

For immediate release

## Emirates NBD Announces First Quarter 2013 Results

**Net Profit up 31% to AED 837 million**

**Dubai, 25 April 2013**

Emirates NBD (DFM: EmiratesNBD), the leading bank in the region, today announced its results for the quarter ended 31 March 2013.

### Results Highlights

- ❑ **Net profit for Q1 2013 of AED 837 million**, up 31% compared with AED 641 million in Q1 2012 and up 34% from Q4 2012
- ❑ **Total income of AED 2.6 billion**, down 2% from Q1 2012 and up 5% from Q4 2012
- ❑ **Operating profit before impairments of AED 1.7 billion**, down 1% from Q1 2012 and up 12% from Q4 2012
- ❑ **Net impairment loss on financial assets of AED 888 million**, improved by 19% compared with Q1 2012 and 6% from Q4 2012
- ❑ **Operating profit of AED 818 million**, up 31% from Q1 2012 and 39% from Q4 2012
- ❑ **Total assets up 2% at AED 315.8 billion** compared with AED 308.3 billion at the end of 2012
- ❑ **Customer loans at AED 220.6 billion**, up 1% compared with AED 218.2 billion at the end of 2012
- ❑ **Customer deposits at AED 223.0 billion**, up 4% compared with AED 213.9 billion at the end of 2012
- ❑ **Headline loan to deposit ratio improved to 99%** from 102% at the end of 2012
- ❑ **Capital adequacy ratio at extremely healthy level of 19.7%**

**Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said:** "Emirates NBD has once again delivered a robust set of results with a net profit of AED 837 million in the first quarter of 2013, up 31% in comparison with the same quarter in the previous year. While the global economic climate continues to remain uncertain, with our strong financial performance, we aim to continue building on our solid foundations to drive the bank forward while achieving our strategic objectives."

**Emirates NBD's Chief Financial Officer, Mr. Surya Subramanian, said:** "Pre-provision operating profit, a core strength for the bank, shows signs of growth after a few resilient quarters last year. The Retail business and Islamic franchise have been a key driver for this growth. Our balance sheet is well managed and we continue to de-risk the book."

## Financial Review

AED million	Quarter ended 31 Mar 2013	Quarter ended 31 Mar 2012	Better/(Worse) (%)	Quarter ended 31 Dec 2012	Better/(Worse) (%)
Net interest income	1,748	1,777	(2%)	1,766	(1%)
Non-interest income	882	909	(3%)	740	19%
<b>Total income</b>	<b>2,630</b>	<b>2,686</b>	<b>(2%)</b>	<b>2,506</b>	<b>5%</b>
Operating expenses	(909)	(942)	4%	(958)	5%
Amortisation of intangibles	(15)	(20)	25%	(20)	25%
<b>Operating profit before impairment</b>	<b>1,706</b>	<b>1,724</b>	<b>(1%)</b>	<b>1,528</b>	<b>12%</b>
Impairment allowances	(888)	(1,101)	19%	(940)	6%
<b>Operating profit</b>	<b>818</b>	<b>623</b>	<b>31%</b>	<b>588</b>	<b>39%</b>
Impairment and share of profit/(loss) of associates	26	24	8%	37	(30%)
Taxation charge	(7)	(6)	(17%)	0	n/a
<b>Net profit</b>	<b>837</b>	<b>641</b>	<b>31%</b>	<b>625</b>	<b>34%</b>
Cost to income ratio (%)	34.6%	35.1%	0.5%	38.2%	3.6%
Net interest margin (%)	2.39%	2.63%	(0.24%)	2.47%	(0.08%)
EPS (AED)	0.14	0.10	40%	0.10	40%
Return on average shareholders' equity (%)	12.7%	10.3%	2.4%	10.8%	1.9%

AED billion	as at 31 Mar 2013	as at 31 Mar 2012	Better/(Worse) (%)	as at 31 Dec 2012	Better/(Worse) (%)
Total Assets	315.8	296.7	6%	308.3	2%
Loans	220.6	204.1	8%	218.2	1%
Deposits	223.0	208.5	7%	213.9	4%
Impaired Loan Ratio (%)	14.2%	14.1%	(0.1%)	14.3%	0.1%
Impaired Loan Coverage Ratio (%)	51.4%	45.3%	6.2%	49.4%	2.0%
Capital Adequacy Ratio (%)	19.7%	19.1%	0.6%	20.6%	(0.9%)
Tier 1 Ratio (%)	13.5%	12.5%	1.0%	13.8%	(0.3%)

### Total Income

*Total income* for the quarter ended 31 March 2013 amounted to AED 2,630 million, a decrease of 2% compared with AED 2,686 million in Q1 2012 and an increase of 5% compared with AED 2,506 million in Q4 2012.

*Net interest income* for the quarter ended 31 March 2013 declined marginally by 2% to AED 1,748 million from AED 1,777 million in Q1 2012. The decline in net interest income was attributable to net interest margin reduction in Q1 2013 to 2.39% from 2.63% in the previous year, resulting primarily from lower loan spreads and Treasury spreads on the back of EMTN issuances partially offset by higher deposit spreads coupled with the positive effects of balance sheet growth.

*Non-interest income* for the quarter recorded a slight decline of 3% to AED 882 million from the previous year, driven primarily by a flat core fee income and a decrease in investment securities income which was partly offset by the income from sale of properties.

### **Total Costs**

Costs for the quarter ended 31 March 2013 amounted to AED 909 million, an improvement of 4% over the previous year and 5% over the previous quarter due to cost optimisation initiatives and the one-off nature of Q4 2012 Dubai Bank integration costs. As a result, the cost to income ratio for Q1 2013 stood at 34.6% as against 35.1% and 38.2% reported in Q1 2012 and Q4 2012 respectively.

### **Credit Quality and Impairments**

Emirates NBD continues to pro-actively manage credit quality and impaired loans across the Bank's corporate, Retail and Islamic financing portfolios which have improved marginally during Q1 2013 by 0.1% to end the period at 14.2%.

The impairment charge in respect of Q1 2013 improved by 19% to AED 888 million compared with AED 1,101 million in Q1 2012. This impairment charge was primarily composed of specific provisions made in relation to the Bank's corporate and Islamic financing portfolios. As at 31 March 2013, total portfolio impairment allowances amount to AED 3.7 billion or 3% of unclassified credit risk weighted assets, in excess of the UAE Central Bank requirement of 1.5% by AED 1.9 billion.

### **Associates and Joint Ventures**

The positive contribution of the Bank's investments in associates and joint ventures amounted to AED 26 million during the quarter compared with AED 24 million in Q1 2012.

### **Net Profit**

Net profit for the Group was AED 837 million for the quarter ended 31 March 2013, 31% above the profit posted in Q1 2012 of AED 641 million and 34% above Q4 2012 of AED 625 million, due to lower impairment allowances as a result of a cautious but improving credit environment as compared to Q1 2012 and a higher topline growth as compared to Q4 2012.

### **Customer Loans and Deposits**

Customer Loans as at 31 March 2013 (including Islamic financing) amounted to AED 220.6 billion, an increase of 1% from end 2012.

Customer Deposits as at 31 March 2013 were AED 223.0 billion, an increase of 4% from end 2012.

The loan to deposit ratio improved in Q1 2013 to 99% from 102% at the end of 2012.

### **Capital**

As at 31 March 2013, the Bank's total capital adequacy ratio and Tier 1 capital ratio were 19.7% and 13.5% respectively. Total capital decreased marginally during the quarter, mainly due to dividend payout for the 2012 financial year and the capital amortisation of the Ministry of Finance Tier 2 deposits, which was partially offset by new Tier 2 capital which the bank raised during the quarter. These, together with an increase in risk weighted

assets of 1% over the quarter, resulted in a decline of 0.9% in the total capital adequacy ratio and a 0.3% decline in the Tier 1 ratio relative to end 2012.

## Group Initiatives

### **Tanfeeth**

After achieving all service level agreement targets for Emirates NBD in 2012 including across-the-board service improvements of between 20-30%, Tanfeeth is focused on delivering an additional 15% improvement in all key performance areas for the Group over 2013. Tanfeeth's strategy to achieve this focuses on continuing to institutionalize a lean operating culture through wide-scale business transformations and the implementation of its best-practice 'Tanfeeth Operating Model'. The first quarter of 2013 also revealed that Tanfeeth significantly reduced risk levels for Emirates NBD, following the publication of its Internal Control Quality Management results. This was achieved by improving the quality and consistency of Tanfeeth's operational and process control mechanisms over 2012.

Tanfeeth commenced its expansion across both the United Arab Emirates (UAE) and broader Gulf Cooperation Council (GCC) by securing three new client organizations. Tanfeeth is now operating a call center on behalf of one of the UAE's leading government authorities. It is providing recruitment and human resource services to one of the country's biggest telecommunications organizations, and leading a transformation engagement programme for a prominent banking institution in Kuwait. During 2013, Tanfeeth will make concerted efforts to expand its geographic footprint by offering services to clients across the GCC region.

## Business Performance

### **Consumer & Wealth Management (CWM)**

Income for the Division increased by 5% to AED 1,184 million compared with AED 1,127 million from the same quarter in 2012. This was driven by a 5% growth in net interest income and a 6 % improvement in fee income. During the quarter, CWM continued its focus on increasing revenue with several initiatives being launched to improve processes and customer service. Credit quality remained tightly managed and retail loan portfolio delinquencies during the quarter continued to witness the improving trends evident throughout 2011 and 2012.

CWM's sustained focus on deposit growth during Q1 2013, driven by a strong momentum in current and savings account categories, resulted in a 4% growth in customer deposits from end 2012 levels to reach AED 91.3 billion. This significant growth in Current Account & Savings Account categories was augmented by the various promotions including attractive "Seven Wonders of the World" campaign on Salary Transfer category.

Auto loan new bookings were significantly higher driven by exclusive promotions with various leading dealers. Mortgage bookings also showed significant growth from Q4 2012 with the revival in the real estate sector.

Various new products were launched during the quarter like the UAE Nationals Home Improvement loans, enhanced Safe Deposit Locker Proposition, Personal Cash Loan tailored to specific customer segments, Chinese Yuan account and Retail Islamic Liabilities product suite. The e-channels capabilities were enhanced to cover online Fixed Deposit opening, mobile banking applications, including one for the Blackberry 10 series, and online payment of Utility bill through Credit Cards covering 17 partners.

### **Wholesale Banking**

Despite an on-going challenging environment, Wholesale Banking delivered a robust performance during Q1 2013 with net profit of AED 283 million, up 58% in comparison to Q1 2012.

Net interest income declined by 10.6% in Q1 2013 to AED 755 million compared with AED 845 million in Q1 2012. However, fee income rose by 15% in Q1 2013 to AED 307 million, compared with AED 268 million in Q1 2012. The management's enhanced focus on non-funded/service related avenues resulted in higher fee income, especially from foreign exchange and debt capital market activities. In terms of balance sheet, Q1 2013 registered an increase in the loan book by 8% and an increase in deposits by 10% vis-à-vis Q1 2012, reflecting the management's objective to grow quality assets.

During the first quarter, the Investment Banking platform – Emirates NBD Capital Ltd (EmCap) – executed several notable transactions which included acting as a bookrunner for syndicated loans for clients (Saudi Oger Limited, Archirodon Group NV, AK Finansal Kiralama A.A.) aggregating to USD 1.5 billion. EmCap also acted as a joint lead arranger and bookrunner for several Sukuk and bond issuances such as Emirates NBD PJSC, Emirates Airline, Government of Dubai, Bank Asya, Ak lease, DEWA and Dubai Islamic Bank. During the quarter, EmCap also set up an Asset Distribution Desk for Emirates NBD Group's balance sheet management and yield enhancement.

During Q1 2013, the management also continued with its comprehensive strategy execution and transformation programme, which commenced in 2012, to make Emirates NBD the dynamic Wholesale Banking powerhouse in the Middle East. The quarter witnessed successful results from a number of internal change initiatives which supported the division in delivering a strong performance.

### **Global Markets & Treasury (GMT)**

GMT reported total income of AED 112 million for Q1 2013 which was broad based. Sales Desk had strong engagement with corporate clients looking to hedge Foreign Currency payables at favourable FX rates. Balance Sheet for hedging products saw a sudden increase with more clients looking to take advantage of the prevailing low interest rate environment. Institutional Sales enhanced their distribution capabilities with placements of Dubai based Fixed Income issues and increasing Secondary Market flow for Fixed Income. In addition, the placement of structured products witnessed an increase in demand.

Trading Desk had a good quarter on the back of active Foreign Exchange Markets as the Japanese Yen weakened against all major currencies. The business took advantage of trading opportunities in Cross Currency Trading while Equity Trading also helped to boost profitability. The Credit Trading desk was busy in Q1 2013, making markets in new GCC issues whilst Rates Trading remained flattish.

Liquidity continued to be strong with the Assets and Liabilities Management (ALM) desk actively involved in regional markets. Funding desk improved the capital structure of the Bank by issuing USD 750 million Tier II 10 non call 5 Capital Notes augmented by around USD 0.5 billion raised through private placements.

### **Islamic Banking (IB)**

Islamic Banking continued to implement its aggressive growth plans and Emirates Islamic Bank (EIB) is being regarded as the fastest growing Islamic bank in the region. Total income, less customers' share of profit, witnessed an increase of 37% to AED 321 million from the same period last year of AED 234 million and an increase of 34% from AED 239 million quarter over quarter (q-o-q). Financing receivables grew by 2% to AED 23.7 billion from AED 23.2 billion as at December 2012. EIB further expanded its distribution network by adding six ATM and CDM at key locations, which now total 171. The Bank plans to expand its network further by opening new branches across the Emirates.

The transformation initiative launched by the bank in late 2011 has continued to deliver strong growth q-o-q. The bank continued to strengthen its Retail franchise, focusing on expanding its physical footprint and product offering; EIB now possesses the sixth largest network in the country and is continuing to grow. EIB further enriched its offerings in Q1 2013 to target segments of Small and Medium Enterprises (SMEs) and priority clients, with several new products like Commercial finance and Point Of Sale (POS) finance. The bank is continuing its focus on developing the offering to commercial customers with substantial growth seen in the portfolio over the quarter.

In recognition of the EIB transformation, the bank has been recognized as "Best Islamic Bank in UAE 2013" by two renowned international magazines, Capital Finance International (CFI) and World Finance.

### **Information Technology and Operations (ITO)**

During the first quarter of 2013, Group Information Technology (IT) continued to support Emirates NBD's strategy for international growth and customers focus by rolling out core banking and corporate online solutions to its Kingdom of Saudi Arabia (KSA) customers. The Group's KSA and London offices also received the Anti-money Laundering automated solution. Following the IT integration of EIB with Emirates NBD, Group IT have been focusing on delivering enhanced capabilities with the go live of Customer Relationship Management (CRM) for EIB Call Centre, Collections and branches. In addition, the new sales and marketing module will facilitate potential for wider product offerings to customers.

Group IT also supported EIB to be the first bank in the Middle Eastern region to launch a transactional mobile banking application for Windows 8, which offers online banking and an ATM locator to its users. Group IT facilitated the launch of its mobile banking application for Blackberry OS, iOS and Android operating systems, underlining the bank's ongoing commitment to provide value added services to suit its customers' mobile and diverse lifestyles. Emirates NBD was also the first in the region to launch a mobile banking service for the Blackberry 10 series.

Group IT's transformation program, which aims at improving IT effectiveness and efficiency, sustained its focus on infrastructure with the objective of enhancing the end user experience for staff. Coupled with the Group's focus on ensuring added mobility and enhancing the end user computing experience, continued improvements have been noticed, resulting from the strategic outsourcing partnership of Q4 2012 for desktop services. In parallel, Group IT has successfully maintained its Quality Management certification (ISO Standard 9001:2008) in Q1 2013, a certification that is accredited by BSI® and UKAS. As part of the Information Security enhancement programme, various initiatives are underway with an objective to support and enable new business initiatives for 2013.

## Outlook

The UAE remains well-positioned to enjoy solid growth in 2013 driven by an expansion in non-oil sectors, particularly manufacturing, tourism and retail sectors, which should offset an expected stabilisation in oil production. Although the external environment remains challenging, economic data in the first quarter of 2013 supports our view that growth is likely to accelerate to 3.8% this year from an estimated 3.7% in 2012. Emirates NBD is well placed to capitalise on the improving economic fundamentals as the Bank has a clear strategy in place to further enhance shareholder returns and take advantage of the selected growth opportunities. This strategy is built around five core building blocks which include delivering excellent customer experience, building a high performance organisation, driving core businesses, running an efficient organisation and driving geographic expansion.

**END**

### **Notes to editors:**

#### **Awards**

Emirates NBD named UAE's "Best Foreign Exchange Provider 2013" by Global Finance.

Emirates NBD Asset Management named 'UAE Asset Manager of the Year' at MENA Fund Manager Awards 2013.

Emirates NBD Securities has been declared as "Winner of NASDAQ Dubai's Retail Broker of the Month Award for February 2013".

Emirates NBD named 'Best Retail Bank in the UAE' by the Asian Banker.

Emirates NBD won bronze award for best sponsorship of Omega Dubai Desert Classic.

Emirates NBD won Best SME Internet Banking Service' award by Banker Middle East.

### **About Emirates NBD**

Emirates NBD (DFM: Emirates NBD) is a leading bank in the region.

Emirates NBD has a leading retail banking franchise in the UAE, with 149 branches and over 721 ATMs and CDMs. It is a major player in the UAE corporate banking arena, and has strong Islamic banking, investment banking, private banking, asset management, global markets & treasury and brokerage operations.

The bank has operations in the UAE, the Kingdom of Saudi Arabia, Qatar, Singapore, the United Kingdom and Jersey (Channel Islands), and representative offices in India, Beijing and Iran. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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