

For immediate release

## **Emirates NBD Announces First Half 2014 Results**

**Net Profit up 30% to AED 2.35 billion**

**Pre-impairment Operating Profit up 35% to AED 4.91 billion**

**Dubai, 24 July 2014**

### **Financial Highlights**

Emirates NBD (DFM: EmiratesNBD) the largest bank in UAE by Total Income and branch network, delivered an impressive set of financial results with net profit up 30% year on year to AED 2,350 million.

The strong operating performance for the first half of 2014 was helped by solid revenue growth in both Retail Banking & Wealth Management and our Islamic Banking subsidiary, Emirates Islamic, which has successfully transformed itself to be one of the fastest growing segments within the Group.

Net profit for the half year ended 30 June 2014 amounted to AED 2.35 billion, up 30% from H1-13. Total Income for H1-14 grew by 27% to AED 7.04 billion whilst Pre-Impairment Operating Profit for H1-14 improved by 35% to AED 4.91 billion.

Total assets grew by 2% to AED 348.3 billion in the first half of 2014. Customer loans increased by 1% during the first half of 2014 to AED 241.8 billion. Customer deposits also increased by 6% to AED 252.9 billion over the same period. The Bank's Advances to Deposits ratio improved to 95.6% from 99.5% at the end of 2013. The Bank's NPL ratio improved further to 13.5% whilst the Tier 1 ratio strengthened to 15.6%. Backed by this stronger liquidity and capital profile, on 20<sup>th</sup> July 2014, Emirates NBD were able to repay the remaining AED 4.8 billion Ministry of Finance Deposits received in 2008.

**Group Chief Executive Officer, Emirates NBD, Shayne Nelson, said:** "During the first half of 2014, we have delivered another healthy set of results, with net profit up by 30% to AED 2.35 billion. This is driven by strong growth in both net interest income and non-interest income coupled with a firm control on expenses. I have focused management efforts on balance sheet optimization, diversification of income, addressing the legacy NPL position, improved capital efficiency and stronger liquidity. As a result the bank is in a healthier position than at the beginning of 2014 in each of these areas. I am confident that the Bank will continue to deliver excellent service to our customers and superior value to our shareholders."

**Group Chief Financial Officer, Emirates NBD, Surya Subramanian, said:** "The Bank has continued to deliver strong levels of operating profitability which is evident from the growth in both total income and pre-provision operating profit. Despite a competitive environment we have been able to maintain margins helped by growth in higher margin Retail and Islamic products, a more efficient funding base and a contribution from our Egyptian business. Costs remain firmly under control with a cost-to-income ratio of 30.3% for the first 6 months on 2014, 4.2% lower than the comparable period in 2013."

## Financial Review

AED million	Half year ended 30 Jun 2014	Half year ended 30 Jun 2013	Better / (Worse) (%)	Half year ended 31 Dec 2013	Better / (Worse) (%)
Net interest income	4,559	3,661	25%	4,478	2%
Non-interest income	2,483	1,889	31%	1,829	36%
<b>Total income</b>	<b>7,042</b>	<b>5,550</b>	<b>27%</b>	<b>6,307</b>	<b>12%</b>
General & administrative expenses	(2,137)	(1,914)	(12%)	(2,281)	6%
<b>Operating profit before impairment charges</b>	<b>4,905</b>	<b>3,636</b>	<b>35%</b>	<b>4,026</b>	<b>22%</b>
Impairment allowances	(2,613)	(1,884)	(39%)	(2,829)	8%
<b>Operating profit</b>	<b>2,292</b>	<b>1,752</b>	<b>31%</b>	<b>1,197</b>	<b>91%</b>
Share of profits of associates	121	67	82%	80	51%
Gain on disposal of stake in associates / subsidiaries	0	0	n/a	202	(100%)
Taxation charge	(63)	(10)	(537%)	(31)	(104%)
<b>Net profit</b>	<b>2,350</b>	<b>1,808</b>	<b>30%</b>	<b>1,448</b>	<b>62%</b>
Cost to income ratio (%)	30.3%	34.5%	4.2%	36.2%	5.9%
Net interest margin (%)	2.77%	2.44%	0.33%	2.80%	(0.03%)
EPS (AED)	0.38	0.30	27%	0.22	73%
Return on average shareholders' equity (%)	16.6%	13.7%	2.9%	10.2%	6.4%

AED billion	as at 30 Jun 2014	as at 31 Dec 2013	Better / (Worse) (%)	as at 31 Mar 2014	Better / (Worse) (%)
Total Assets	348.3	342.1	1.8%	347.1	0.4%
Loans	241.8	238.3	1.4%	239.7	0.9%
Deposits	252.9	239.6	5.5%	251.5	0.5%
Impaired Loan Ratio (%)	13.5%	13.9%	0.4%	13.8%	0.3%
Impaired Loan Coverage Ratio (%)	64.7%	57.5%	7.2%	60.7%	4.0%
Capital Adequacy Ratio (%)	19.6%	19.6%	0.0%	19.2%	0.4%
Tier 1 Ratio (%)	15.6%	15.3%	0.3%	15.0%	0.6%

Total income for the first half ended 30 June 2014 amounted to AED 7,042 million; an increase of 27% compared with AED 5,550 million in H1-13 and an increase of 12% compared with AED 6,307 million in H2-13.

Net interest income for H1-14 improved by 25% to AED 4,559 million from AED 3,661 million in H1-13. The improvement in net interest income is attributable to an improved asset mix due to Retail and Islamic growth, an improved funding mix as we continue to experience CASA growth and a contribution from our Egyptian business.

Non-interest income for the first half improved by 31% to AED 2,483 million from the previous year, driven primarily by an increase in core banking fee income, particularly related to the growth in credit card business and trade finance volumes as well gains on the sale of a legacy property and other investments.

Costs for the first half ended 30 June 2014 amounted to AED 2,137 million, an increase of 12% over H1-13 and a decline of 6% compared to H2-13. Excluding Egypt, costs were up 4% y-o-y. This 4% increase is due to investment in customer service, IT and communication related costs in line with higher business volumes.

The cost to income ratio improved by 4.2% in H1-14 to 30.3%, compared to H1-13, as improving top line momentum more than offset the increase in costs base. Excluding one-offs, the cost to income ratio would have been 31.4%.

The NPL ratio improved to 13.5% at the end of H1-14. The impairment charge for first half of 2014 increased to AED 2,613 million, compared with AED 1,884 million in the previous year. This was primarily driven by continued conservative provisioning on the Corporate and Islamic financing portfolios, which helped boost the coverage ratio to 64.7% from 52.7% in H1-13, an increase of 12%.

The positive contribution of the Bank's investments in associates and joint ventures amounted to AED 121 million in H1-14 compared with AED 67 million in H1-13 and AED 80 million in H2-13.

Net profit for the Group was AED 2,350 million for the half year ended 30 June 2014, 30% above the profit posted in H1-13 of AED 1,808 million. The increase in net profits was driven by net interest income and non-interest income both outpacing the expense growth.

Customer Loans as at 30 June 2014 (including Islamic financing) amounted to AED 241.8 billion, an increase of 1% from the end of 2013.

Customer Deposits as at 30 June 2014 were AED 252.9 billion, an increase of 6% from 31 December 2013.

The Advances to Deposits Ratio improved in the first half of 2014 to 95.6% from 99.5% at the end of 2013, due to continued strong growth in current and savings account balances.

As at 30 June 2014, the Bank's total capital adequacy ratio and Tier 1 capital ratio were 19.6% and 15.6% respectively, compared with 19.6% and 15.3% as at 31 December 2013. The improvement in the Tier 1 ratio is due to retained profit in the first half of the year more than offsetting the annual dividend payment. The Capital Adequacy ratio remained stable as the amortization of Ministry of Finance Tier 2 sub-debt offset the net increase in Tier 1 capital.

In July 2014, we repaid AED 4.8 billion of Ministry of Finance Deposits received in 2008. With this, the entire crisis era support has been repaid.

## **Business Performance**

### **Retail Banking & Wealth Management (RBWM)**

The bank's Retail Banking and Wealth Management division recorded a robust performance during the first half, with income growth of 15% for the half year ended 30 June 2014 reaching AED 2,793 million compared to AED 2,502 million in H1-13.

Net interest income increased by 12% while fee income grew by a strong 22%. RBWM's sustained focus on liabilities growth and, in particular, current and savings accounts resulted in faster than market growth of 7.3% in customer deposits to reach AED 108.6 billion.

Our strategic focus on deepening existing customer relationships as well as acquisition of new high value customers has been instrumental to the growth, achieving increased cross-sell and higher revenues per customer in 2014. The bank's partnerships with Skywards and Manchester United is driving strong growth for the credit cards business as well as enabling new product introductions like Manchester United accounts, debit cards and pre-paid cards. The retail wealth business continues to experience strong growth especially from our affluent segment, supported by certified frontline staff equipped with tablet based state-of-the-art financial planning tools. Our DirectRemit service launched earlier this year that offers instant remittances to India, our largest remittance market, has seen high uptake, with the launch of additional corridors planned for the second half of the year.

The bank has been optimizing its branch footprint to serve customers more effectively by relocating branches to emerging areas in the UAE. Our efforts to develop and differentiate our digital channels have seen a greater number of customers utilise these lower cost channels. Currently 28% of our customers are active users of online and mobile banking. The bank continues to lead innovation on the UAE mobile banking space with the launch of mePay, a pioneering instant money transfer facility, and Shake n' Save, which enables customers to save money instantly by shaking their mobile device.

The Private Banking business delivered strong growth rates from its UAE platform across core market segments. Further, its international locations in the Kingdom of Saudi Arabia, Singapore and the United Kingdom have shown impressive performance compared to last year. Both Emirates NBD Securities, the brokerage arm, as well as Emirates NBD Asset Management continue to deliver exceptional growth driven by strong market performance and new product launches.

### **Wholesale Banking (WB)**

Wholesale Banking's operating income showed steady growth to AED 2,243 million in H1-14, compared to AED 2,164 million reported in H1-13, in a competitive market where credit growth was challenging and asset margins remained under pressure.

H1-14 Net interest income of AED 1,558 million was 3% lower compared with H1-13. However this was offset by a 6% rise in fee income to AED 685 million in H1-14, reflecting a continued focus on improving capital efficiency through growth in non-funded income especially from foreign exchange and debt capital markets activity.

In terms of balance sheet, due to low levels of new deal flows, H1-14 Assets were maintained at Dec 2013 levels whereas deposits grew by 3.2% in line with the increasing liquidity levels in the market.

Emirates NBD Capital, our Investment Bank, continued its strong performance in H1-14. This performance was crowned when Emirates NBD Capital was ranked as the leading arranger of US dollar sukuk globally, by number of issues, in the first half of 2014. It also acted as the book-runner for the US\$ 201 million Emirates REIT IPO; the first Sharia'a-compliant REIT- based in the DIFC, successfully listed on NASDAQ Dubai.

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

GMT reported total income of AED 464 million for the first half of 2014 compared with AED 216 million for the comparable period in 2013.

The strong first half performance is primarily due to an increase in Net Interest Income due to effective balance sheet positioning & hedging. The numbers also reflect a strong performance in the Investment Portfolio.

Revenues from both Foreign exchange and Fixed Income sales were also higher in the first half of 2014 compared with the H1-13.

In spite of market volatility caused by geopolitical challenges, the Credit Trading desk delivered a strong performance.

Group Funding raised 400 million Australian dollars in May, which is the cheapest 5-year funding that the bank has raised in the last 6 years.

### **Emirates Islamic**

Emirates Islamic's (EI) performance continued to show steady performance with total income increasing by 28% to AED 918 million from AED 717 million for H1-13. Net financing and investing receivables grew by 4% to AED 23.8 billion from the end of 2013. As at 30 June 2014, the branch and ATM/SDM network of EI totaled 53 and 176 respectively.

EI growth continued with a net profit of AED 226 million compared to AED 112 million in H1-13, leveraging its expanded platform to serve better its Retail, SME and Corporate customers.

EI also contributed to an increase in fee income due to higher customer account volumes. EI recently introduced a trading platform for murabaha in partnership with NASDAQ Dubai. This new initiative is starting to generate fee income.

The Bank's success continued to be recognized across the industry, with EI winning Best Premium Islamic Card and Best Self Employed Finance at the CPI Financial in early 2014.

### **Information Technology and Operations**

Emirates NBD Group is ready with the first phase of Foreign Account Tax Compliance Act (FATCA) for existing and new customers.

Group IT facilitated helped upgrade Treasury Front Office systems which should lead to increased trade volumes and income. Group IT also supported Emirates Islamic in launching Digital Account Opening where customers can initiate paperless online account opening via the website.

Mobile Banking Application was successfully launched in the Kingdom of Saudi Arabia. This application allows users to perform payments, transfers and other functionality.

## **Tanfeeth**

Tanfeeth continued delivering on all Service Level Agreements across revenue, operating margins, operating risk and service quality.

Significant focus was placed on driving seamless customer service and operational improvements across Emirates NBD's entire front, middle and back office. A comprehensive help desk system was rolled out to centralized enquiries and promotes swift responses and complaint resolution.

Emirates NBD will open a 100-seat, all-Emirati call centre in Ras Al Khaimah. The initiative is driven by Emirates NBD's commitment to providing additional employment opportunities for UAE Nationals. The call centre will be operated by Tanfeeth, and is expected to be fully-operational by December 2014.

During H1, Tanfeeth received several industry awards. These include Outstanding Straight Through Processing Awards from Barclays Bank, Deutsche Bank and Standard Chartered Bank. Two accolades were also received for best-practice learning and development initiatives.

## **Emirates NBD S.A.E. Egypt**

Despite a challenging political and economic backdrop, the Emirates NBD S.A.E. Egypt operation has continued to perform well since its consolidation with the Group on 9 June 2013. In H1-14, it contributed AED 326 million revenue and AED 103 million net profit to the Group's results.

At present, cultural, system and policy integration are ongoing and proceeding as expected, in accordance with the Group's integration plans.

## **Outlook**

The UAE remains well-positioned to enjoy solid growth in 2014 driven primarily by an expansion in non-oil sectors, particularly tourism, retail and manufacturing. We believe the construction sector will contribute more significantly to GDP growth this year as the recovery in real estate prices encourages new development. Following a boost to oil production in excess of 4% in 2013, we expect growth in the hydrocarbon sector to slow this year. Against an improving global economic backdrop, the Bank forecasts 2014 GDP growth of 5.0% in the UAE and Dubai. The Bank will continue to implement its successful strategy and take advantage of the positive growth opportunity in Dubai and the region. 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 diversifying sources of income.

**END**

## Notes to editors:

### Awards

- ✧ **Best Bank and Best Regional Bank Awards – Emirates NBD**
  - 'Best Local Bank – United Arab Emirates' at the 2014 annual Euromoney Private Banking and Wealth Management Survey
  - 'Best Consumer Credit Product award' and 'Best Risk Management award' for its Personal Loan business at the 2014 Asian Banker's 'International Excellence in Retail Financial Services Awards'
  - 'Middle East Regional Bank of the Year' at the International Financing Review (IFR) Middle East Awards 2013
- ✧ **Asset management and Consumer Finance Awards – Emirates NBD Asset Management**
  - 'UAE Asset Manager of the Year' for second consecutive year, at the 5th annual MENA Fund Manager Performance Awards 2014
  - 'MENA Equity Fund of the Year' for the Emirates MENA Top Companies Fund, at the 5th annual MENA Fund Manager Performance Awards 2014
  - 'Balanced Fund of the Year' for the Emirates MENA Opportunities Fund, at the 5th annual MENA Fund Manager Performance Awards 2014
- ✧ **Treasury, Emerging and Capital Markets Awards – Emirates NBD**
  - UAE's "Best Foreign Exchange Provider 2014" by Global Finance
  - "Best Treasury Management Project" award in the Middle East at the Asian Banker Middle East Banking Products and Projects 2014 Awards
  - 'Most impressive emerging market financial institution borrower' by Global Capital (formerly Euroweek) at the Global Capital Bond Awards 2014
  - 'Best debt house' at EMEA Finance's Middle East Banking Awards 2013
- ✧ **Marketing, Social Media and Customer Engagement Awards – Emirates NBD**
  - ranked 25 on the Power 100 Social Media Rankings compiled by The Financial Brand
  - wins a 'Silver' and 'Bronze' award in the Social Media category, at the 2014 Dubai Lynx Awards
  - 'Social Brand of the Year' at MENA Digital Awards
  - "Best Social Media Engagement" award at the Asian Banker Middle East Banking Products and Projects 2014 Awards
  - 'Banking & Finance Customer Care Excellence Award' at the 8th annual Middle East Government and Business Customer Care Excellence Awards 2014
  - 'Best New Card' and 'Best Customer Engagement Program' at the Smart Cards Middle East 2014
  - 'Best Sports Marketing Campaign' at Sports Industry Awards
- ✧ **Card Awards –**
  - Emirates NBD Man United Card Awarded 'Best International Sports Affinity Co-brand Card in the UAE for 2013' by MasterCard
- ✧ **Other Awards –**
  - Emirates Money named the "Best Non-Bank Consumer Finance Business" at the Asian Banker Middle East Banking Products and Projects 2014 Awards

### About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 224 branches and over 885 ATMs and CDMs in the UAE and overseas. It is a major player in the UAE corporate and retail 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, Egypt, Qatar, the Kingdom of Saudi Arabia, Singapore, the United Kingdom and representative offices in China, India and Indonesia. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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