubai GDP)

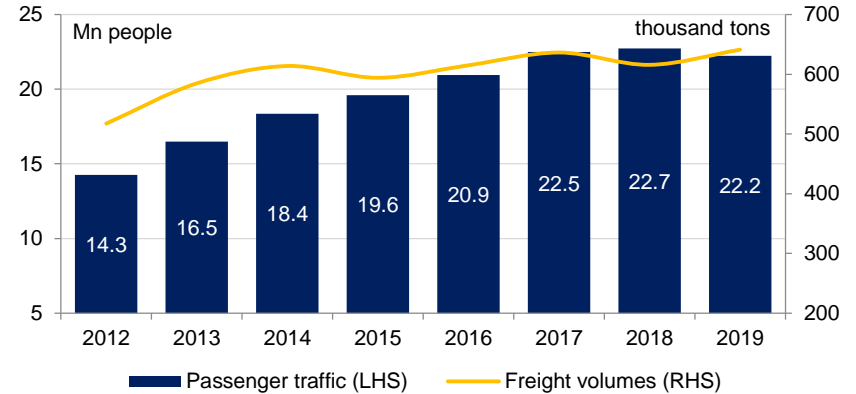


# Dubai: travel & tourism activity slowed in Q2 2019

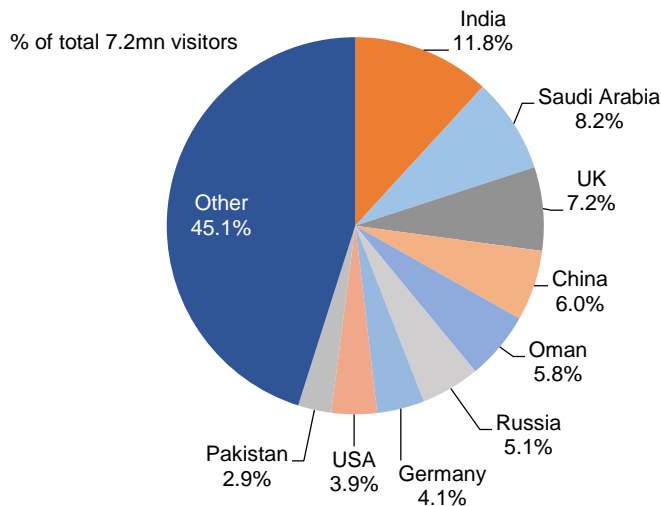
## Highlights

- Passenger traffic at Dubai International Airport (DXB) declined 2.2% during the first quarter of 2019. Cargo volume was up 4% y/y over the same period
- Dubai's hotel occupancy averaged 76.9% during Jan-May 2019 down from 80.7% over the same period last year. Revenue per available room (RevPAR) has fallen -4.8% y/y over the same period

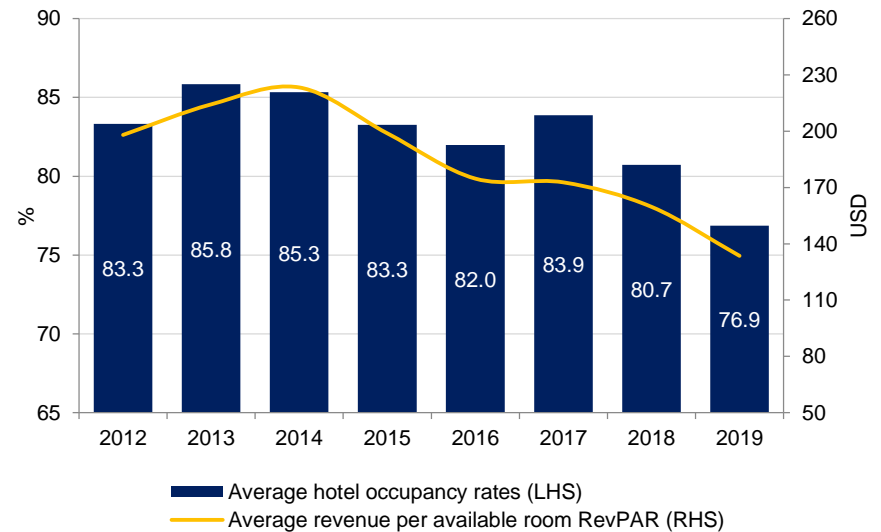
## DXB passenger traffic (Jan-June)



## Top 10 visitors by nationality in Jan-May 2019



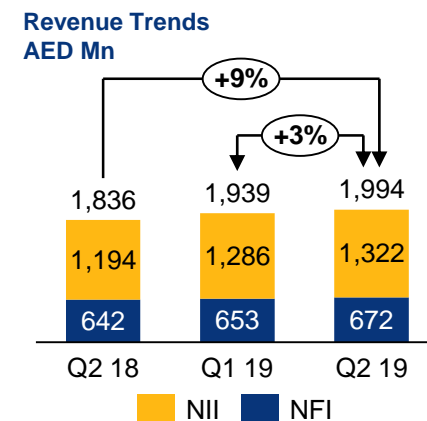
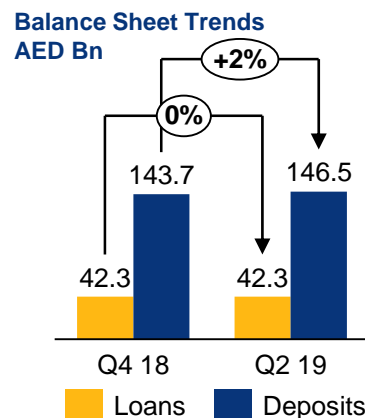
## Dubai occupancy rates and RevPAR (Jan-May)



# Divisional performance

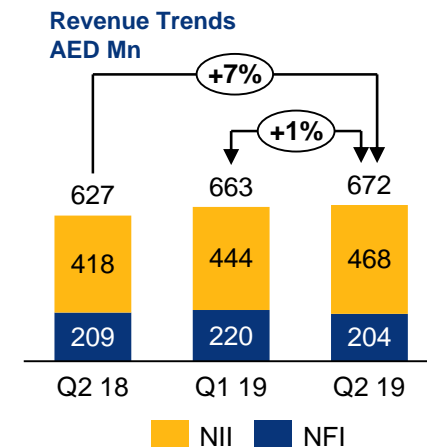
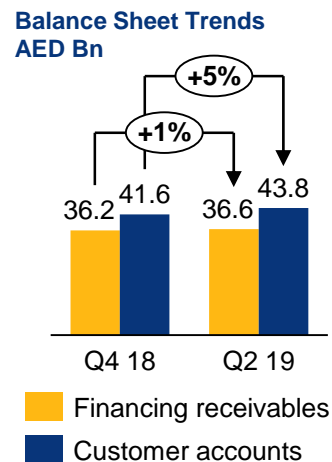
## Retail Banking & Wealth Management

- Revenue increased 9% y-o-y and 3% q-o-q led by higher net interest income from liabilities and fee income driven by Cards and FX
- Liabilities grew by 2% backed by higher current and savings accounts
- New card sales were also up 24% over the previous period
- Liv, the lifestyle digital bank for millennials remains the fastest growing retail banking proposition in the UAE reaching a base of over 250,000 customers



## Emirates Islamic

- Revenue increased 7% y-o-y led by a 12% increase in funded income
- El's total assets reached AED 61.1 billion for H1-2019. Financing and Investing Receivables increased by 1% to AED 36.6 billion since 2018
- CASA balances represented 64% of total customer accounts compared with 66% at the end of 2018
- El's headline Financing to Deposit ratio stood at 83% and is comfortably within the management's target range

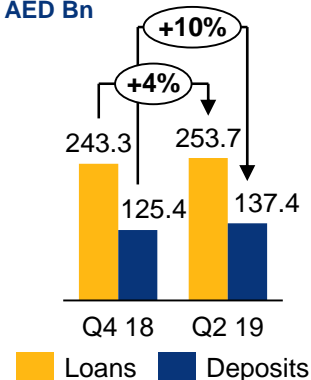


# Divisional performance

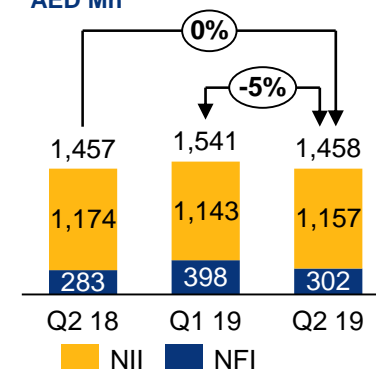
## Wholesale Banking

- Wholesale Banking revenue remained unchanged y-o-y and was down 5% q-o-q due to lower volume of treasury sales and FX margins during an extended holiday period
- Net interest income grew 1% q-o-q driven by growth in lending activity
- Fee income of AED 700 million for H1-2019 increased by 15% due to higher lending related fees and increased investment banking activity
- Loans grew 4% in H1-19 with strong momentum in lending activity and growth in the Bank's core and short term lending business
- Deposits were 10% higher reflecting the Bank's aim to maintain liquidity at an optimum level

**Balance Sheet Trends**  
AED Bn



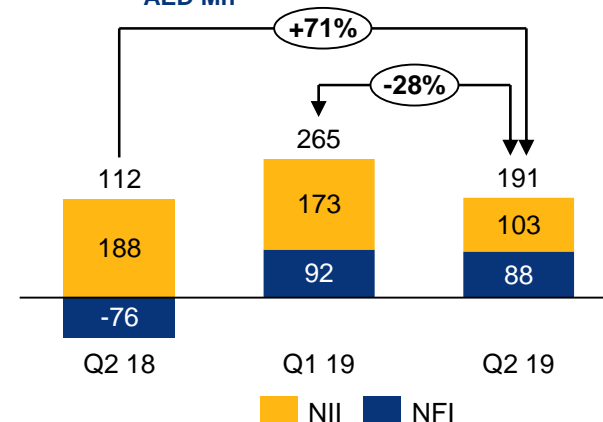
**Revenue Trends**  
AED Mn



## Global Markets & Treasury

- GM&T revenues increased 71% y-o-y
- Revenue growth helped by increased credit trading activity from higher new issuance volumes in the region
- The Rates desk stepped up market making activities which helped increase market share. The Foreign Exchange desk also contributed by taking advantage of volatility in G10 currencies
- The ALM business continued to deliver strong results by positioning the balance sheet to take maximum advantage of interest rates movements
- The Global Funding Desk raised AED 9.7 billion of term funding through private placements with maturities out to 20 years. The desk also successfully raised a US\$ 1 billion Perpetual Tier 1 issuance

**Revenue Trends**  
AED Mn





**Get in touch.**

## INVESTOR RELATIONS

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