

Emirates NBD

Q1 2019 Results Presentation



17 April 2019

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Emirates NBD delivered a strong set of results in Q1-19

Key Metrics

2019 Macro themes

		Q1 2019	2019 Guidance
Profit	Net Profit	AED 2.7 Bn +15% y-o-y	
	NIM	2.83%	2.75-2.85%
	Cost to income	29.6%	33%
Credit Quality	NPL	5.9%	Stable
	Coverage	123.9%	✓
Capital	CET 1	16.8%	
	Tier 1	20.9%	
	CAR	22.0%	
Liquidity	AD Ratio	94%	90-100%
	LCR Ratio	198.8%	
Assets	Loan Growth	3.0%	mid-single digit

Regional

- Diversified UAE economy
- GCC growth supported by higher expected oil production

Global

- Slowing but still growing US economy
- Positive outlook on Emerging Markets

- Geo-politics

- Softening UAE real estate prices

- Impact of US-China trade war on markets
- Brexit uncertainty

Q1-19 Financial results highlights

Highlights

- Net profit of AED 2,743 Mn for Q1-19 increased 15% q-o-q and 15% y-o-y
- Net interest income improved 14% y-o-y on 8% loan growth coupled with higher margins. Net interest income rose 1% q-o-q as 3% loan growth more than offset a small decline in net interest margin
- Non-interest income advanced 18% y-o-y and 15% q-o-q due to higher income from trading, foreign exchange and derivatives
- Costs improved 7% q-o-q due to an improvement in staff costs, lower professional fees and marketing expenses. Costs were 9% higher y-o-y due to investment in our digital transformation and technology refresh
- Provisions of AED 570 Mn improved 11% q-o-q and were 30% higher y-o-y. The coverage ratio declined to 123.9% due to an increase in impaired Islamic financing receivables
- LCR of 198.8% and AD ratio of 94.0% demonstrates the Group's healthy liquidity position
- NPL ratio stable at 5.9%.
- AED 331 Mn of write backs and recoveries in Q1-19
- NIMs improved 15 bps y-o-y as rate rises flowed through to loan book and declined 2 bps q-o-q as higher wholesale funding and fixed deposit costs were largely offset by an improvement in loan yields and higher CASA balances

Key performance indicators

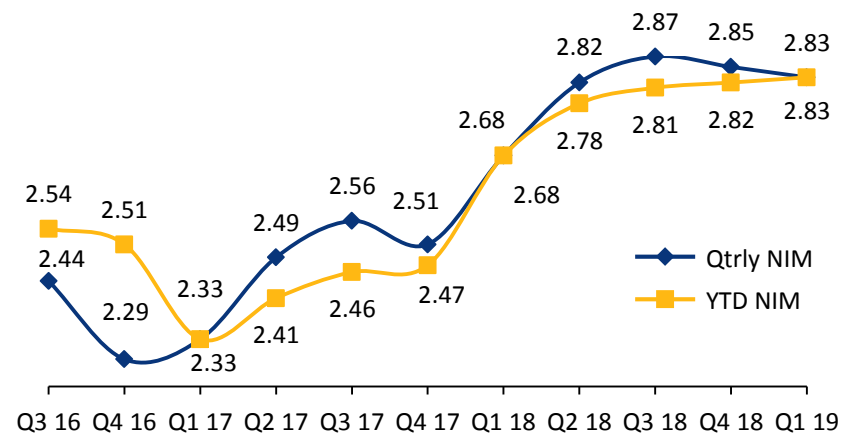
AED Mn	Q1-19	Q1-18	Better / (Worse)	Q4-18	Better / (Worse)
Net interest income	3,400	2,984	14%	3,352	1%
Non-interest income	1,317	1,119	18%	1,145	15%
Total income	4,717	4,103	15%	4,497	5%
Operating expenses	(1,397)	(1,276)	(9%)	(1,508)	7%
Pre-impairment operating profit	3,320	2,828	17%	2,989	11%
Impairment allowances	(570)	(440)	(30%)	(640)	11%
Operating profit	2,750	2,388	15%	2,349	17%
Share of profits from associates	27	31	(12%)	53	(48%)
Taxation charge	(34)	(32)	(6%)	(17)	(100%)
Net profit	2,743	2,386	15%	2,385	15%
Cost: income ratio	29.6%	31.1%	1.5%	33.5%	3.9%
Net interest margin	2.83%	2.68%	0.15%	2.85%	(0.02%)
AED Bn	31-Mar 2019	31-Mar 2018	%	31-Dec 2018	%
Total assets	525.8	475.6	11%	500.3	5%
Loans	337.7	311.4	8%	327.9	3%
Deposits	359.4	331.9	8%	347.9	3%
AD ratio (%)	94.0%	93.8%	(0.2%)	94.3%	0.3%
NPL ratio (%)	5.9%	6.0%	0.1%	5.9%	0.0%

Net interest income

Highlights

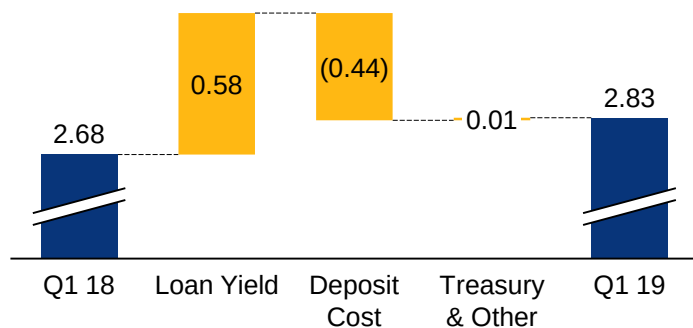
- Q1-19 NIM of 2.83% improved 15 bps y-o-y as rate rises flowed through to the loan book which more than offset a rise in funding costs
- Q1-19 NIM declined 2 bps q-o-q as higher wholesale funding and fixed deposit costs were largely offset by an improvement in loan yields and higher CASA balances
- Loan yields improved 58 bps y-o-y and 9 bps q-o-q helped by rate rises in 2018
- Deposit costs increased 44 bps y-o-y due to a change in CASA - Fixed Deposit mix
- 2019 NIM guidance of 2.75-2.85% is unchanged, despite the expectation of no further interest rate hikes this year

Net Interest Margin (%)

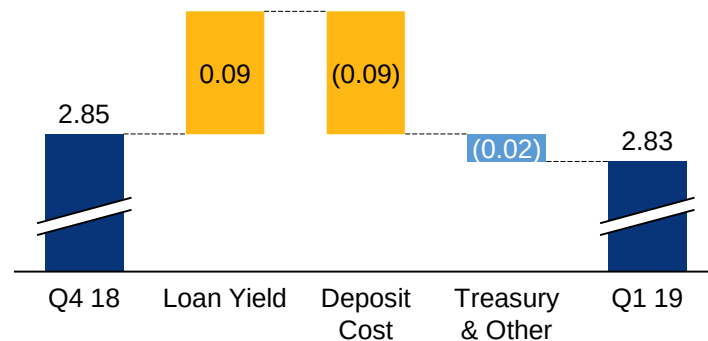


Net Interest Margin Drivers (%)

Q1-19 vs. Q1-18



Q1-19 vs. Q4-18

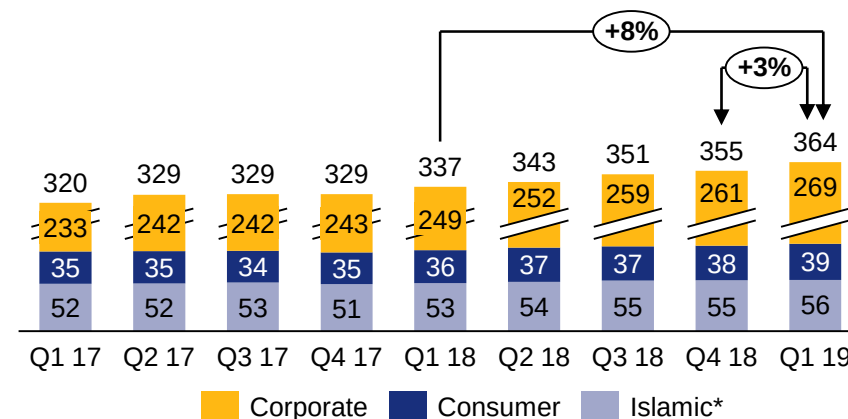


Loan and deposit trends

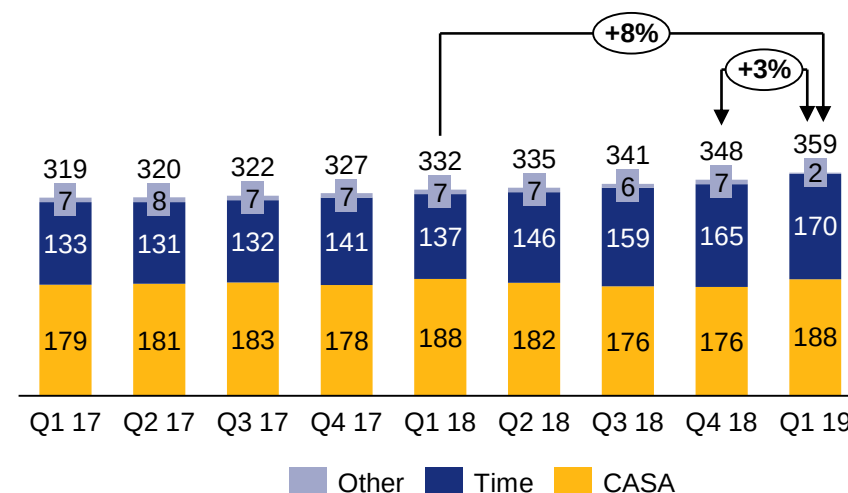
Highlights

- Gross loans grew 3% in Q1-19 with growth across all operating segments
- Consumer lending grew 3% in Q1-19 due to growth in personal loans and overdrafts
- Corporate lending grew 3% in Q1-19 due to growth in manufacturing, real estate and management companies
- Islamic financing grew 1% in Q1-19 due to growth in manufacturing, and FI sectors
- Deposits grew 3% in Q1-19 with CASA balances advancing by 7%
- CASA deposits represent 52% 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)

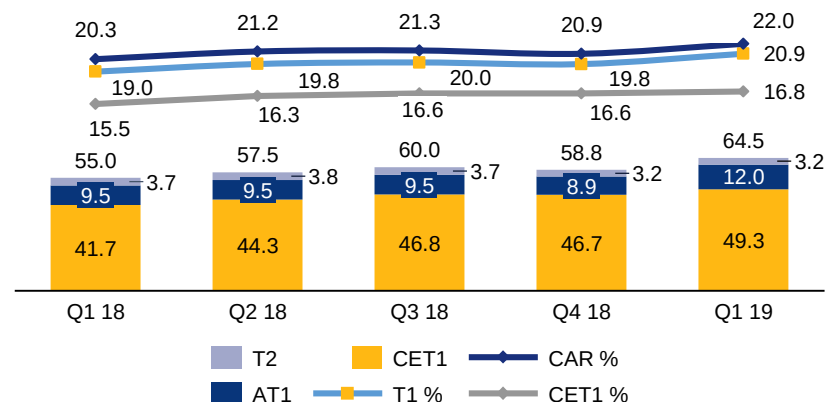


Capital adequacy

Highlights

- In Q1-19, CET 1 was higher at 16.8% as retained earnings more than offset an increase in RWAs
- Tier 1 ratio also increased to 20.9% due to issue in Mar-19 of USD 1 Bn of Basel III compliant Additional Tier 1 notes
- USD 1 Bn of non-Basel III compliant notes will be called in May-19
- Phase-in of UAE Basel III Capital framework now complete with 11% minimum CET-1 ratio, 12.5% minimum Tier 1 ratio and 14.5% minimum CAR ratio
- Minimum ratios include a 1.5% D-SIB buffer

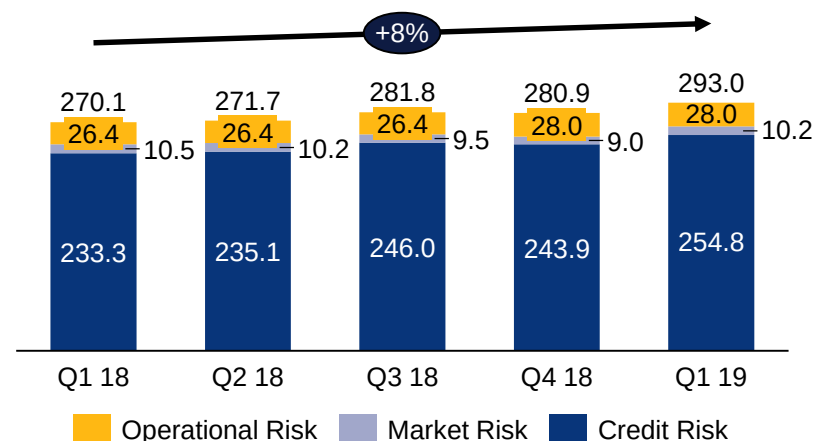
Capitalisation



Capital Movements table

AED Bn	CET1	Tier 1	Tier 2	Total
Capital as at 31-Dec-2018	46.7	55.6	3.2	58.8
Net profits generated	2.7	2.7	-	2.7
T1 Issuance	-	3.7	-	3.7
Repayment of Tier 2	-	-	(0.1)	(0.1)
Interest on T1 securities	(0.2)	(0.2)	-	(0.2)
Amortisation of T1	-	(0.5)	-	(0.5)
Other	0.03	-	0.1	0.1
Capital as at 31-Mar-2019	49.3	61.3	3.2	64.5

Risk Weighted Assets

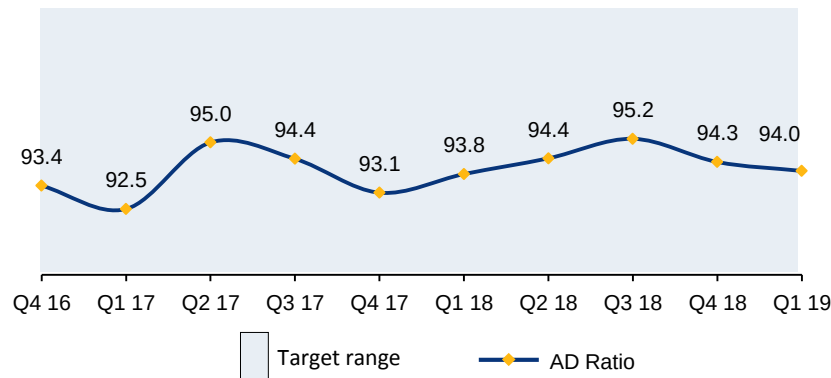


Funding and liquidity

Highlights

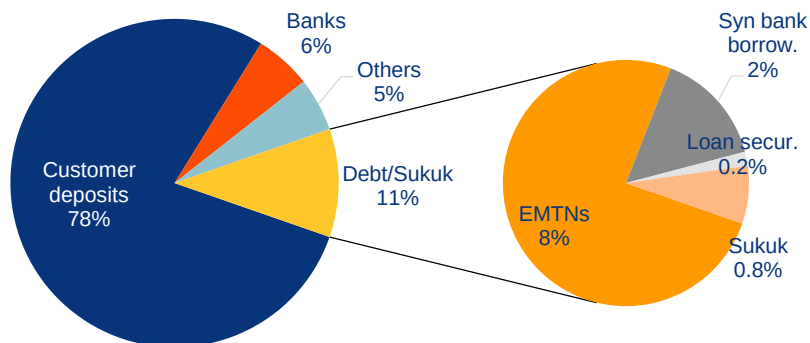
- Liquidity Coverage Ratio of 198.8% and AD ratio of 94% demonstrates healthy liquidity position
- Liquid assets* of AED 80.9 Bn as at Q1-19 (17.7% of total liabilities)
- In Q1-19, AED 4.7 Bn of term debt issued in 4 currencies with maturities out to 20 years, covering 67% of 2019 total maturities
- Debt/Sukuk now represent 11% of total liabilities

Advances to Deposit (AD) Ratio (%)



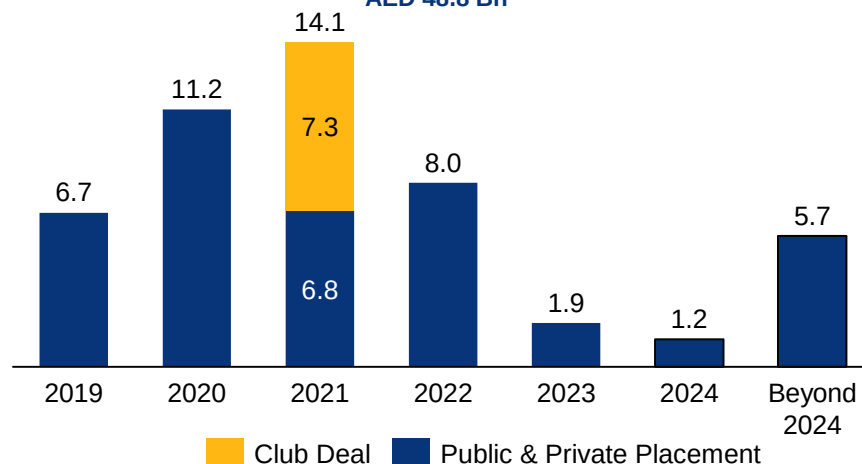
Composition of Liabilities/Debt Issued (%)

Liabilities (AED 457.7 Bn) Debt/Sukuk (AED 48.8 Bn)



Maturity Profile of Debt Issued (AED Bn)

Maturity Profile of Debt/ Sukuk Issued AED 48.8 Bn



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

Non-interest income

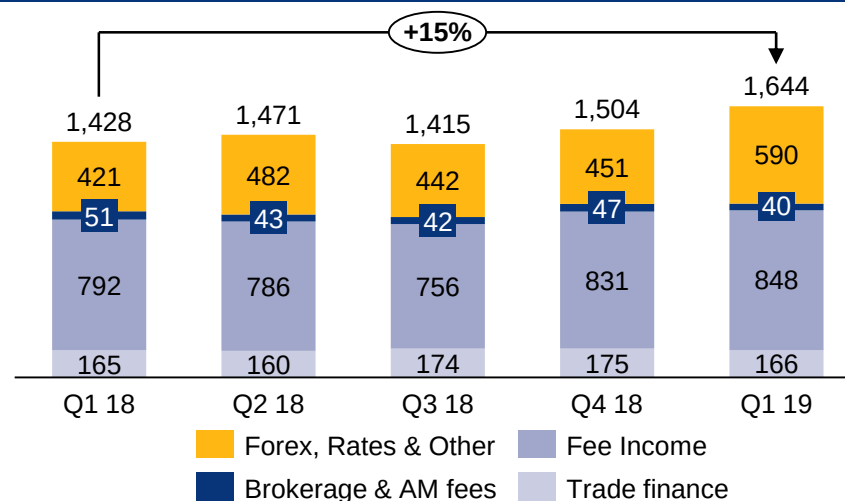
Highlights

- Core fee income increased by 15% y-o-y on the back of higher foreign exchange and derivative income generated by the Trading and ALM desks.
- Fee income also higher y-o-y and q-o-q due to increased volume of card transactions
- Property Income improved 11% y-o-y due to a smaller impairment on illiquid inventory
- Total non-interest income advanced 18% y-o-y on higher fee income and lower impairment on property inventory

Composition of Non Interest Income (AED Mn)

AED Mn	Q1-2019	Q1-2018	Better / (Worse)
Core gross fee income	1,644	1,428	15%
Fees & commission expense	(314)	(272)	(15%)
Core fee income	1,330	1,156	15%
Property income / (loss)	(80)	(90)	11%
Investment securities & other income	67	53	25%
Total Non Interest Income	1,317	1,119	18%

Trend in Core Gross Fee Income (AED Mn)

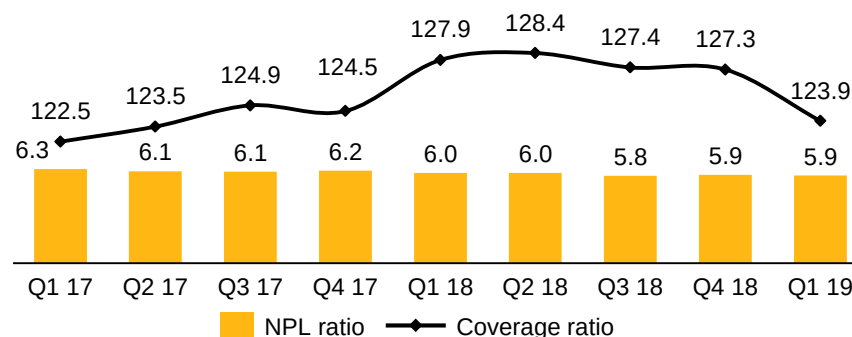


Credit quality

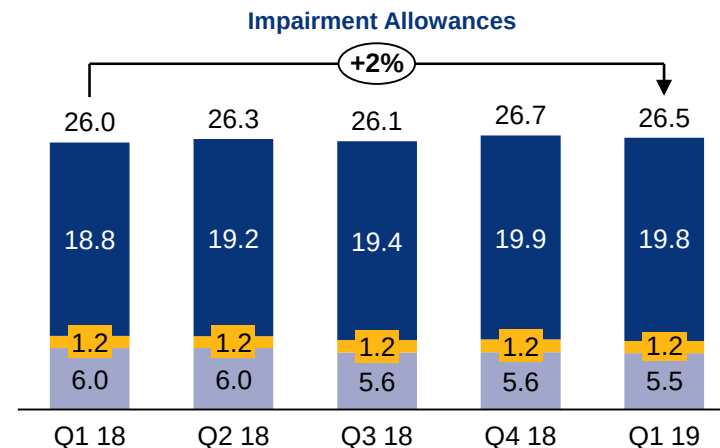
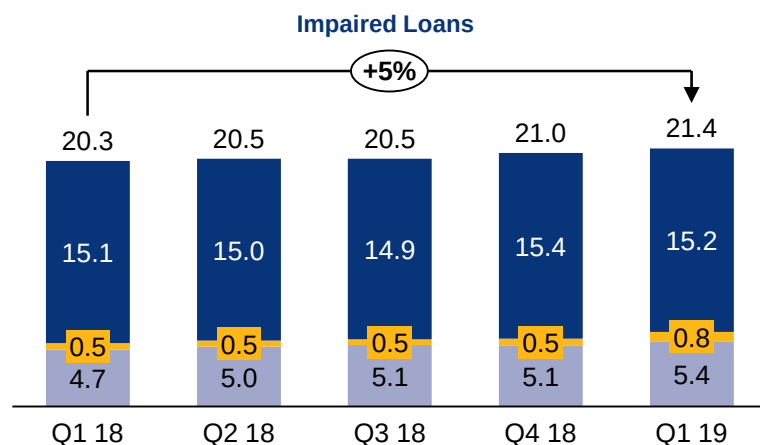
Highlights

- NPL ratio stable to 5.9% in Q1-19
- Q1-19 cost of risk increased to 66 bps from 63bp in 2018 on net impairment charge of AED 570 Mn
- AED 331 Mn of write backs & recoveries in Q1-19
- The coverage ratio declined to 123.9% mainly due to an increase in impaired Islamic financing receivables
- Stage 1 & 2 ECL allowances amount to AED 7.9 Bn or 3.1% of credit RWA

Impaired Loan & Coverage Ratios (%)



Impaired Loans and Impairment Allowances (AED Bn)



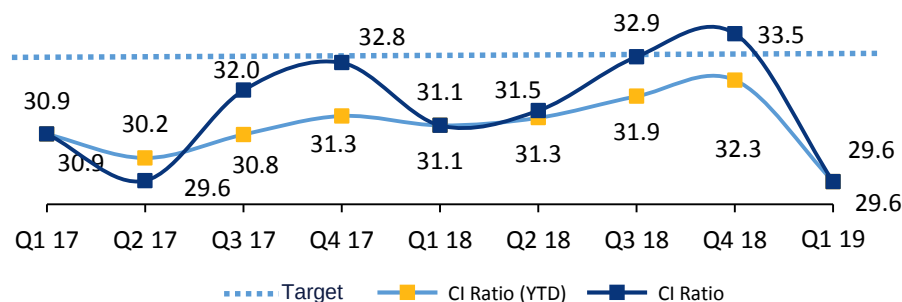
Core Corporate Retail Islamic

Operating costs and efficiency

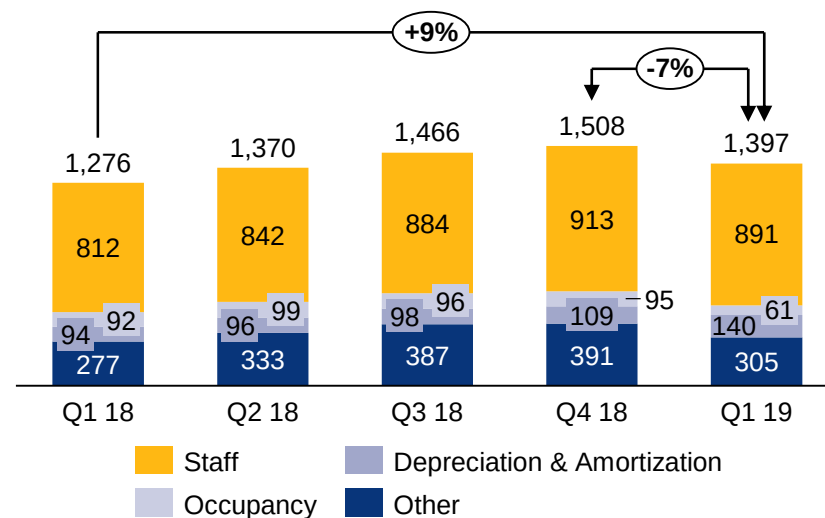
Highlights

- Q1-19 costs amounted to AED 1,397 Mn improved 7% q-o-q due to a reduction in staff costs, lower professional fees and marketing expenses
- Costs increased 9% y-o-y in Q1-19 due to investment in our digital transformation and technology refresh
- The cost to income ratio at 29.6%, remains within 2019 guidance of 33% and gives us headroom to invest selectively to support future growth

Cost to Income Ratio (%)



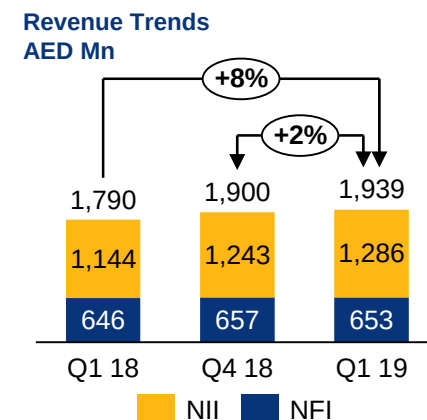
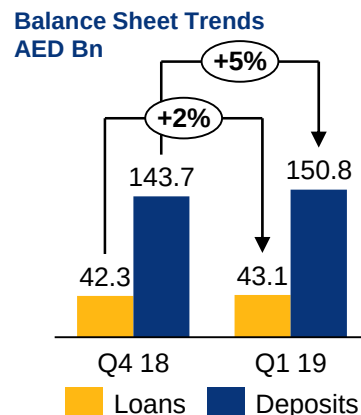
Cost Composition (AED Mn)



Divisional performance

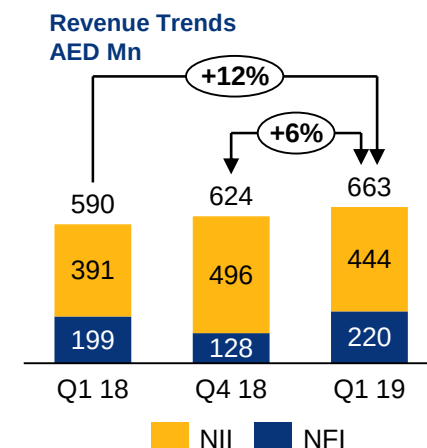
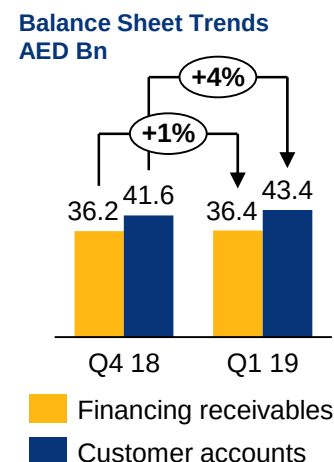
Retail Banking & Wealth Management

- Revenues increased 8% y-o-y in Q1-19 as interest income grew by 12% supported by growth in liabilities
- Loans rose by AED 0.8 Bn (2%) in Q1-19 supported by growth in personal loans and credit cards
- Card spend also increased, up 15% year-on-year
- The branch network was enhanced with the opening of the first teller-less branch and two new digitally enhanced branches in Dubai
- Liv. now has over 200,000 customers as new products were extended to the Liv offering



Emirates Islamic

- In Q1-19 EI delivered a net profit of AED 411 Mn, an increase of 97% compared to Q1-18
- Revenue increased 12% y-o-y driven by higher lending activity and higher core fee income
- EI's total assets stand at AED 60.6 Bn at the end of Q1-19
- Financing and Investing Receivables increased by 1% to AED 36.4 Bn during Q1-19
- Customer accounts increased by 4% to AED 43.4 Bn during Q1-19 and CASA balances represented 67% of total customer accounts

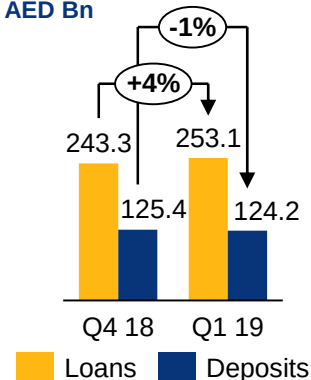


Divisional performance

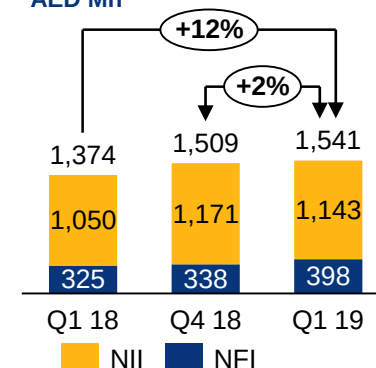
Wholesale Banking

- Wholesale Banking revenues increased 12% y-o-y, helped by a 9% improvement in interest income and a 23% advance in fee income
- Net interest income grew 9% y-o-y driven by growth in lending activity and an improvement in margins
- Fee income grew 23% y-o-y due to fees associated with higher lending volumes, continued growth in treasury sales and increased investment banking activity
- Loans grew 4% in Q1-19 due to growth in manufacturing, real estate and management companies. Deposits down by 1% compared to the previous year

Balance Sheet Trends
AED Bn



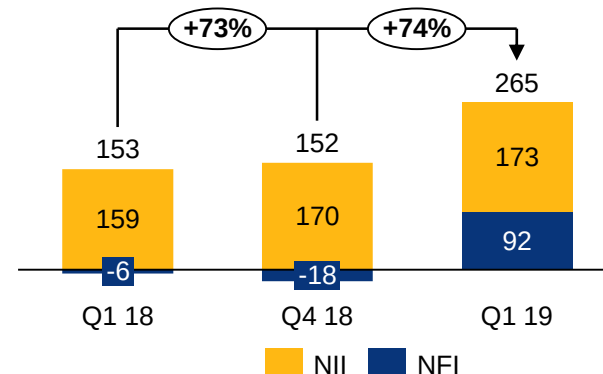
Revenue Trends
AED Mn



Global Markets & Treasury

- GM&T revenues increased 73% y-o-y
- Revenue growth helped by Balance Sheet positioning to take advantage of rate rises
- Trading desk revenue grew by 171% on increased activity from new issues, capitalizing on the volatility in the yields and healthy derivative client flow.
- Global Funding raised AED 4.7 Bn of term funding through private placements with maturities out to 20 years and issued a USD 1 Bn Basel-III compliant AT1 security

Revenue Trends
AED Mn





Get in touch.

INVESTOR RELATIONS



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