

For immediate release

## Emirates NBD Announces Third Quarter 2018 Results

**AED 7.7 billion Net Profit up 24% y-o-y on higher net interest income and lower provisions**

**Dubai, 30 October 2018**

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a strong set of results with net profit up 24% year-on-year to AED 7.7 billion. Net interest income increased 19% year-on-year due to loan growth coupled with an improvement in margins. The operating performance was also supported by a 35% year-on-year improvement in provisions. The Bank's balance sheet remains solid with a further strengthening in capital due to retained earnings, healthy liquidity and an improvement in the non-performing loan ratio.

### Financial Highlights – Q3 2018 YTD

- Net profit of AED 7.7 billion, up 24% y-o-y
- Net Interest Income increased 19% y-o-y on loan growth coupled with an improvement in margins
- Net Interest Margin increased by 35 bps y-o-y to 2.81% helped by rate rises
- Total Income of AED 12.9 billion improved 13% y-o-y
- Total assets at AED 492.6 billion, up 5% from end 2017
- Customer loans at AED 324.7 billion, up 7% from end 2017
- Customer deposits at AED 341.2 billion, up 4% from end 2017
- Impaired Loan ratio improved to 5.8% whilst Coverage ratio remained strong to 127.4%
- Liquidity Coverage Ratio of 196.5% and AD ratio of 95.2% demonstrate the Group's healthy liquidity position
- Capital Ratios strengthened with Common Equity Tier 1 Ratio improving to 16.6% and Capital Adequacy Ratio at 21.3%

**Commenting on the Group's performance, Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said:** "I am very pleased that Emirates NBD has delivered a strong net profit in the first nine months of 2018. Guided by the vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, Smart Dubai has announced an ambitious roadmap to prepare Dubai as a world leading technology hub by 2021, in celebration of the nation's golden jubilee. In support of this initiative, I am pleased that Emirates NBD has been named the UAE's Best Consumer Digital Bank and Liv., Emirates NBD's lifestyle digital bank, has been named the UAE's Most Innovative Digital Bank by Global Finance this year. Furthermore, we have continued to embrace the Year of Zayed to honour the legacy of our nation's founding father, with numerous CSR activities."

**Group Chief Executive Officer, Shayne Nelson said:** "Emirates NBD delivered a strong nine-month net profit of AED 7.7 billion underpinned by higher net interest income on the back of loan growth coupled with an improvement in margins. The Bank's balance sheet remains solid with a further strengthening in capital

due to retained earnings, coupled with an improvement in the non-performing loan ratio and healthy liquidity. In a sign of confidence from relationship banks, Emirates NBD successfully closed a three-year US\$ 2 billion term loan facility in September. The deal was highly successful as demonstrated by the upsizing and improved pricing, reflecting Emirates NBD's strength as a leading bank in the MENA region, as well as its strong relationships with international banks."

**Group Chief Financial Officer, Surya Subramanian said:** "The operating performance for the third quarter of 2018 was satisfying as all business segments delivered a year-on-year increase in both operating income and contribution to group profit. Margins continued to improve as rate rises flowed through to loan book which more than offset a rise in deposit costs. Any benefit from future rate rises may be limited as we have experienced some migration from CASA to Fixed Deposits. The cost to income ratio was within guidance at 31.9% for the first nine months of 2018, as we continue to invest in digital capabilities and people".

## Financial Review

AED million	9 months ended 30-Sep-18	9 months ended 30-Sep-17	Better / (Worse) (%)
Net interest income	9,536	7,991	19%
Non-interest income	3,369	3,428	(2%)
<b>Total income</b>	<b>12,905</b>	<b>11,419</b>	<b>13%</b>
General & administrative expenses	(4,112)	(3,522)	(17%)
<b>Operating profit before impairment charges</b>	<b>8,793</b>	<b>7,896</b>	<b>11%</b>
Impairment allowances	(1,108)	(1,692)	35%
<b>Operating profit</b>	<b>7,686</b>	<b>6,204</b>	<b>24%</b>
Share of profits of associates	83	54	53%
Taxation charge	(112)	(89)	(27%)
<b>Net profit</b>	<b>7,656</b>	<b>6,170</b>	<b>24%</b>
Cost to income ratio (%)	31.9%	30.8%	(1.1%)
Net interest margin (%)	2.81%	2.46%	0.35%
EPS (AED)	1.30	1.03	26%
Return on Tangible Equity (%)	22.4%	20.3%	2.1%

AED billion	as at 30-Sep-18	as at 30-Sep-17	Better / (Worse) (%)	as at 31-Dec-17	Better / (Worse) (%)
Total Assets	492.6	461.1	7%	470.4	5%
Loans	324.7	304.1	7%	304.1	7%
Deposits	341.2	322.1	6%	326.5	4%
Impaired Loan Ratio (%)	5.8%	6.1%	0.3%	6.2%	0.4%
Impaired Loan Coverage Ratio (%)	127.4%	124.9%	2.5%	124.5%	2.9%
Capital Adequacy Ratio (%)	21.3%	21.2%	0.1%	21.2%	0.1%
Tier 1 Ratio (%)	20.0%	18.8%	1.2%	18.9	1.1%
Common Equity Tier 1 Ratio (%)	16.6%	15.3%	1.3%	15.6%	0.7%

Total income for the first nine months of 2018 amounted to AED 12,905 million; an increase of 13% compared with AED 11,419 million during the same period a year ago.

Net interest income improved 19% in Q3-18 YTD to AED 9,536 million due to loan growth coupled with an improvement in margins.

For Q3-18, non-interest income grew 4% quarter-on-quarter and declined 1% year-on-year due to lower income from investment securities in Q2-18 as a result of an impairment provision on a private equity fund holding.

Costs for first nine months of 2018 amounted to AED 4,112 million, an increase of 17% year-on-year on higher staff and IT costs relating to the Bank's digital transformation and technology refresh. Costs were also higher as a result of international branch expansion, VAT, advertising and Expo 2020 sponsorship. The cost-to-income ratio at 31.9%, remains within 2018 guidance of 33% as we invest in digital capability and people to support future growth.

During the first nine months of 2018 the Impaired Loan Ratio improved to 5.8%. The impairment charge during this period of AED 1,108 million is a 35% improvement on the corresponding period of 2017 and equates to an annualized net cost of risk of 55 bps.

The Group's net profit of AED 7,656 million for the first nine months of 2018 is 24% higher compared with that posted in the comparable period in 2017. The increase in net profit was driven by asset growth, higher margins and reduced provisions which helped offset an increase in operating costs.

Loans and Deposits increased by 7% and 4% respectively since the beginning of the year. The Liquidity Coverage Ratio strengthened to 196.5% and the Advances to Deposits Ratio remains comfortably within Management's target range at 95.2% reflecting the Group's healthy liquidity position. In the first nine months of 2018 the Bank raised AED 7.8 billion of term funding through a mix of public issues and private placements in six currencies. The Bank renegotiated an existing funding facility at more competitive pricing, extending it to 2021 and increasing the size to \$2 billion.

As at 30 September 2018, the Bank's Common Equity Tier 1 ratio is 16.6% and Total Capital ratio is 21.3%.

## **Business Performance**

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

RBWM delivered a strong performance in the first nine months of 2018 with total income of AED 5,450million, up 8% year-on-year, supported by growth in net interest income from liabilities. Fee income grew by 6% over the same period last year driven by Cards and FX and represents 35% of revenue.

The Liabilities book grew moderately in a challenging market, aided by a high visibility customer campaign. Customer advances rose 7% during the first nine months of 2018 from growth in cards, mortgages and

term loans supported by product enhancements and flexible interest rate pricing, with personal loan sales up 26% and new primary card sourcing up 30% year-on-year.

The division launched the Emirates NBD U By Emaar Visa Credit Card, offering the ability to earn and instantly redeem reward points across all Emaar outlets, enabling customers to uniquely experience Dubai and its lifestyle. Cumulative card spends in 2018 grew by 15%, ahead of the market with over half of new cards belonging to the premium segment.

RBWM enhanced its new advisory platform with the launch of the InvestDaily online mutual fund investment plan and the Monthly Investment Plan, both designed to promote long-term savings and investment. The Emirates NBD Fitness app was revamped enabling customers to participate in friendly fitness challenges and the DirectRemit 60-second money transfer service was extended to cover the United Kingdom, with total year-to-date transactions up 47% over the comparable period in 2017.

Private Banking delivered a robust set of results in a challenging market environment, driven by focus on recurring fee income from mutual fund sales and new products. New client on-boarding was enhanced with the roll out of an automated process. Emirates NBD Securities strengthened its position further by differentiating itself through customer service excellence in line with Dubai Service Excellence Scheme standards. Emirates NBD Asset Management expanded its business by further enhancing its product suite.

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

WB delivered a solid performance for the first nine months of 2018 with net profit of AED 3,514 million; up 24% year-on-year, backed by 19% growth in operating income and higher loan recoveries.

Net interest income of AED 3,415 million for the first nine months of 2018 was 25% higher than the corresponding period in 2017; driven largely by an improvement in margins and growth in lending activity.

Fee income of AED 926 million for the first nine months of 2018 remained flat compared to corresponding period in 2017 as growth in non-funded income from Trade and Treasury products offset lower Investment Banking activity.

Costs were 17 % higher in the first nine months of 2018 mainly due to increase in spend on key initiatives undertaken to reshape the business. Wholesale Banking is investing in upgrading its Transaction Banking systems to digitize, enhance product capabilities and improve levels of straight through processing.

The credit quality of the loan book remains stable while the successful resolution of legacy portfolio issues led to increased recoveries. This resulted in higher provision coverage and a 14% improvement in provisioning requirements to AED 451 million for the first nine months of 2018.

In terms of balance sheet growth since the beginning of the year, assets grew by 4% reflecting loan demand and deposits grew by 1% with a continued focus on optimizing the funding mix of deposits.

### **Global Markets & Treasury (GM&T)**

GM&T delivered an impressive 29% growth in income to AED 671 million for the first nine months of 2018 against AED 519 million for the same period in 2017. The ALM business continued to deliver excellent results by positioning the balance sheet to take maximum advantage of the rise in short term interest rates.

Trading delivered a strong performance with significant contributions from both the Rates & FX desks with the Rates business capitalizing on multiple trading opportunities across Emerging and Developed markets. GM&T Sales desk witnessed higher volumes in Derivatives & Foreign Exchange due to enhanced product capability and good traction from Institutional & Corporate clients. The Global Funding Desk successfully raised AED 7.8 billion of term funding through a mix of public issues and private placements with maturities out to 30 years.

### **Emirates Islamic (EI)**

EI delivered a strong set of results for the first nine months of 2018 with net profit of AED 657 million, up 32% compared to the same period last year.

EI reported total income (net of customers' share of profit and distribution to Sukuk holders) of AED 1,840 million for the first nine months of 2018, a 2% increase compared to same period last year. This increase is driven by higher lending activity, an improved cost of funding due to a more favourable deposit mix and higher core fee income due to increased volumes of foreign exchange and credit card business. An enhanced collections drive coupled with an improved cost of risk in the first nine months of the year resulted in 40% lower impairments compared to the same period last year.

EI's total assets stand at AED 60 billion at the end of the third quarter of 2018. Financing and Investing Receivables increased by 7% to AED 36 billion during the year. Over the same period customer deposits grew by 1% to AED 42 billion. CASA balances represent 68% of total customer deposits. EI's headline Financing to Deposit ratio stood at 86% and is comfortably within the management's target range. As at 30 September 2018, EI's Common Equity Tier 1 ratio is 15.6% and the Total Capital ratio is 16.7%. EI's NPF ratio improved to 8.3% at 30-September-2018 from 10.3% as the beginning of the year and the coverage ratio improved from 92% to 120% over the same period.

### **Outlook**

We expect the UAE's real GDP to grow by 2.2% in 2018, up from 0.8% last year. The recent decision by OPEC to raise production significantly in the second half of 2018 may boost GDP growth even further. Survey data indicates that growth in the non-oil sector has been resilient in 2018 YTD, underpinned by investment in infrastructure as the country prepares for Expo 2020 Dubai, with the public sector driving this investment. Household consumption is likely to remain constrained against a backdrop of modest job and wage growth, higher taxes and increased fuel costs. The Bank will continue to implement its successful strategy built around five pillars which include delivering excellent customer experience with a digital focus, building a high performance organisation, driving core businesses, running an efficient organisation and driving geographic expansion.

**-ENDS-**

## Notes to editors:

### Awards:

- ✧ **Best Bank and Best Regional Bank Awards – Emirates NBD**
  - Emirates NBD won 'Best Digital Bank-UAE', 'Best Integrated Consumer Banking Site-UAE', 'Best Consumer Digital Bank-UAE', by Global Finance World's Best Consumer Digital Banks in the ME Awards 2018.
  - Emirates NBD won 'The Innovator' in the Middle East and 'Innovator Award for Paperless Personal Loan' by Global Finance 2018 Innovators Awards
  - Emirates NBD won 'Best Bank in the Middle East' and 'Best Bank in the UAE' for the fourth consecutive year at the Euromoney Awards for Excellence in 2018
  - Emirates NBD won 'Middle East Retail Bank of the Year' and 'Best Use of Online Banking' at RBI 2018 Global Awards
  - Emirates NBD won 'Best Retail Bank in the UAE' by Banker Middle East Industry Awards
  - Emirates NBD was recognised for 'National Initiative' by Ministry of Presidential Affairs
  - Emirates NBD won 'Best Integrated Sports Marketing Campaign of the Year' by Sports Industry Awards 2018 for "Million Dirham Putt" competition
  - Emirates NBD won 'Best Retail Bank in the UAE', 'Best Retail Bank in the Middle East', 'Best Digital Bank in Middle East' and 'Best Online Bank globally' by The Asian Banker
  - Emirates NBD Capital won 'Best Local Investment Bank (UAE)' and 'Best Equity House (UAE)' awards at EMEA Finance Middle East Banking Awards
  - Emirates NBD won 'Best Private Bank in Middle East' by The Asian Private Banker award for Distinction 2017
  - Emirates NBD Group was recognised for leadership in innovation at the Dubai Quality Group's UAE Innovation Award
  - Tanfeeth won International Business Excellence (IBX) 2018 Award in 'Strategy, Change and Transformation' category
  - Emirates NBD Egypt won 'Best Digital Bank' in Egypt for 2017 by International Finance Magazine
  - Liv. by Emirates NBD won international accolades in first year of operations
    - 'Most Innovative Digital Bank-UAE' by Global Finance World's Best Consumer Digital Banks in the ME Awards 2018.
    - 'Innovation in Financial services' by Arab Innovation Awards
    - 'Best Digital Banking Experience of the Year' award by Seamless Awards
    - 'Best Digital Bank in the Middle East' by The Asian Banker International Excellence in Retail Financial Services 2018 programme
    - 'Digital Leader' at Digitrans 2017 by MIT Sloan
    - 2017 Gold Lynx award for 'Creative Innovation'
    - 2017 Gold Midas Award in the 'Financial Technology' category
- ✧ **Marketing, Social Media and Customer Engagement Awards – Emirates NBD**
  - Emirates NBD ranked UAE's top banking brand for second consecutive year valued at USD 3.534 billion in The Banker's annual brand valuation league table
  - Emirates NBD won 'Best CSR Team of the Year Award' at Gulf Sustainability and CSR Awards
  - Emirates NBD won 'Customer Experience Team' and 'Business Change or Transformation Awards' at Gulf Customer Experience Awards 2017
  - Emirates NBD won 'Best Customer Experience Journey Maps award' at the Service Olympian Award 2017 by Ethos Integrated Solutions
- ✧ **Emirates Islamic**
  - Emirates Islamic recognised as 'Islamic Personal Finance Provider of the Year' for second consecutive year by yallaCompare
  - Emirates Islamic named 'Best Islamic Banking Brand' by Global Brands Magazine
  - Emirates Islamic recognised as 'Best Islamic Bank' in the UAE by Global Finance
  - Emirates Islamic won 'Best Islamic Card' and 'Best Mobile Banking app' by Banker Middle East Product Awards
  - Emirates Islamic won 'Most Improved Branches' in Banks Benchmarking Index by Ethos Integrated Solutions
  - Emirates Islamic won three awards at Association for Talent Development (ATD) Excellence in Practice 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 227 branches and 1058 ATMs / SDMs 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, India, the Kingdom of Saudi Arabia, Singapore, the United Kingdom and representative offices in China and Indonesia. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

**For more information:**

Ibrahim Sowaidan  
SVP, Head - Group Corporate Affairs  
Emirates NBD  
Telephone: +971 4 609 4113 / +971 50 6538937  
e-mail: [ibrahims@emiratesnbd.com](mailto:ibrahims@emiratesnbd.com)

Patrick Clerkin  
Head - Investor Relations  
Emirates NBD  
Telephone: +971 4 609 3007  
e-mail: [IR@EmiratesNBD.com](mailto:IR@EmiratesNBD.com) / [PatrickE@EmiratesNBD.com](mailto:PatrickE@EmiratesNBD.com)