



# Emirates Islamic

## Investor Presentation



December 2017

# Important Information

## Disclaimer & Forward-Looking Statements

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# Emirates Islamic at a glance

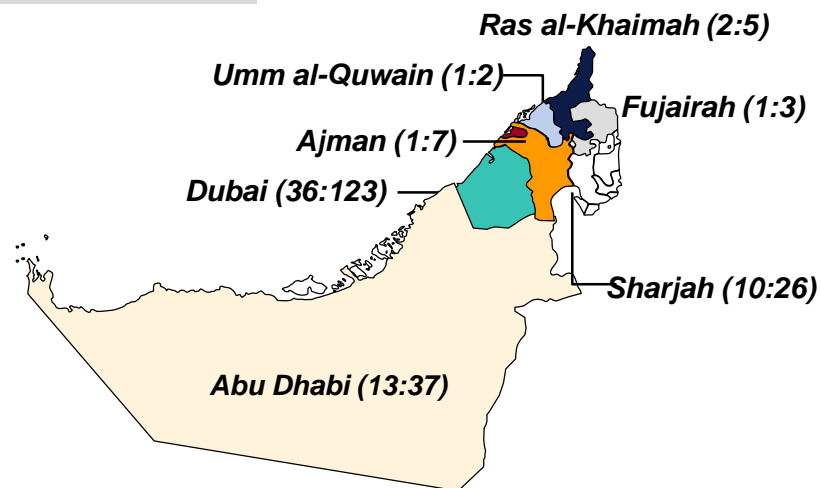
## Overview

- **Launched in 2004** with the vision of providing the highest standards of Islamic banking services in the UAE
- **3<sup>rd</sup> largest Islamic bank** in UAE and among top 10 banks in the UAE
- **6<sup>th</sup> largest branch network** with **64 branches, 3 pay offices and 203 ATM / CDM network** in addition to mobile and online presence focusing on local UAE market
- **Fully fledged financial services offerings** across retail banking, private and priority banking, wholesale banking, global markets and brokerage in a Sharia compliant manner
- **Shareholders pattern** - 99.9% owned by Emirates NBD
- **Alignment with Emirates NBD's global policies** enables EI to leverage on the Group's global best practices in a Sharia compliant manner
- EI is able to **leverage on ENBD Group's infrastructure** including technology and core system alignments, processing centers, access to ENBD Group's ATM / CDM wide network and state-of-the-art mobile banking technology

## Expanding branch network in the UAE

	Branches	ATM / CDM
Dubai	36	123
Abu Dhabi	13	37
Sharjah	10	26
Other Emirates	5	17
<b>Total</b>	<b>64</b>	<b>203</b>

(Branch : ATM / CDM)



As at July 2017 (Affirmed)

	Long Term	Short Term	Outlook
<b>Fitch Ratings</b>	A+	F1	Stable

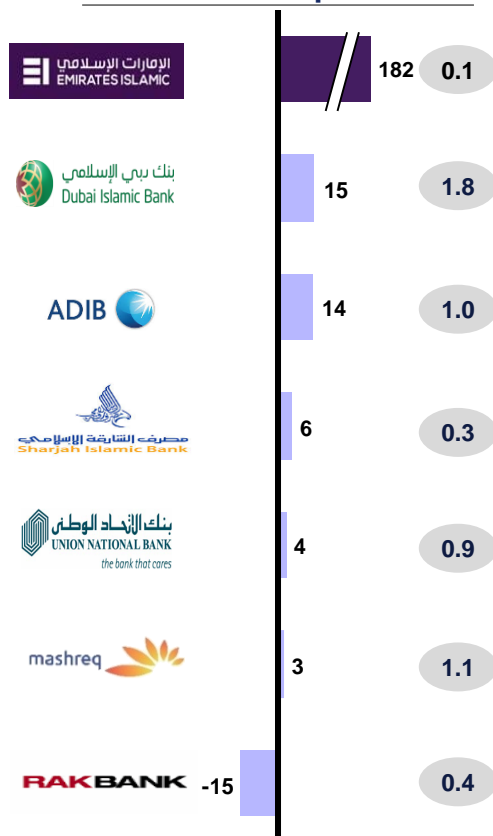
# Emirates Islamic is amongst the top banks in UAE by Net Profit, Financing and Customer Accounts in 2017

2016 - AED Bn

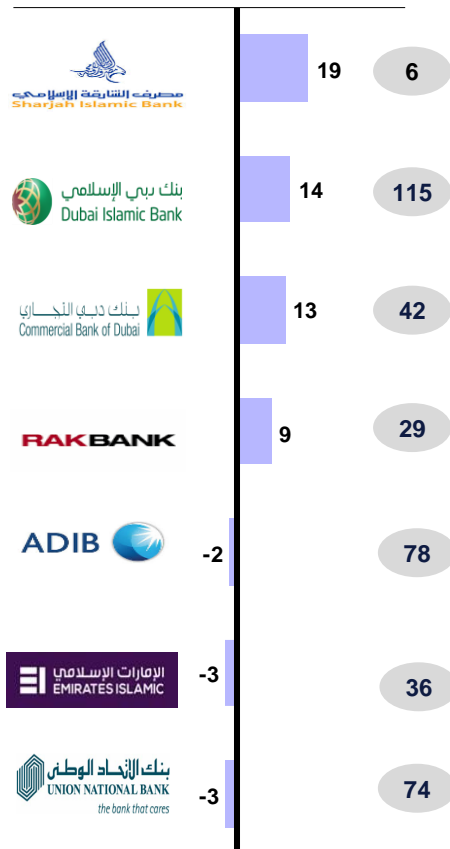
Emirates Islamic Profile

Financial & Operating Performance

## Net Profit Growth %, YTD Sep'17 vs YTD Sep'16



## Financing (Net) Growth %, Sep'17 over 2016



## Customer Accounts Growth %, Sep'17 over 2016



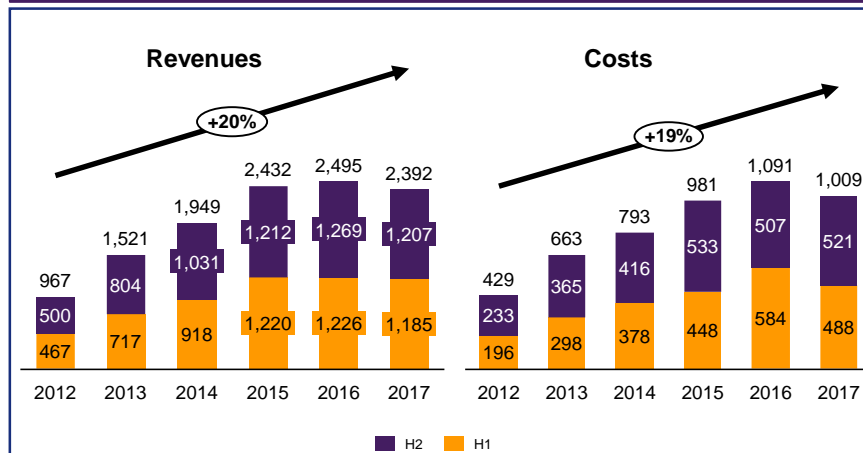
Source: Strategy

# Profit and Balance Sheet Growth in History

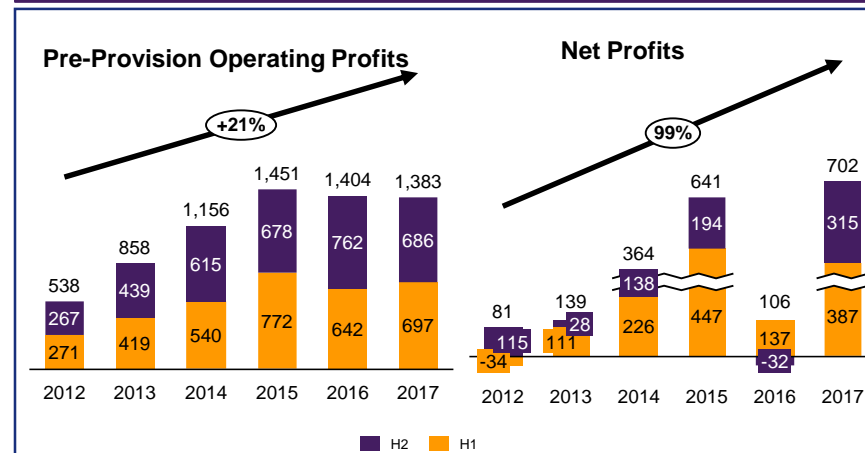
Emirates Islamic Profile

Financial & Operating Performance

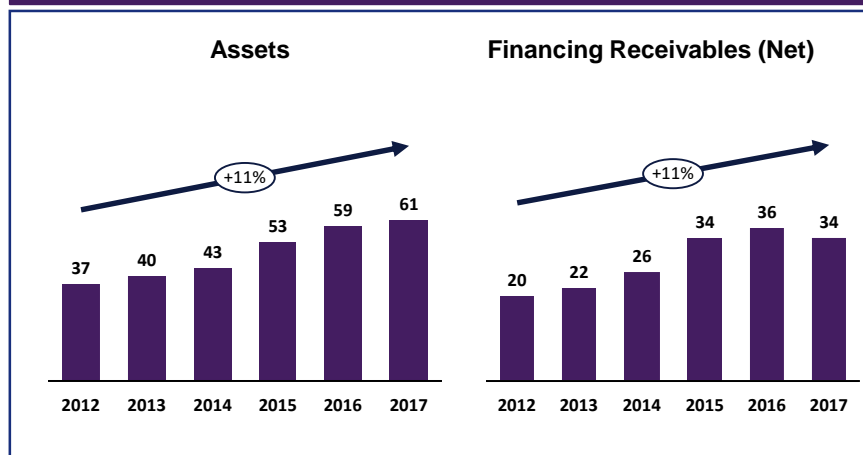
## Revenues and Costs (AED Mn)



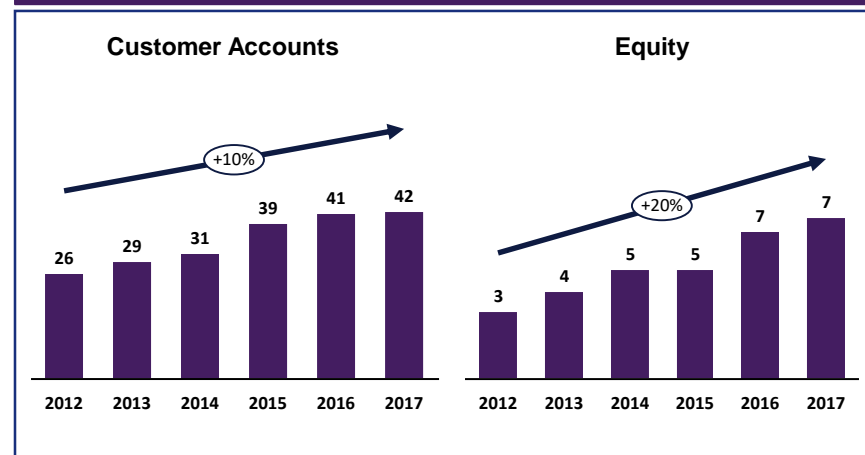
## Profits (AED Mn)



## Assets and Financing (AED Bn)



## Customer Accounts and Equity (AED Bn)



- Equity is Tangible Shareholder's Equity; All P&L numbers are YTD, all Balance Sheet numbers are at end of period
- Source: Financial Statements

# FY 2017 Financials Results Highlights

## Key Performance Indicators

AED in Million	FY 2017	FY 2016	Better / (Worse)
Net Funded Income	1,627	1,759	-8%
Non Funded Income	765	736	4%
<b>Total Income</b>	<b>2,392</b>	<b>2,495</b>	<b>-4%</b>
Operating Expenses	(1,009)	(1,091)	7%
<b>Pre-impairment Operating Profit</b>	<b>1,383</b>	<b>1,404</b>	<b>-2%</b>
Impairment Allowances	(681)	(1,298)	48%
<b>Net Profit for the Period</b>	<b>702</b>	<b>106</b>	<b>565%</b>
<b>Cost income ratio (%)</b>	<b>42.19</b>	<b>43.72</b>	<b>-</b>
<b>Net Funded Income Margin (%)</b>	<b>2.87%</b>	<b>3.20%</b>	<b>-</b>
AED Billion	31-Dec-17	31-Dec-16	%
Total Assets	61.9	59.2	4.5%
Financing & Investing Receivables, net	33.8	36.3	-6.9%
Customers' Accounts	41.8	41.1	1.7%
Headline Ratio (%)	81%	88%	-
NPF Ratio (%)	10.3%	9.1%	-

## Highlights

- Total Income at AED 2.4B decreased by 4% compared to last year.
- Net Funded income decreased by 8% compared to last year due to Margin contraction on new bookings, change in asset mix and exiting from RE exposures
- Non-Funded income increased by 4% compared to same period last year. However, gain on sale of property in previous year (AED 92 M) is partially set-off by gain on sale of investments and dividend receipt in current year (net AED 89 M). Remaining amount covered by higher non-funded income on account introduction of new fees and growth in FX income.
- Costs declined 7% compared to same period last year as a result of consistent focus on the cost control measures that were implemented during the year 2016.
- Net impairments declined by 48% on the back of enhanced collection drive and lower Cost of Risk.
- NPF ratio increased to 10.3% from 9.2% and coverage ratio decreased to 92% compared to Dec-16 mainly due to slow down in financing.
- Headline ratio improved to 81% from 88% compared to Dec-16 and is well within management range.
- Net Funded Income Margin declined to 2.87% due to margin compression on account of:-
  - Shift in financing to secured and low credit risk rated customers.
  - Run down of high yielding SME financing book

# Net Funded Income Margin (NFIM)

## Highlights

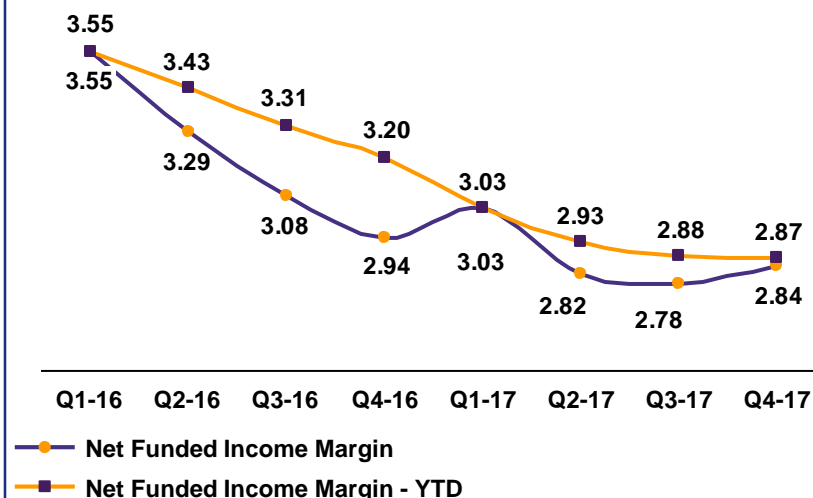
### Q4-17 vs Q3-17

- Increase in Net funded income margin by 6 bps q-o-q is mainly due to
  - Marginal increase in financing spread due to PIS write back accounted in Q4'17.
  - Decrease in Wakala deposits in Q4'17
  - Higher yield on central bank CD's.

### 2017 vs 2016

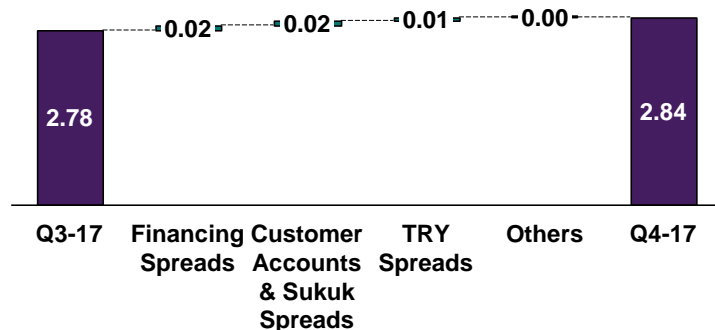
- Net Funded Income Margin (YTD) at 2.87% at the end 2017 declined by 33 bps over same period last year mainly due to:-
  - Financing yield decreased due to secured financing, financing to low credit risk rated customers and exiting from some of the high yielding Real Estate assets.

## Net Funded Income Margin (%)

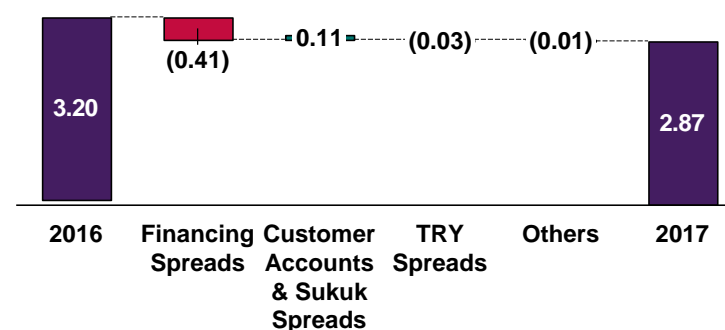


## Net Profit Margin Drivers (%)

### Q4-17 vs. Q3-17



### 2017 vs. 2016



# Non Funded Income

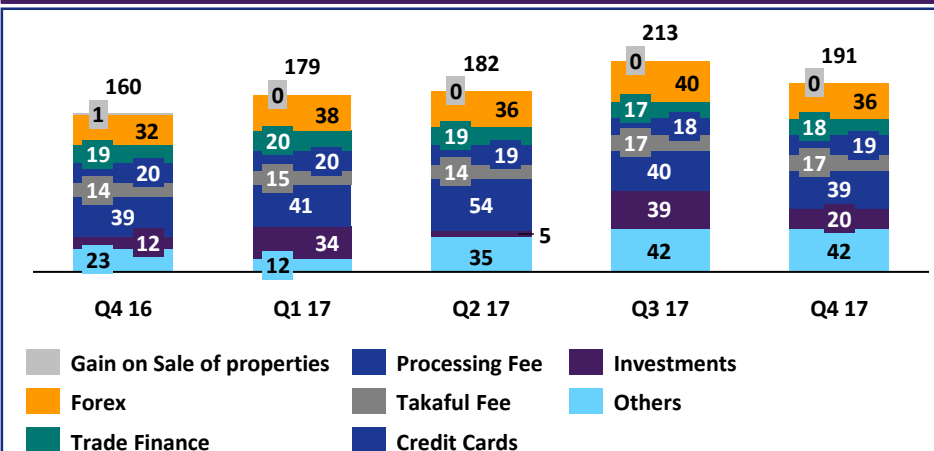
## Highlights

- Gross Fee Income increased by 14% y-o-y on account of continuous focus on Foreign Exchange, Commission Income and Credit Card related income during 2017.
- Property related income reduced by 83% y-o-y since 2016 had one off gain on sale of properties and also due to sale of properties in Q4'16
- Investment income increased by 271% y-o-y mainly due to profit on sale of investments and higher dividends received in 2017.

## Composition of Non Funded Income (AED Mn)

AED Mn	2017	2016	Better / (Worse)
Gross fee income	907	798	13.7%
Fees & commission expense	(266)	(234)	(13.5%)
<b>Core fee income</b>	<b>641</b>	<b>564</b>	<b>13.8%</b>
Property Related Income	25	146	(82.6%)
Investment securities & other income / (loss)	99	27	271.7%
<b>Total Non Funded Income</b>	<b>765</b>	<b>736</b>	<b>4.0%</b>

## Trend in Non Funded Income (AED Mn)



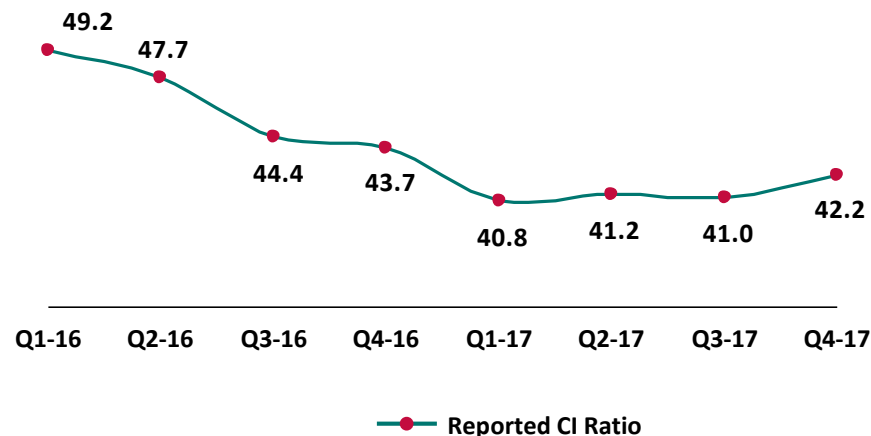


# Operating Costs and Efficiency

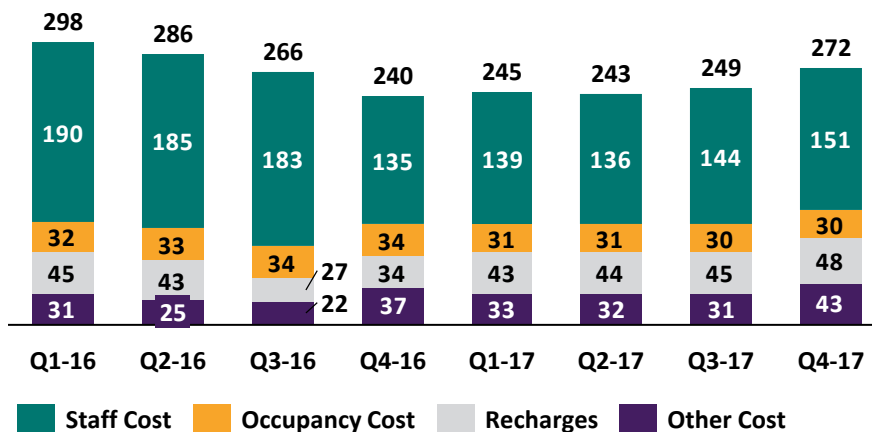
## Highlights

- Cost to Income ratio at 42.2% at the end of 2017 decreased substantially from 43.7% in 2016 as a result of continued focus on cost measures taken in 2016 despite drop in income by 4% compared to same period last year.
- Cost trends within guidance and continued to be tightly managed.

## Cost to Income Ratio (%)



## Cost Composition (AED Mn)

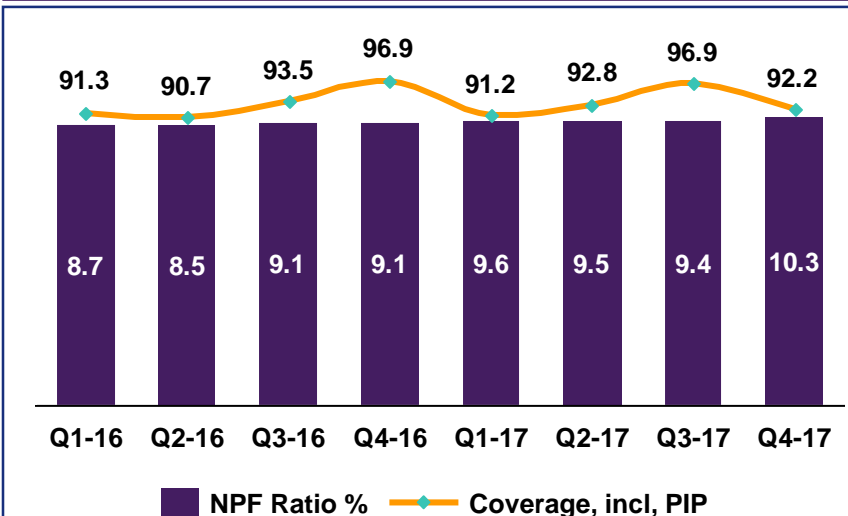


# Credit Quality

## Highlights

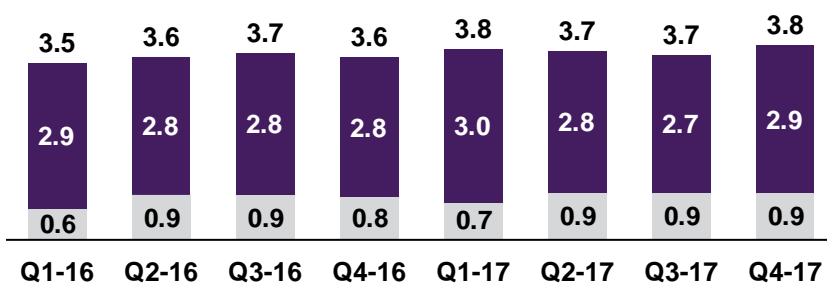
- Non Performing Financing (NPF) ratio increased from 9.1% to 10.3% y-o-y mainly due to drop in financing receivables.
- Total portfolio impairment (PIP) allowances represent 1.6% of CRWA at the end of 2017 (2016 – 2.06%).
- The impairment allowance of AED 3.5 B includes AED 2.9 B (82%) of specific impairment and AED 0.7 B (18%) of collective impairment

## Impaired Financing & Coverage Ratios (%)

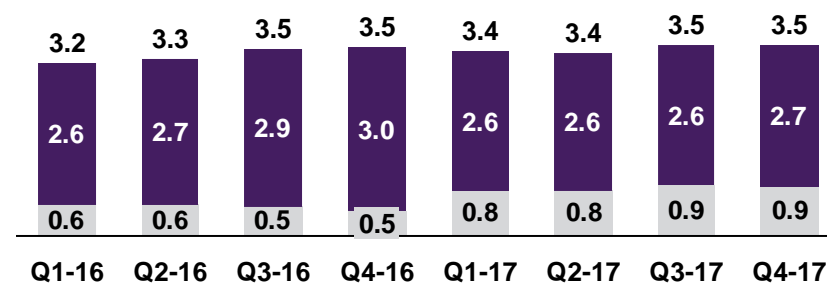


## Impaired Financing and Impairment Allowances (AED Bn)

### Impaired Financing



### Impairment Allowances



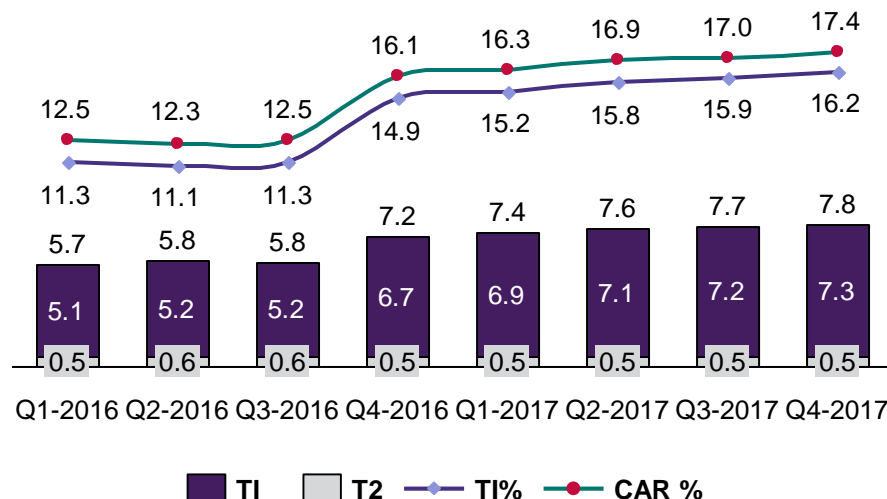
Corporate Retail

# Capital Adequacy

## Highlights

- CAR ratio as at the end of 2017 is at 17.4% improved from 16.1% at the end of 2016 mainly due to:-
  - AED 702 M of profit earned in 2017.
  - Decrease in financing receivables by AED 2 B in 2017 due to run-off of old portfolio and slow-down in growth in 2017.
- Offset By
  - Increase in Risk weight for residential real estate exposures from 75% to 100% as per central bank circular.
- Tier I ratio improved to 16.2% (2016 – 14.9%).
- Increase in RWAs during 2017 compared to end of 2016 is mainly due to:-
  - Increased Operational Risk on account higher average income during last 3 years

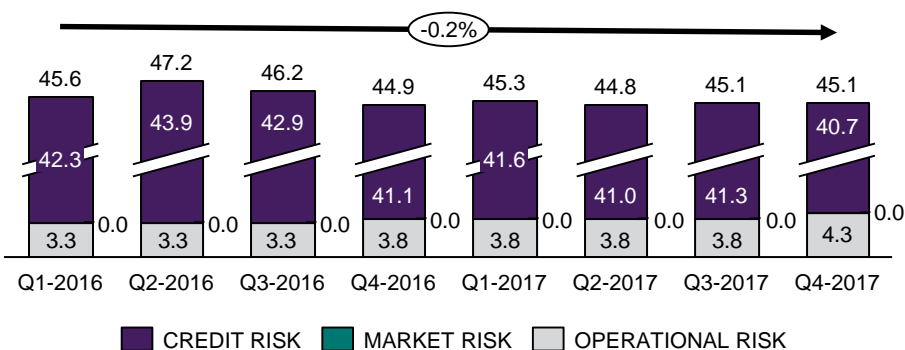
## Capitalisation (AED Bn)



## Capital Movements (as per Basel II)

	AED (Mn)		
	Tier-1	Tier-2	Total
Capital as at 31 December 2016	6,669	533	7,203
Net Profits generated	702	-	702
Directors' fee	(7)	-	(7)
Zakat for the year	(52)	-	(52)
Total comprehensive income for the period - Other Reserve	4	-	4
Cumulative changes in fair value - 45% cap	(3)	-	(3)
Reversal of cumulative reserve of 2016, now considered in Tier 1		(19)	(19)
Movement in eligible PIP	-	(4)	(4)
Capital as at 31st Dec 2017	7,313	509	7,823

## Risk Weighted Assets – Basel II (AED Bn)

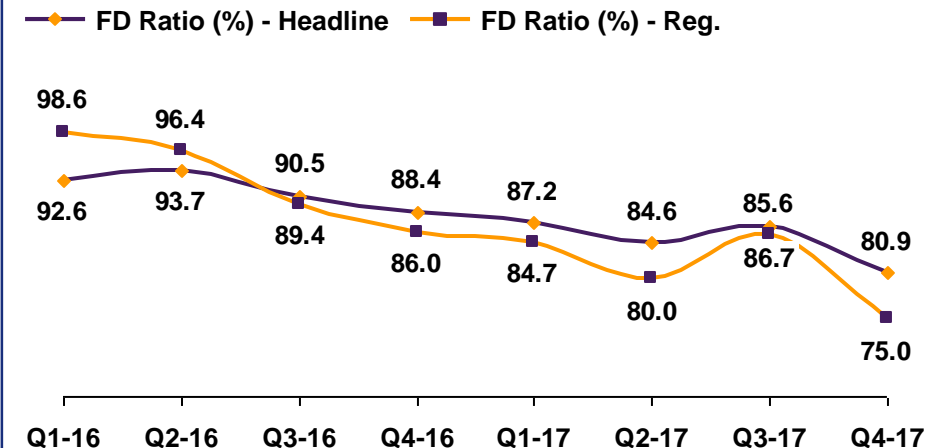


# Funding and Liquidity

## Highlights

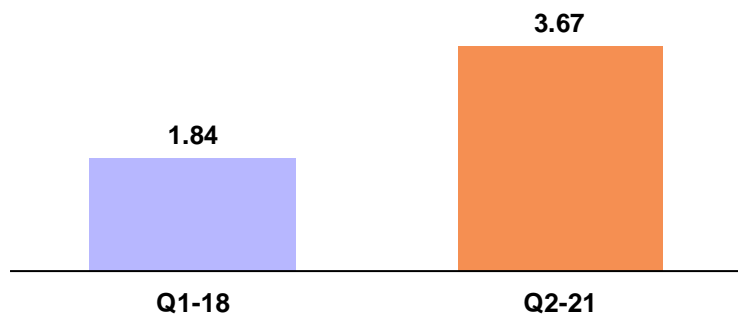
- Financing to deposits ratio at 80.9% and regulatory ratio at 75% at the end of 2017 is mainly attributable to decrease in financing growth during 2017
- The CASA to Customer Deposits ratio at the end of 2017 is at 67.7% (2016 – 66.7% increased as result of higher CASA balance).

## Headline Ratio (%)



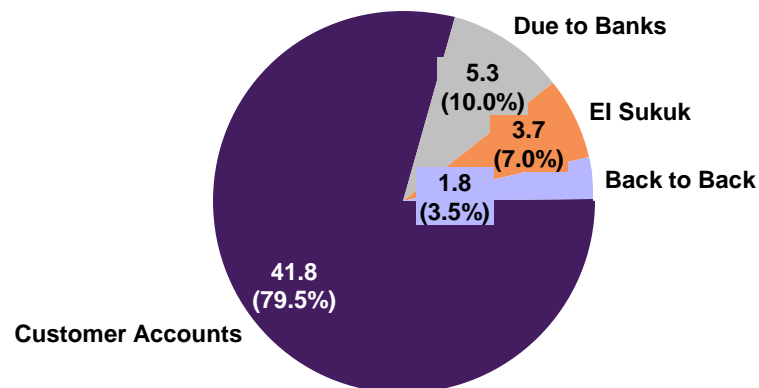
Source: UAE Central Bank

## Maturity Profile of Sukuk Issued (AED Bn)



## Composition of Liabilities / Sukuk Issued (%)

AED in Billions

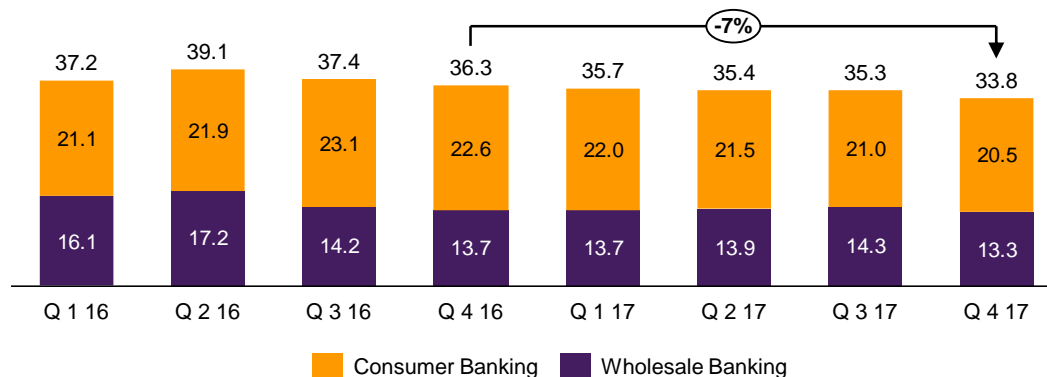


# Financing and Customer Accounts Trends

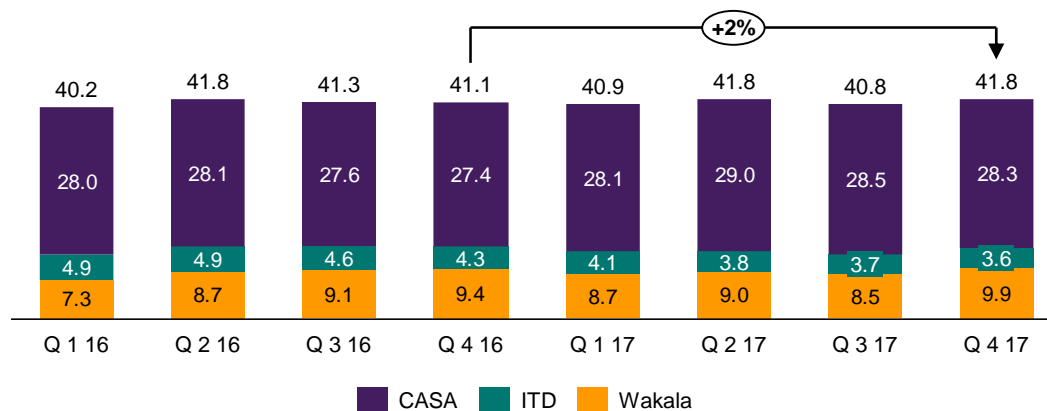
## Highlights

- Financing and Investing Receivables declined by 7% during the year on the back of run down and slow down in financing.
- Customer Accounts increased by 2% y-o-y mainly due to increase in CASA deposits

## Trend in “Net” Financing by Type (AED Bn)



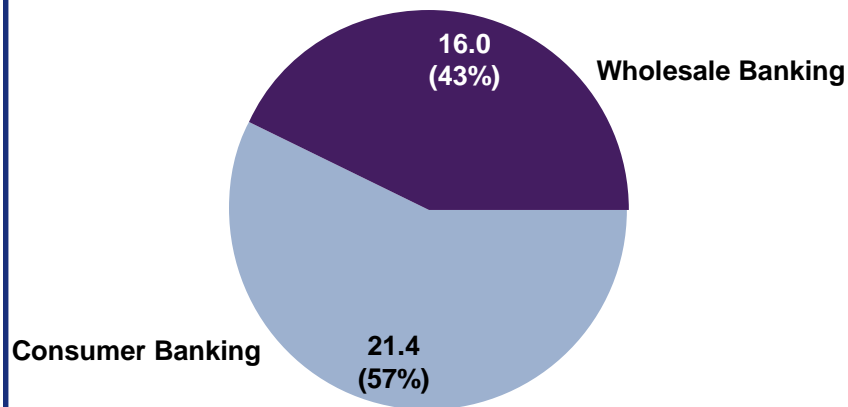
## Trend in Customer Accounts by Type (AED Bn)



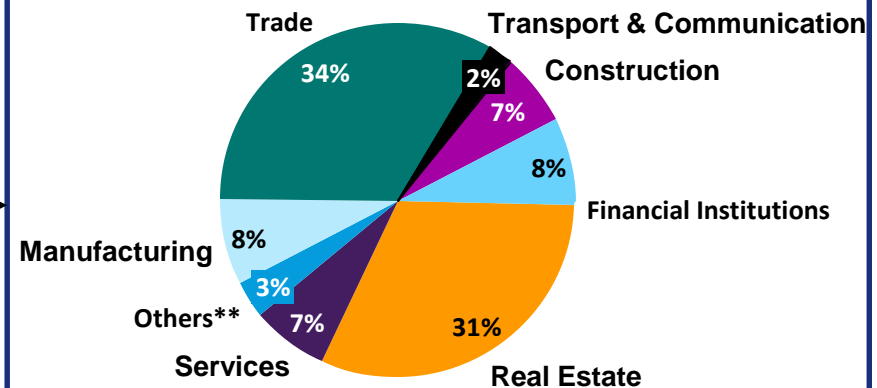
\* Financing is Net of Deferred Income and impairment provisions

# Financing Composition

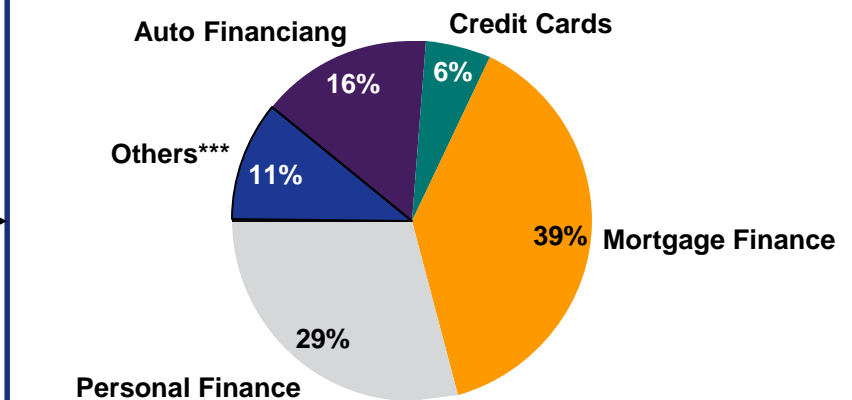
## Total "Gross" Financing\* (AED 37 Bn)



## Wholesale Banking Financing (AED 16 Bn)



## Consumer Financing (AED 21 Bn)



\* Gross Financing net off deferred portion

\*\* Others under Sector wise breakup includes Agriculture and Sovereign

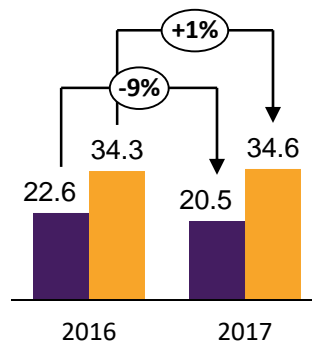
\*\*\*Others include SME products held by retail customers

# Divisional Performance

## Consumer Banking (CWM)

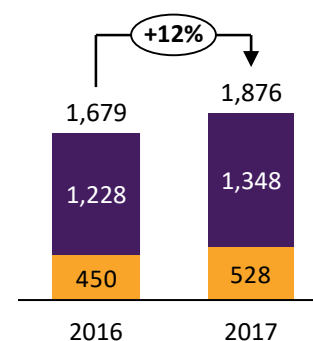
- Financing receivable (9%) declined & customer deposits 1% increased compared to end of 2016 mainly due to a containment in new business as a result of a tightening in underwriting standards.
- Total revenue increased by 12% compared same period last year mainly due to growth in deposits. Non Funded income grew by 17% mainly due to higher Forex and credit card income along with one off incomes booked in current year partially offset by drop in fees & commission income.
- Consumer Banking has improved its distribution capabilities as part of its channel optimization strategy and has 203 ATM & CDMs and 64 branches as at 31<sup>st</sup> December 2017.

### Balance Sheet Trends AED Bn



Financing Receivable Customer Deposits

### Revenue Trends AED Mn

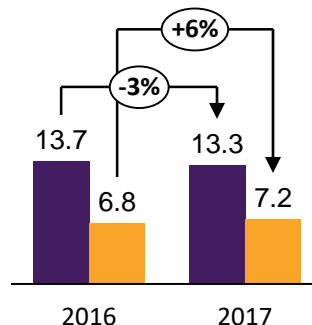


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## Wholesale Banking (WB)

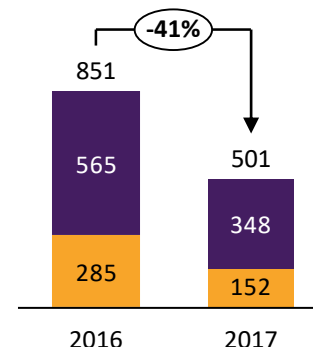
- Financing receivable decreased by 3% from end of 2016
- Customer Accounts grew by 6% from end of 2016 mainly due to focused approach to improve the liabilities mix led to a significant increase in CASA balances
- Total revenue decline 41% compared same period last year due to one off gain on sale of properties accounted in 2016 that also led to drop in non funded income. Funded income decreased due to drop in financing and exiting the high yielding Real estate assets.

### Balance Sheet Trends AED Bn



Financing Receivable Customer Deposits

### Revenue Trends AED Mn



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All Balance Sheet numbers are at end of period

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