

## EMIRATES NBD H1 2025 RESULTS ANALYSTS & INVESTOR CONFERENCE CALL & WEBCAST

24 July 2025

### CORPORATE PARTICIPANTS

**Shayne Nelson** – Emirates NBD – Group CEO

**Patrick Sullivan** – Emirates NBD – Group CFO

**Patrick Clerkin** – Emirates NBD – Head of Investor Relations

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#### Operator

Ladies and gentlemen, welcome to the Emirates NBD results call and webcast for the first half of 2025. Today's call is being recorded. Please note that this call is open to analysts and investors only. Any media personnel should now disconnect. I will now pass the call over to our host, Mr Shayne Nelson, group CEO of Emirates NBD.

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#### Shayne Nelson

Thank you, Dru, and welcome to our results call for the first half of 2025. Strong momentum across our footprint continued throughout the first half, enabling us to deliver another set of outstanding results. Our best hedge against falling interest rates is to drive loan growth and broaden our product offering. The success of this strategy is clearly evident as, one, we delivered 12% higher income in the first half, helped by a strong loan growth, a low-cost funding base, and an 18% jump in non-funded income from new products and services.

Profit before tax was slightly lower for the first half, and although we had a recovery credit, it was nearly AED 2 billion less than the credit for the same period last year. Lending grew by an excellent 8% in the first half, enabling an upward revision in the loan guidance. Nearly half of the increase in lending is sourced from our international network, with strong double-digit loan growth in KSA, Egypt, India, Singapore and London. Deposits increased by a further AED 70 billion in the first half, including AED 48 billion of low-cost CASA, maintaining a well-diversified and resilient funding platform.

I'm really pleased to see Emirates Islamic continuing its excellent performance, delivering nearly AED 2 billion in profit in the first half, as it registered an excellent 13% growth in customer financing. Emirates NBD continues to be the dominant retail bank in the UAE, with a 35% market

share of credit card spend in the first half. And this translates to over AED 100 billion being spent on our credit and debit cards in the first half, and we've continued to build on this strong market position with the launch of the SHARE credit card, co-branded with Majid Al-Futtaim, and it's our fastest ever card to reach the 10,000-issue mark.

Our suite of innovative product offerings continues to expand, with new structured products, gold financing, and fuel hedging recently added. We've also enhanced our product suite, driving growth in private banking, wealth management, escrow, corporate and investment banking.

The strength of our results and financial stability was recognised through our credit rating upgrade by Moody's in May, with our credit rating now at par with some of the leading global banks institutions.

As I mentioned last quarter, and it's clearly evident from the group's performances, we've not seen any direct impact from tariffs. Currently, the minimum tariff level applies across most of our footprint, and our regional presence also benefits from diversification through a mix of oil producing and oil importing countries. We have not observed any negative impact from the regional conflict. In fact, we had a significant inflow of liquidity during this period.

You may have seen our name as being linked with a number of potential acquisitions in both Egypt and India. There's not much more to add to what we've already said. Strategically, it makes sense for us to explore opportunities in our core markets. We will continue to maintain a disciplined approach. If there are any material developments, we will, of course, make a public disclosure, as per our regulatory obligation.

Our strong balance sheet, regional footprint, world-class IT infrastructure, and agile workforce ideally positions Emirates NBD to grasp future growth opportunities. I'll now hand you over to Patrick, to go through the results in more detail. Patrick.

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## Patrick Sullivan

Thanks, Shayne, and good afternoon to all of you. I'll briefly walk through the main highlights, so that we have plenty of time for questions. Just on slide three, first of all, it is worth noting some changes to our full-year guidance at the bottom row of bubbles. Loan growth guidance is revised higher to low double digit, given the continued strong growth throughout the first half. And with continued impaired credit recoveries and a healthy economic environment, we have improved our NPL guidance to less than 3% and lowered cost of risk guidance to 20 to 40 basis points.

On the performance summary, on page four, despite interest rates being 100 basis points lower than this time last year, strong loan growth across our regional footprint has helped drive interest income up 10%, and product innovation boosted non-funded income, delivering a very strong 18% growth year-on-year. And with that, you can see the operating profit at 16.7 billion is 9% higher. Profit before tax at 15.4 billion is slightly down, after 2 billion lower impairment recoveries this half, relative to very strong recoveries last year. Bottom line, profit is 9% lower, at 12.5 billion for the first half, which includes the higher 15% tax rate, compared to 9% last year. We also have a positive story for the second quarter's performance, with profits rising 1% over Q1, as higher income and cost efficiencies helped absorb a higher cost of risk.

Now, to drill down into the components in a bit more detail, turning to net interest margins on slide five. The bottom left chart shows that margins tightened by 12 basis points year-on-year, as higher margins at DenizBank partially offset the impact of last year's rate cuts on Emirates NBD's loan book. The margin in Q2 of 3.36% is 22 basis points lower than Q1, due to the flow through of last year's 100 basis points cut, coupled with lower margins in DenizBank due to the higher funding costs following April's 350 basis point rate hike.

Real interest rates in Türkiye are currently 11%, and the market is anticipating rate cuts in H2, which will benefit DenizBank's margins as funding costs fall. The NIM of 3.47% is now within guidance, and we continue to expect the margin to finish 2025 in the 3.3 to 3.5% guidance range. Pending the Fed meeting next week, we assume for guidance purposes, three US rate cuts this year, with rate cuts later in the year having less of an impact on margins for this year. We also expect a recovery of DenizBank's margins from Q2's 5.6% to average around 6% for the full year. We have split out the ENBD and DenizBank margins in the appendix.

Moving to slide six and non-funded income. The healthy trends in fee and commission income continues, up AED 1.1 billion, or 18% in the first half of 2025, with a very strong trend across almost all products, such as credit cards, trade finance, wealth management, and investment banking. Other operating income is up 13% year-on-year. And the bottom right chart shows a good quarterly trend, with core client and trading income consistently in excess of AED 1 billion

each quarter. This year, especially in Q1, we had good boost from the very successful expansion of the global markets product offering to local and international clients. For H1, we also had a strong 74% upswing on trading securities, mainly from regional bond valuations in Q2, some of which are held against client total return swaps that have an offsetting negative valuation booked in the other operating income line, which accounts for much of the drop from Q1 per the bottom right chart.

On slide seven, we see that gross lending increased 8% during the first half. Momentum has continued from earlier quarters, with retail and corporate both growing by 13%, helping absorb a further 13 billion of sovereign repayments so far this year. A really pleasing point to note is that nearly half of the 41 billion increase in lending has come from the international network, with loans in KSA, Egypt, London, Singapore and India all growing by double digits in the first half. We're very happy with the diversification that our investment in the regional footprint gives us. And we do see that as a strong competitive advantage.

Over the last three years loan growth was, on average, 3% lower in the second half relative to the first half, and we continue to see Government of Dubai repayments. Despite this pattern, given the 8% growth in the first half, we have revised up our loan growth guidance for the full year to low double digit. If it weren't for the government repayments, our guidance would be high teens for gross loan growth.

On the liability side, another exceptionally positive point to note is that 48 billion of the 70 billion increase in deposits in the first half was low cost CASA, a real strength of the group. This maintains the Group's CASA ratio at an extremely healthy 60%, which helps absorb the impact of lower interest rates, as we can be selective in sourcing and pricing for fixed deposits.

On slide eight, we see that the NPL ratio improved by 0.5% to 2.8% during the first half on further recoveries, aided by the continued buoyant property market. Coverage is extremely strong at 155%, with Stage 3 coverage rising to 91%. Stage 2 coverage declined due to a mix of repayments, model review, and movements to Stage 3. In H1, we had a 0.3 billion impairment credit, which equates to an 11 basis point cost of risk credit. Within that, ENBD's cost of risk credit was 57 basis points from significant recoveries on the back of the continued strong property market in Dubai. DenizBank had a 232 basis point charge for the first half, due to the effect of high interest rates on the retail and SME books.

We have lowered full year cost of risk guidance by 20 basis points to 20 to 40 basis points charge. We expect DenizBank to be closer to 250 basis points for the full year, with the prolonged higher interest rates, as for ENBD, more recoveries may or may not happen. These are never

certain until we receive the cash, but if we do crystallise more of these, we could land at the lower end of guidance, or perhaps slightly better.

On slide nine, we see the cost income ratio at 30.3% for H1 is comfortably within long-term guidance. The spend is delivering strong business growth, as digital and international investment continues. The cost to income ratio improved again in Q2 to 29.8%, as we maintain a strict discipline on spending, given the prospect of further interest rate cuts. I continue to expect the cost income ratio to finish around 31%.

Slide ten shows that the Group maintains very strong liquidity, with an AD ratio of 74% and an LCR of 185%. ENBD had 12 billion of term debt maturing in 2025, and we have already issued over 11 billion in debt and sukuk. DenizBank successfully upsized its June loan syndication to \$1.1 billion and extended duration, with 44% demand allocated to two and three year tranches. We remain extremely liquid, and as Shayne mentioned, continue to see further liquidity inflow throughout last quarter.

Slide 11 shows the common equity tier 1 ratio remains very strong at 14.7%. Retained earnings have absorbed the 12% increase in risk weighted assets in H1, which have come from strong retail and corporate loan growth across our network.

Slide 12 contains divisional highlights, just to mention a few of these. Retail momentum continues, with 39 billion in new lending, growing the loan book by 13%, and a record 31 billion CASA added in H1. With 35% market share of the UAE credit card spend, over 100 billion was spent through our debit and credit cards in the first half. C&IB also had a successful first half, raising CASA predominantly from escrow, thanks to their best-in-class digital escrow solutions. And global markets turned in a very strong 1.1 billion profit, despite interest rate cuts last year.

Before we open the floor for questions, I would like to wish Paddy well in retirement and thank him for his 18 years with the bank and heading up investor relations. And a welcome to Karan Goyal, as our new Head of Investor Relations.

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## QUESTIONS AND ANSWERS

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### Operator

Our first question today comes from Jon Peace with UBS.

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### Jon Peace – UBS

Hi. Thank you. Well done on the results. And best of luck, Paddy, in your retirement. First question, please, is on loan growth. How do you see that going into 2026? Do you think that the sovereign repayments might slow enough that we see more of that underlying momentum, so that you can sustain double digits into next year?

And the second question, please, is on the NIM. Where do you see the exit NIM at the end of this year? And how should we think about 2026? Presumably, you've got the further impact of rate cuts in the UAE coming through, but also maybe some positive momentum still in Türkiye. Thank you.

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### Patrick Sullivan

Thanks, Jon. Thanks for joining. Just on the loans and advances question, and you're looking into 2026. You're right, the underlying momentum is very strong with the businesses. Last year, both businesses were around the 23 to 25% growth rates and we're at 13% for both of them for this year so far. We haven't seen anything, just at this point that would indicate momentum would slow. When we do the guidance at the start of the year, you are looking out at that point for the whole year ahead. We do have that strong pace of government repayments. We don't expect those necessarily to slow down. I think if you look back at the quarterly numbers for the last two years, we're receiving around the 5 or 6 billion per quarter and we don't have any formal guidance on that. But we will actually more formally update our guidance when we come back in January. But at this point, we're just not seeing a slowdown in the momentum.

On the margin side of things, where are we going to finish the year? We're very comfortable with the guidance that we've had out since the start of the year, at 3.3 to 3.5%. I think each quarter, I've reiterated that we expect the ENBD ex Deniz margins to close somewhere between 290 to 300 basis points. You can see we have actually broken that out for Q2 there at 297, so they're in that range. Obviously, with further rate cuts coming through into next year, you can see from our historical trend of what that margin might look like.

The big variable, obviously, is DenizBank and Turkish monetary policy. I think there's a meeting going on right now, in fact, and we'll find out whether there is a cut or not. But the margins there did drop down to 5.6% for Q2. We indicated during the Q1 results that is what we would have expected, given the 350 basis point rate hike, so that has come through. But given that real interest rates at 11%, inflation is down to 35% from the peak of 72% this time last year, there's no reason why the rates shouldn't continue to cut throughout the second half. It's a matter of timing, and that's also why the margin guidance is 20 basis points wide, because quarter-to-quarter in the past, we've found we've been at the top and bottom of that, usually all because of DenizBank's margins.

But we only need to make 6% for the full year for us to achieve that guidance range. We think we're tracking pretty well for that. We're pretty transparent that our margins are strong in the market. I think we have the highest margins of any conventional bank in the UAE. There may be some smaller exceptions, but also we give the guidance of what that rate sensitivity is. As the rates went up, we didn't leave any shareholder value on the table. We optimised that both at the top and bottom line, and it's coming down, and we're very clear about the profile of that.

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#### **Operator**

Our next question goes to Shabbir Malik of EFG Hermes.

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#### **Shabbir Malik – EFG Hermes**

Thank you very much. Congratulations on the results. Wish you all the best, Paddy. I have a couple of questions, please. First, on fee and other income. Is there anything lumpy in your non-interest income? Anything very concentrated that you think probably is going to normalise in the coming quarters? That's my first question.

My second question is around your M&A strategy. You may have answered this previously, but I just want to understand, would you be open to owning a minority stake in an international bank? I think in the past, you've said that your priority is a majority stake, but is that something that you'll be open to?

And you've also outlined India as a key market. I just want to understand, how friendly is the Indian regulator towards a foreign investor, especially one that would like to buy a majority stake in a domestic bank? Those three questions, please. Thank you.

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## Patrick Sullivan

Hi, Shabbir. Welcome to the call. Thanks for the questions. I'll take that first one on the fees, and then maybe hand over to Shayne for the M&A one. The very short answer, and shortest answer to your question, is there anything lumpy in there? No. You can see in slide six of the deck, we just have a very good quarter-to-quarter trend. DenizBank is a strong presence within our fee and commission income, particularly on cards, and what have you, in there. We haven't seen any slowdown in any particular country or product. It's across a wide range of our products when it comes to fees and commissions. There's no one type of product that's really dominating that. We're very happy with that.

And even on the other operating income side of things, we're not a prop bank. Our income is all derived from our customer relationships and we've got a very healthy trend, even in the FX and derivatives line. And that's why we've presented the other operating income line in that way, to show that consistency. In fact, that's just in this year alone, that started to grow more legs and get more momentum. We're very happy with that growth as well. Shayne.

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## Shayne Nelson

On the M&A strategy. Just to go back, one thing, I'd say just on the fee side and other income, is that this is exactly what Patrick said about lumpy. We're definitely not lumpy, and our view is that that income is sustainable and repeatable, that it's largely coming from client flows. And our prop trading is, frankly, a bit small, smaller than we want. But I think where we are is that sustainable client flow revenue that's coming through those lines.

On M&A strategy, I think minority stakes, in theory, in some markets, you could have a definition of control with a minority stake if you had a management and technical services agreement, but it's certainly not our preference. Our preference is always to have more than 50%. And that's how we've always been looking at acquisitions. We prefer 100, to be honest, rather than a minority. I think from my board's perspective, I need to demonstrate management control, board control, and shareholder voting control. I think that's really how that ends up there.

On India, I really can't comment about regulators and their views on foreign banks. But as you know, India is a market that is very interesting for us, and we see it as a growth market that will both grow either organically or inorganically, or a combination of both. It's a market that we have lots of trade and capital flows, excellent cultural crossflows between the two countries. I think it's one of our prime targets, both for organic and inorganic, but I could make the same comment



about Egypt. Egypt is another market that we think that we're too small, and we'd like to get a lot larger.

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**Shabbir Malik – EFG Hermes**

Got it. Just on fee income, would it be possible to get a more granular breakdown on fee income in terms of cards and other items?

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**Patrick Sullivan**

We're quite comfortable with the level of disclosure that we have at the moment. Because it's so broad based, so you're not going to see one product in there, it'll get too itsy bitsy, because it's so broad based.

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**Operator**

Our next question goes to Olga Veselova of Bank of America.

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**Olga Veselova – Bank of America**

Thank you. Good day. And thank you for taking my questions. My first question is about net interest margin outside of Türkiye. I would like to ask about drivers for this non-Turkish margin in the second quarter. How much of this was driven by Saudi, and what was the dynamics of margin excluding Saudi quarter-over-quarter? That's my first question.

And my second question is, your outlook on cost of risk in Türkiye beyond this year? I'm hearing you're saying this year could be 200, 250 basis points. What would be normalised level for Türkiye in the next couple of years? And if you can disclose, what is your Stage 2 and Stage 3 coverage in Türkiye alone right now? Thank you.

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**Patrick Sullivan**

Thanks for joining, Olga. Thanks for those questions. Just on the margins outside of Türkiye, and you referenced KSA. Total assets that we have outside of the UAE and Türkiye, are around 12%, and half of that is in KSA. But then when it comes to margins, I think during the last call, we had some discussion about the margins there being reasonably close to the industry average. We're not the best, we're not the worst. In fact, we actually have some of the stronger asset yields in KSA, partly because of our product mix, but also because of the sectors that we're in, particularly in the

private sector. And being able to price for risk, obviously, as a smaller financial institution in Saudi Arabia, our cost of funding is higher.

Interest rates and margins in KSA have been coming down, as they have here, with SAIBOR rates coming down post Fed rate cuts. It's also pegged currency. But I'm still satisfied with those margins. But did that have a large impact on the overall margins of the group? I think the answer is no, because you can actually see our ex DenizBank margins, we were at 313 basis points in Q1, down to 297. The larger part of that would be coming from the UAE, simply as a mathematical basis, given it's 6% of the assets versus the rest of the bank. Those margins aren't really materially enhancing or depleting the overall ex Deniz margins. And hopefully the margin guidance we've given is pretty consistent as well.

And then just on the Deniz cost of risk. 250 basis points, remember, post-acquisition with DenizBank, we were some quarters 350, I think we got to 420, 430 basis points one quarter post-acquisition. I think in the last five years, they had a rolling five-year average up to the end of 2023 of about 270 basis points. Last year, they then had very strong recoveries. In five years, we've gone from one end of the cycle to the other. Even if it was somewhere around the 200 basis points mark, I think we would be comfortable with that, recognising that economy.

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**Shayne Nelson**

And I think she also asked on Stage 3 coverage.

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**Patrick Sullivan**

For Deniz?

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**Shayne Nelson**

Off the top of my head, Stage 3 is 71?

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**Patrick Sullivan**

65, Shayne, for Stage 3.

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**Olga Veselova – Bank of America**

Thank you for this. Can I just double check on your first answer? Thank you for comments on Saudi margins, that's helpful. If this was not a meaningful factor in the second quarter, what was pressuring your ex Deniz margin quarter-over-quarter? 16 basis points is a visible compression

versus local peers, and policy rate cuts have already probably materialised in first quarter. What were the main factors in the second quarter, excluding DenizBank? Thank you.

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**Patrick Sullivan**

Excluding Deniz. That's the flowthrough of the 100 basis points coming through. It does take time to fully price through. I think actually, the majority, when you look at our table, the ex-Deniz part in the page five chart, it's a net of 49 basis points. When we showed that at Q1, it was 42. The year to date, most of that had come through in Q1. And then Q2 is repricing. Corporates typically reprice in a three-month period from the start of those, it takes three to six months for that to fully come through, so there's nothing unusual. Yes, there's some overall margin pressure, as there has been for the last two to three years from competition. It's a very liquid market. We do resist the temptation and like to price for risk, but inevitably, you get some parts of the overall margins coming down through competition, and not just from the base rates. That's nothing new.

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**Shayne Nelson**

You're seeing when you're doing the analysis of all the banks, everyone's super liquid looking for loan growth to offset rate cuts. That does translate into lower spreads, especially in the large corporate space in the UAE.

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**Operator**

Our next question comes from Aybek Islamov from HSBC.

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**Aybek Islamov – HSBC**

Thank you for the conference call. And thank you for taking my questions. I'd like to ask about the asset quality. I can see a jump in the write-off ratio in the second quarter. Can you comment whether it's domestic or international loan portfolio where you book the write-off in Q2? That's my first question.

Second question is your international business, obviously, you opened the subsidiary in India. Can you tell us how much capital you're planning to commit into the subsidiary, in the context of your surplus capital position? And if you decide to grow through a subsidiary level organically during the first stages, can you tell us what is the quickest way to ramp up your funding in India? Can you, for example, raise wholesale funding in local foreign currency? It will be interesting to hear that.

And the third question is investment properties. I was looking through the footnotes, and I can see there is a loss on investment properties, I think AED 41 million in the first half. What has triggered that? Thank you.

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**Patrick Sullivan**

I'll start at the top. I was going to start backwards, but I'll start at the top. Just on the asset quality, they're not write-offs, per se. The majority of that reduction is from recoveries. Q1 stock of NPLs was 16.8 billion, which has come down to 16.1. That's the numerator factor. You also have the denominator factor, where our loan book has then grown from 548 billion to 570 billion. That's part of the factor of the ratio also coming down, so it's not write-offs. You may recall when the new central bank credit standards came in for the year end, all the banks no longer have a net by exception, for any NPLs that are older than five years. It's that stock from 2020 to 25. And from a geography point of view, the majority of those recoveries are coming in from the UAE, as we've seen the past trend, albeit last year we have strong recoveries in DenizBank as well, that is more now just the UAE.

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**Shayne Nelson**

Aybek, if you remember, with the new central bank policy, some banks took up the five-year grandfather to write off the loans. We were so heavily provisioned that we didn't need to do that. We took it on the chin immediately. That's one of the reasons you see that's such a significant drop for us pretty quickly.

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**Patrick Sullivan**

And just from your point on India, I think you're referring to the establishment of a WOS. The capital that we have to commit there is not material in that sense. That's something that we don't know what the ultimate destination amount of that is. But in the meantime, as we go through the setup, it's really not a large sum at all, dare I call it immaterial.

And on your third point, on the investment properties, we are disposing of properties from time to time, whether they've come from formerly NPLs or other parts of the estate, depends on what the original booked amount was. But again, 41 million, just not material. And you'll get that coming through from time to time, so there's nothing significant about it. I think you'll see other banks have much larger gains on disposal of properties, but that's not something that we rely on as underlying income.

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**Shayne Nelson**

We haven't got a ton of properties on our books these days. The majority we've sold off over the years. We have head office, our campus at Meydan, and a few branches here and there. Besides that, most of the other property assets we've disposed of over the last ten years.

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**Operator**

Our next question comes from Kunpeng Ma of China Securities

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**Kunpeng Ma – China Securities**

Hi. Good afternoon. Thank you for taking my question. This is Kunpeng of China Securities. Can we have some colour on the loan growth outlook in the medium term, say two or three years, the trend, the major sectors and geographies driving that kind of growth? Thank you.

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**Patrick Sullivan**

Kunpeng, thanks very much for your question. GDP in the UAE is forecasted to be around the 5% mark. The economies in our regions are pretty strong. Banks typically expand their balance sheet at 2X of GDP. That's not a guaranteed fixed number. But as I said earlier, we have strong momentum across the businesses. There's nothing we can see just at this point that would indicate that would slow down. We do have a big loan base. When it comes to percentages, our percentages may appear smaller than some other peers, simply from base effects. But otherwise, we're pretty excited about the prospects, the economy in the UAE, in particular KSA, it's just very bright and very active. There are cycles in economies, no economy is an island, and we're always scanning the horizon for risk factors. But at this point, we're comfortable with the pace of rate of growth. And that's not any longer-term commitment, because we update our guidance formally in January each year.

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**Shayne Nelson**

There is a question here in the text, correlated around property itself. Are you happy with your property exposure? One thing I would say is the interesting thing about the big property development boom that you've seen in in Dubai and Abu Dhabi is a lot of it is not funded by the banks. It's basically being funded by presales with escrows. On one side, we've got the benefit of the escrow accounts, but we're not seeing the big developers come to us for large chunks of

funding, because they get a RERA guarantee, for example, and then they're able to use subject to contractual criteria about where they are in the development cycle, to draw down on those presales, the amount sitting in escrow.

If we go back previously, we would have had large chunks of development finance sitting on our balance sheet, and we'd be concerned about the cycles, I suppose, a lot more than we are now, because we're seeing the developers basically pre-funded their developments through the presales. The impact on us is far less than it would have been historically. What's bad about it is we don't get the loan growth out of it that we would have historically.

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### **Operator**

Our next question comes from Rahul Bajaj from Citi.

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### **Rahul Bajaj – Citi**

Hi. Thanks for taking my question. This is Rahul Bajaj from Citi. I have three questions, actually. The first two are on loan growth. I see you've registered 27% Y-on-Y growth in Saudi during the first half of the year. That's quite a phenomenal number, actually, if I compare it to the growth that we have seen coming from the domestic banks in Saudi. Just wanted to understand, how are you able to grow at this multiple of the local banks? Are you not seeing competition coming from some of the local aggressive banks on pricing, etc.? Or are you part of that competition? How are you pricing your loans in the Saudi market to grow at 27%? That's my first question.

My second question is around the loan mix again. If I compare the loan mix on your presentation, end of last year versus the end of 2Q, two key differences come out. One is sovereign exposure going down quite materially, the other one is FI exposure going up quite materially. Now, on the sovereign base, you're at 9% now of the total gross loans. You think this is the level where it will stick around, or you think it can go down further from these levels, and you can probably be in the mid-to-low single-digit sovereign exposure?

And similarly, on the FI base, the exposure has gone up from 13% to 15%. I just wanted to understand, who are you lending to when you say that you're lending to FIs on your gross loan mix? Are these banks in the market or these are non-bank financial entities? Who are these FIs? And are these only UAE or outside the UAE as well?

And my third and final question, if I may, please, this one is on India. There was this question asked earlier around the conversion of the Indian branches into fully owned subsidiary. Just wanted to understand what was the rationale or the strategy of the bank to go in for this fully

owned subsidiary model? What do you gain out of that model compared to the earlier model, where you had individual branches? Thank you.

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**Patrick Sullivan**

Hi, Rahul. Welcome to the call. Let me try and unpack quite a lot of questions in those three questions. Maybe I'll just start at the top with the loans and advances up 27% in KSA. It is a great rate of growth, and we're very happy with it because we've been investing for 20 years now there. What's different between us and some of the other banks? Well, obviously, mathematically, if it's a large, well-established bank, then they have a higher base, and therefore, their percentage is lower, our base is lower. Kind of the inverse of what I said earlier about us in the UAE.

With our new branch network, we're now actually starting to get really good traction with that. We've been growing both the corporate and retail side. The corporate is about 60% of the total mix. Happily, we're operating there in the private sector. We're able to, if it's in the middle of the PD curve, then we can price for risk and get the ancillary business, so that's helping with our growth. And the retail side has been very helpful with the funding, so it is self-funded there. It's an excellent, self-sufficient bank there, and it doesn't rely on funding new loan growth from outside of Saudi.

Just on the loan mix question that you have, sovereign 9%, going down. Yes, it will continue to go down. You can see it's been repaying something like maybe on average, 5 billion or so a quarter for the last couple of years. It might be a reasonable assumption that it will continue to go down. We would like the government to borrow some more money so they can do the infrastructure spend. But at this point, the finances are in such good shape, they're very much in repayment mode.

And FIs are going up, yes, indeed. We have a strong FI relationship business there. Are they banks? No, that is not bank bilateral lending in there. We record our bank bilateral lending in due from banks. That's where bank lending is supposed to be recorded, not in loans and advances. This lending is to non-bank financial institutions. Obviously, I'm not going to name them, but they're across a wide range of different financial activities, so I can't really say too much more about that. Otherwise, you might be able to identify the counterparties, etc. Is that in the UAE or in other countries? A predominant part of that growth for the FIs is from the UAE, yes, but not exclusively. And the third part was India.

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**Shayne Nelson**

I think if we look at the WOS what advantages it gives us? One key one is, we don't need pre-approval to open up our branches, and we're not restricted on branch numbers there. From an organic play, that makes a lot of sense. It also gives us capacity to consolidate a lot of our management, like our offshoring, etc., and capital markets into that WOS. It also makes it a lot more straightforward when it comes to tax in India, which is also always quite complicated. And we also believe if we acquired, we would not require a sell down under the WOS structure. Both for organic and inorganic, it makes sense for us.

I know you would probably say, then why haven't some of the other big international banks converted to a WOS structure? Well, I think the problem is that, because it's so big in that country, they're going to have a solo capital problem. If they did convert to a WOS because of the size of their operations there. Where we are at the moment, that doesn't make any difference to us. I think we're in a good position to do it from the ground up, rather than try to do it at a later juncture.

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**Operator**

The next question is from Rahul Rajan of Bank of America.

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**Rahul Rajan – Bank of America**

Hi. Thank you for taking my questions. A couple of questions from my end. One is on the non-interest income part. With the run rate, the non-interest income run rate get negatively impacted with lower rates in Türkiye? That's number one.

Secondly is on your earlier mentioned point on the subsidiary in India. If you could just elaborate further on how having a subsidiary in India helps with your acquisition? You mentioned your last sentence that interlinked you there.

And finally, sorry, if I can add just one more question, please. On the RWA density that is growing, clearly because of sovereigns coming down and growth in Saudi. How do you see the RWA density going forward? Thank you.

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**Patrick Sullivan**

Thanks, Rahul. Sorry, could you just repeat the first question on the NFI, the non-funded income?

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**Rahul Rajan – Bank of America**

Sure. Would lower interest rates in Türkiye negatively impact the non-interest income that the Türkiye entity generates?

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**Patrick Sullivan**

Thanks. Not necessarily, no. I think inflation is the thing that would change the income more than the interest rates, per se, albeit maybe they're connected. If interest rates are coming down, there's lower inflation, presumably, and therefore, the volume and scale, or over time, the increasing volume of fees you earn because it's in an inflated currency, sure, partly offset by Turkish lira depreciation. That may be a variable, that it's something that you can't exactly put your finger on right now. If it does come down, it would be an offsetting reduction in the hyperinflation charge that you see further down the line.

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**Shayne Nelson**

I would see it on the basis if rates drop. Let's be clear where we are. I don't know how many of you cover Türkiye, and the question's on cost of risk for Türkiye. But you've got retail rates at mid-60s. Frankly, the shape of the book and the bad debt charge for when we're charging retail clients neat 60% is quite remarkably good, in my opinion. I think if we have rates falling from a volume perspective and a borrowing perspective, that would be good for us, which will also drive fees. I think from a fee income driven basis, with interest rates falling, I would actually see it as beneficial to us from our rates lowering there.

Because at the moment, not only have you got very high interest rates, but the regulator has stopped a lot of growth in most segments of the market. I think agriculture is one that's a bit freer, but most of them have asset growth caps. At the moment, you're growing under quite constrained circumstances in Türkiye, that I think that as the pressure comes off as rates, because what they're trying to do is, they can't control, I suppose, demand purely through interest rates. They're basically bringing out the macroprudential toolbox and saying I'm going to slow your growth by regulatory caps on them. I think as that comes down, I think we will get volume growth in Türkiye. Remember, it's mid-90 million people. It's a big, big population and a big economy. You can take the second one.

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**Patrick Sullivan**

Actually, I'll just cover the RWA density question you had. You're right, when you get large repayments that are at zero risk weighting and you are growing the businesses at 13% for the first half, as an example, the risk weighting on that will vary between 50 and 100%. That will weigh somewhat on the capital base. But you can see that capital generation through earnings is covering off any RWA growth that we have. Actually, if you look at the density, I've been reasonably happy with the density level over the last couple of years. Yes, it is increasing because of those repayments, and I think it cost us close to 100 basis points last year from the repayments. I think it was more like 80 basis points, actually. When you've got 14.7% CET1 ratio, we've certainly got lots of capacity to first cover that, but also enough firepower to continue our strong track record of organic balance sheet and income growth.

And then I think there was the question on subsidiary in India, and I think that was the same as the previous question.

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**Patrick Clerkin**

Thank you, Shayne. Thank you, Patrick. Dru, I will have to pause the audio questions there. I'll quickly run through the written questions. Shayne and Patrick, feel free to jump in if you want to add anything to what I say. The first one is just about international activity exclusion, that relates to the tax rate, the expectation, as our tangible assets are over the €50 million threshold.

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**Patrick Sullivan**

We are very certain that we are paying 15%. And there's no ambiguity about what we will be accruing tax at. There's no possibility that we will go down to 9%.

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**Shayne Nelson**

We'd love to pay lower Rakesh, but no chance.

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**Patrick Clerkin**

The second batch of questions. Can you shed some light on the higher tax rate? Again, if you look at the effective tax rate for the first half, it's just under 18%. Again, which coincides with the 15% tax rate in UAE, plus a slightly higher tax rate in two other jurisdictions, Türkiye and Egypt. The lowest NIM since 2022. What's driven this? Again, back in 2022, the Fed rate was 4.5%. Since then,

it's been 5.5%. The drop in the NIM to 3.36% is consistent with where we were when interest rates were last at 4.5%, around that 3 to 4% level.

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**Patrick Sullivan**

And even so, these are very strong margins, by any measure, international standards, any of our peers. Probably only the UAE Islamic banks, that would have margins stronger than this. And that's a testament to the quality of our low-cost funding.

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**Patrick Clerkin**

Indeed. What led to the 18% rise in operating expenses? Again, generating additional income from the sales force and investing in the international network, GenAI and Advanced Analytics. And as Patrick mentioned, expect the cost to moderate in the second half, so more like a year-on-year increase of mid to high single digits for the full year. And similarly on the drop in the 2 billion of recovery. Again, last year's recoveries, particularly in the first half, coincided with the 10th anniversary of a number of restructures and the successful recovery from those.

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**Patrick Sullivan**

And actually, you can get more insights on that from note 24 in the financials. And when you compare it to last year, actually, our Stage 3 recoveries this half was slightly stronger than last year's first half. The big difference is the Stage 2 recoveries that were very strong this time last year, and those have not repeated this year.

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**Patrick Clerkin**

A question on asset quality in Türkiye. Again, I think most companies and most individuals are feeling the effect of the higher interest rates, which is exactly what they're designed to do. And in terms of the real estate economy in the UAE, our research team are seeing and expect prices to moderate. Prices, particularly for villas, are still higher and still positive year-on-year. But as the supply/demand dynamics start to equalise, they do expect prices to moderate this year from the high levels last year.

In terms of our funding plans, as Patrick mentioned, we funded 11 billion of the 12 billion maturing this year, strong demand for private placements. We've done sukuk issuance, Aussie dollar issuance. Of course, we're regular issuers, and DenizBank successfully upsized their

syndicated loan. But we continue to look for opportunities to fund. And in terms of Tier 1, our next instrument is callable in Q2 of next year.

Final few questions regarding ambitions for Egypt. Again, Shayne addressed the organic and inorganic growth appetite. Nothing further to add to that.

And in terms of the lending strategy in Saudi, again, I think is about roughly 35 to 40% retail, and the rest, what we would call mid-sized corporates, focusing on corporates that we can control and influence the pricing on.

In terms of GenAI we've had a question about use cases. We've been using GenAI for various use cases around SME and FX to create opportunities, identifying FX and create products. Document extraction, really streamlining, particularly SME and other client onboarding. We've been using it for anti-money laundering, just to add to our existing AML monitoring activity, to try and identify additional, any suspicious activity. Identify and cross-sell merchant acquiring opportunities. And again, the info board is reducing manual searches, really speeding up responding to customers.

And then the final question, Patrick, which I may ask you to talk about, is DenizBank loan book. How long does it take to fully reflect the policy rate changes?

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#### **Patrick Sullivan**

I think the average maturity in Deniz is just over five months. The average maturity on the funding side is between two and two and a half months. That's why when the rates drop, you very quickly get a lower cost of funding. But it does take time for the assets then to reprice down. And in that time, that's when the margins can recover in the near term.

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#### **Patrick Clerkin**

Perfect. That puts us exactly on the hour.

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#### **Shayne Nelson**

I'd like to thank you all for participating in today's call. Our strong momentum has continued, enabling an upward revision in loan growth guidance. We remain extremely liquid, and our financial strength is recognised by an upgraded Moody's ratings during the quarter. Nearly half of the increase in lending is throughout our international network, and our strong income growth reflects the benefit of strategic investments in our regional network. Digital infrastructure, GenAI helping offset the impact of low interest rates.

A final thank you to Paddy, after 18 years. We wish you well with your golf handicap, and I'm sure we'll see you back in Dubai in your retirement period. Thank you for your fantastic effort over the years, Paddy, highly appreciated. And I'm sure the listeners on the call would have interacted with you many times, and hopefully they're appreciative of you, as we are.

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**Patrick Clerkin**

Very kind. Thank you. Just handing back to you now, Dru, for the close up.

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**Operator**

Thank you. For any further questions, please contact our Investor Relations Department, whose contact details can be found on the Emirates NBD website, and on the results press release. A replay of this call and webcast will also be available on the Emirates NBD website next week. Ladies and gentlemen, that concludes today's conference call. Thank you for your participation.

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**END**