

For immediate release

## **Emirates NBD Announces First Half 2019 Results**

**Net Profit up 49% y-o-y to AED 7.5 billion**

**Core Operating Profit advances 8% y-o-y**

**Dubai, 17 July 2019**

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a strong set of results with net profit up 49% y-o-y to AED 7.5 billion. The results include a gain on disposal of a stake in Network International of AED 2.1 billion. Core Operating Profit grew 8% y-o-y, supported by a 10% increase in net interest income on asset growth and a 20% increase in non-interest income from higher foreign exchange revenue and increased investment banking activity. The Bank's balance sheet continues to strengthen with further improvements in liquidity and the Common Equity Tier 1 capital ratio and stable credit quality.

### **Financial Highlights – H1 2019**

- Net profit of AED 7.5 billion, up 49% y-o-y
- Core Operating Profit advances 8% y-o-y
- Total Income of AED 9.5 billion improved 13% y-o-y due to asset growth and higher fee income
- Net Interest Margin declined 1 bp y-o-y to 2.77% on expectation of lower interest rates
- Total assets at AED 537.8 billion, up 7% from end 2018
- Customer loans at AED 337.7 billion, up 3% from end 2018
- Customer deposits at AED 366.7 billion, up 5% from end 2018
- Credit quality ratios stable with impaired loan ratio at 5.9% and coverage ratio at 125.8%
- Liquidity Coverage Ratio of 188.8% and AD ratio of 92.1% demonstrate the Group's healthy liquidity position
- Common Equity Tier 1 ratio strengthens by 0.8% to 17.4% during 2019.

**Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said:** "Emirates NBD delivered a healthy set of results in the first half of 2019. The Group continues to make progress on international growth. Emirates NBD is honoured to have been given permission to open twenty more branches in the Kingdom of Saudi Arabia. The Bank has opened additional branches in Egypt and all regulatory approvals for the Group's acquisition in Turkey have been granted. In support of the 'Year of Tolerance', launched by His Highness Sheikh Khalifa bin Zayed Al Nahyan, Emirates NBD has participated in programmes and initiatives that celebrate the nation's unity and commitment to diversity."

**Commenting on the Group's performance, Shayne Nelson, Group Chief Executive Officer said:** "Net profit advanced by 49% to reach AED 7.5 billion in the first half of 2019. This includes a AED 2.1 billion gain on the partial disposal of the Group's stake in Network International. Core Operating Profit advanced 8% compared to the first half of 2018, helped by loan growth, higher foreign exchange income and increased investment banking activity. The Bank's balance sheet remains strong with further improvements in liquidity and the Common Equity Tier 1 ratio and stable credit quality. Disability friendly access was extended and now covers about half of the Bank's UAE network. Liv., the lifestyle digital bank for millennials achieved

another milestone, reaching a base of over 250,000 customers. We continue to make progress on the acquisition of Denizbank and expect this transaction to close in the third quarter of 2019.”

**Surya Subramanian, Group Chief Financial Officer said:** “The operating performance for the first half of 2019 was pleasing as all business units delivered income growth. Net interest income grew by 10% in the first half, compared to the previous year, helped by 13% asset growth. Fee income advanced 20% due to strong growth in foreign exchange and investment banking income. Costs were 7% higher compared to the previous year on higher staff costs. NIMs declined by 1bp y-o-y as the effect of lower interest rates fed through to loan pricing. We maintain our margin guidance as the Bank’s strong liquidity position affords the ability to retire more expensive fixed deposits.”

## Financial Review

| AED Million                                            | Half year ended | Half year ended | Better / (Worse) | Half year ended | Better / (Worse) |
|--------------------------------------------------------|-----------------|-----------------|------------------|-----------------|------------------|
|                                                        | 30-Jun-19       | 30-Jun-18       | (%)              | 31-Dec-18       | (%)              |
| Net interest income                                    | 6,852           | 6,229           | 10%              | 6,659           | 3%               |
| Non-interest income                                    | 2,676           | 2,222           | 20%              | 2,292           | 17%              |
| <b>Total income</b>                                    | <b>9,527</b>    | <b>8,451</b>    | <b>13%</b>       | <b>8,951</b>    | <b>6%</b>        |
| Operating expenses                                     | (2,826)         | (2,646)         | (7%)             | (2,974)         | 5%               |
| <b>Pre-impairment operating profit</b>                 | <b>6,701</b>    | <b>5,805</b>    | <b>15%</b>       | <b>5,978</b>    | <b>12%</b>       |
| Impairment allowances                                  | (1,226)         | (755)           | (62%)            | (994)           | (24%)            |
| <b>Operating profit</b>                                | <b>5,474</b>    | <b>5,050</b>    | <b>8%</b>        | <b>4,984</b>    | <b>10%</b>       |
| Gain on disposal of stake in jointly controlled entity | 2,066           | 0               | 100%             | 0               | 100%             |
| Share of profits from associates                       | 12              | 49              | (76%)            | 87              | (86%)            |
| Taxation charge                                        | (70)            | (82)            | 15%              | (47)            | (49%)            |
| <b>Net profit</b>                                      | <b>7,482</b>    | <b>5,018</b>    | <b>49%</b>       | <b>5,024</b>    | <b>49%</b>       |
| Cost: income ratio                                     | 29.7%           | 31.3%           | 1.6%             | 33.2%           | 3.5%             |
| Net interest margin                                    | 2.77%           | 2.78%           | (0.01%)          | 2.86%           | (0.09%)          |
| EPS (AED)                                              | 1.28            | 0.85            | 0.43             | 0.85            | 0.43             |
| Return on Tangible Equity (%)                          | 29.4%           | 22.7%           | 6.7%             | 21.6%           | 7.8%             |

  

| AED Billion                      | as at     | as at     | Better / (Worse) | as at     | Better / (Worse) |
|----------------------------------|-----------|-----------|------------------|-----------|------------------|
|                                  | 30-Jun-19 | 30-Jun-18 | (%)              | 31-Dec-18 | (%)              |
| Total assets                     | 537.8     | 477.5     | 13%              | 500.3     | 7%               |
| Loans                            | 337.7     | 316.4     | 7%               | 327.9     | 3%               |
| Deposits                         | 366.7     | 335.0     | 9%               | 347.9     | 5%               |
| NPL ratio (%)                    | 5.9%      | 6.0%      | 0.1%             | 5.9%      | 0.0%             |
| Impaired Loan Coverage Ratio (%) | 125.8%    | 128.4%    | (2.6%)           | 127.3%    | (1.5%)           |
| Capital Adequacy Ratio (%)       | 21.5%     | 21.2%     | 0.3%             | 20.9%     | 0.6%             |
| Tier 1 Ratio (%)                 | 20.4%     | 19.8%     | 0.6%             | 19.8%     | 0.6%             |
| Common Equity Tier 1 Ratio (%)   | 17.4%     | 16.3%     | 1.1%             | 16.6%     | 0.8%             |

Total income for the first half year of 2019 amounted to AED 9,527 million; an increase of 13% compared with AED 8,451 million during the same period in 2018.

Net-interest income improved 10% in H1-19 to AED 6,852 million as 13% asset growth more than offset a small decline in net interest margin.

Core fee income increased 13% year-on-year on the back of higher foreign exchange income generated by the Trading and ALM desks, coupled with increased investment banking activity. Total non-interest income advanced 20% year-on-year on higher core fee income and lower impairments on investment securities.

Costs for the first half of 2019 amounted to AED 2,826 million, an increase of 7% over the previous year due to a rise in staff costs relating to international expansion, digital and technology. The cost to income ratio at 29.7%, remains within guidance of 33% and gives headroom to invest selectively to support growth.

During the first half of 2019, the Impaired Loan Ratio remained unchanged at 5.9%. The impairment charge during this period of AED 1,226 million is 62% higher than in H1-18 as the net cost of risk increased to an annualized 82bps.

The Group's strong net profit of AED 7,482 million in H1-19 is 49% above that posted in 2018. The results include a gain on disposal of a stake in Network International of AED 2.1 billion. Core Operating Profit grew 8% year-on-year, supported by strong asset growth and higher fee income.

Loans and Deposits increased by 3% and 5% respectively since the beginning of the year. The Advances to Deposits Ratio remains comfortably within Management's target range at 92.1%. In H1-19, the Bank raised AED 9.7 billion of term debt issued in 7 currencies with maturities out to 20 years, more than fully covering 2019 total maturities.

As at 30 June 2019, the Bank's Common Equity Tier 1 ratio is 17.4%, Tier 1 ratio is 20.4% and Capital Adequacy Ratio is 21.5%.

## **Business Performance**

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

RBWM delivered a strong performance in the first half of 2019 with a total income of AED 3,933 million, up 8% year on year, led by growth in net interest income from liabilities. Fee income increased by 3% over the same period last year driven by Cards and FX, and comprised 34% of revenues.

Liabilities grew by AED 2.8 billion (+2%) over end 2018, backed by higher current and savings accounts. Retail advances increased during the year supported by strong acquisitions of personal loans. New card sales were up 24% over the previous period supported by the new U By Emaar co-branded credit card, contributing to about half of total acquisitions.

The division continued to focus on higher value customers with a 13% increase in sourcing of affluent Priority Banking and emerging affluent Personal Banking Beyond customers in the year. Business Banking strengthened its franchise with the launch of a customized Expo 2020 Dubai banking package for SME customers, expanding its customer base by 10% and growing trade revenues by 24% over the previous period.

The Bank further enhanced its digital proposition and client experience by collaborating with Amazon Web Services (AWS) to utilize AWS' data analytics, machine learning and other technologies. Moreover, the launch of a fully digital account opening process enabled individual customers to open a new account instantly from a mobile phone. Liv., the lifestyle digital bank for millennials continued to be the fastest growing retail banking proposition in the UAE, acquiring 42% more customers over the same period last year, reaching a base of over 250,000 customers.

The network footprint was augmented with the opening of a renovated flagship branch in Jumeirah as well as two new branches. The Better Together community was launched to actively engage customers in co-creating and beta testing new innovations. Disability friendly access was extended and now covers about half of the network. A public service campaign was rolled out in conjunction with Dubai Police to raise public awareness and educate customers on cyber-security.

Private Banking delivered a robust set of financials during the first half of 2019, despite a volatile global market environment, driven by new product launches such as the Fixed Maturity Fund providing customers a diversified portfolio of emerging market bonds, fixed rate notes and foreign currency credit products. Investment performance at Emirates NBD Asset Management remained strong with the Emirates Global Sukuk Fund receiving a five-star rating in May from Morningstar. Emirates NBD Securities was awarded the highest DFM Brokers Excellence rating for 2018 based on the Dubai Service Excellence Scheme.

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

Wholesale Banking delivered a robust set of financial results for the first half of 2019 with income up 6% to AED 2,999 million compared to the corresponding period in 2018. Net profits were lower by 12%, mainly due to lower loan recoveries.

Net interest income of AED 2,299 million for the first half of 2019 was 3% higher than the corresponding period in 2018 mainly due to growth in lending activity. Fee income of AED 700 million for the first half of 2019 increased by 15% compared to the corresponding period in 2018 due to higher lending fees and increased investment banking activity.

Costs were 9% higher for the first half of 2019 compared to the corresponding period of 2018 mainly due to selective initiatives undertaken to reshape the business. As part of the Bank's digitization program, Transaction Banking Services continues to invest in technology to enhance its product offering. In 2019, a number of new product offerings were launched including a new digital trade finance portal with best-in-class user experience.

In terms of the balance sheet, assets grew by 4% with strong momentum across both long and short term lending as well as trade finance. Deposits were 10% higher reflecting the Bank's aim of maintaining liquidity at an optimum level.

The strong performance of the business in the first half of 2019 highlights the ambition of Wholesale Banking to becoming the leading Wholesale Bank in the Middle East and North Africa by providing a full range of Wholesale Banking products and solutions to the Bank's clients across the Region.

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

GM&T delivered an impressive 72% growth in income to AED 456 million for the first half of 2019 against AED 265 million for the same period in 2018.

Trading revenue grew by 80% driven on increased credit trading activity from higher new issuance volumes in the region. The Rates desk stepped up market making activities which helped increase market share. The Foreign Exchange desk also contributed by taking advantage of volatility in G10 currencies.

The ALM business continued to deliver strong results by positioning the balance sheet to take maximum advantage of interest rates movements.

The Global Funding Desk raised AED 9.7 billion of term funding through private placements with maturities out to 20 years. The desk also successfully raised a US\$ 1 billion Perpetual Tier 1 issuance.

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

EI delivered a strong set of results for the first half of 2019 with a net profit of AED 673 million, up 39% compared to the same period last year.

EI reported total income of AED 1,335 million for the first half of 2019, a 10% increase compared to the same period last year. This increase is supported by strong balance sheet growth, higher funded income and strong momentum in Foreign Exchange income. Higher net profits were also supported by lower provisions, an enhanced collections drive and a tight control of costs.

EI's total assets reached AED 61.1 billion for the first half of 2019. Financing and Investing Receivables increased by 1% to AED 36.6 billion since the start of the year. Customer accounts also increased by 5% to AED 43.8 billion over the same period. CASA balances represented 64% of total customer accounts. EI's headline Financing to Deposit ratio stood at 83% and is comfortably within the management's target range.

### **Outlook**

The Bank's Research team have revised the UAE headline GDP growth forecast to 2.0% for 2019 from 3.1% previously, as production cuts that came into effect in January are likely to be extended into H2 2019. Dubai is expected to be the main engine of non-oil growth in the UAE this year, with GDP forecast to expand 3.0% in the emirate in 2019, in contrast with Abu Dhabi's expected 1.0% non-oil GDP growth.

**-ENDS-**

### **Notes to editors:**

#### **Awards:**

##### **✧ Best Bank and Best Regional Bank Awards – Emirates NBD**

- Emirates NBD won 'Best Digital Bank in the Middle East', 'Best Bank in the UAE' and 'Best Investment Bank in the UAE' by Euromoney Awards for Excellence 2019

- Emirates NBD won 'Best Retail Bank in the Middle East' and 'Best Retail Bank in the UAE' by The Asian Banker's International Excellence in Retail Financial Services 2019 Awards
- Emirates NBD's U By Emaar Visa Credit Card recognized as 'Credit Card Product of the Year' by The Asian Banker's International Excellence in Retail Financial Services 2019 Awards
- Emirates NBD won 'Asian Private Banker's Excellence in Private Banking – Middle East & North Africa' award by Asian Private Banker
- Emirates NBD won 'Best Financial Institution Syndicated Loan' and 'Best Syndicated Loan House' and 'Best Equity House' in the Middle East awards at EMEA Finance Middle East Banking Awards
- Emirates NBD won 'Cloud Computing Innovation of the Year' by FStech Awards
- Liv. by Emirates NBD won 'Best Digital Bank in the Middle East' by The Asian Banker's International Excellence in Retail Financial Services 2019 Awards

#### ✧ **Marketing, Social Media and Customer Engagement Awards – Emirates NBD**

- Emirates NBD was named the UAE's most valuable banking brand, with a value of USD 4.04 billion, in The Banker's annual brand valuation league table
- Emirates NBD won 'Best CX Strategy' and 'Customer Complaints' at Gulf Customer Experience Awards 2019

#### ✧ **Emirates Islamic**

- Emirates Islamic won 'Human Resources Development' award by Emirates Institute for Banking and Financial Studies
- Emirates Islamic's Kunooz Savings Account named 'Best Banking Product' by Global Banking & Finance Review
- Emirates Islamic named 'Most Innovative Islamic Bank' by Islamic Finance News
- Emirates Islamic won 'Most Improved Website' at the 2018 Service Olympian 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 233 branches and 1081 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, Indonesia and Turkey. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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