

For immediate release

## **Emirates NBD Announces First Quarter 2015 Results**

**Net profits up 60% to AED 1.7 billion on higher income and lower provisions**

**Total Income up 15% to AED 3.8 billion as non-interest income grew by 23%**

**Dubai, 22 April 2015**

### **Financial Highlights**

Emirates NBD (DFM: EmiratesNBD), the largest bank in the UAE by Total Income and branch network, delivered a strong set of financial results with net profit up 60% to AED 1.7 billion. The strong operating performance was helped by an increase in both net interest income and non-interest income coupled with stable costs and a lower impairment charge.

Total Income for the first quarter grew by 15% to AED 3.8 billion. Net interest income grew 11% to AED 2.5 billion as asset growth was focused on higher margin Islamic and Retail products, whilst the Bank's funding profile improved thanks to growth in current and saving accounts. Non-interest income grew 23% to AED 1.4 billion helped by a significant property disposal, increased income from foreign exchange & derivatives and growth in the asset management and credit card business.

The Bank's balance sheet strengthened further in Q1-15 thanks to an improvement in the liquidity and credit quality ratios. The Bank issued over AED 5 billion of term debt which boosted structural liquidity in Q1. The Impaired Loan ratio improved further during the quarter from 7.9% to 7.8% as the bank actively managed its existing stock of impaired loans whilst the Impaired Loan Coverage ratio strengthened to 103.9%. Capital Ratios reduced slightly in Q1 as the annual dividend payment more than offset retained profit in the quarter.

**Commenting on the Group's performance, Mr. Hesham Abdulla Al Qassim, Vice Chairman, Emirates NBD said:** "I am delighted that, for the first time in the Bank's history, total assets have surpassed the 100 billion dollar mark. In Q1 2015 Emirates NBD achieved a 60% growth in net profit to AED 1,671 million. The balance sheet also strengthened during this period, with further improvements in both funding profile and asset quality. The Group is well positioned to utilise our strong franchise, capital and liquidity base and to take advantage of opportunities within the region."

**Group Chief Executive Officer, Shayne Nelson said:** "I am delighted that we have delivered another strong set of financial results with a net profit of AED 1,671 million, up 60% compared to the same quarter in 2014. This is driven by higher income, stable expenses and lower provisions. Emirates Islamic delivered a very strong first quarter, recording impressive growth in both income and assets. We remain cautiously

optimistic for the remainder of 2015 but are conscious of the headwinds that a strong dollar and low oil price can present.”

**Group Chief Financial Officer, Surya Subramanian said:** “The operating performance for the first quarter of 2015 improved, as demonstrated by the growth in both the total income and net profit. We continue to diversify our sources of revenue and fee income as a proportion of total income grew to 32.9% in Q1-15, compared with 29.7% in Q1-14. Costs actually fell quarter-on-quarter and, despite competitive pressures, margins were stable helped by a change in asset mix and improving funding base.”

## **Financial Review**

AED million	Quarter ended 31-Mar-15	Quarter ended 31-Mar-14	Better / (Worse) (%)	Quarter ended 31-Dec-14	Better / (Worse) (%)
Net interest income	2,485	2,232	11%	2,473	0%
Non-interest income	1,360	1,102	23%	1,082	26%
<b>Total income</b>	<b>3,845</b>	<b>3,333</b>	<b>15%</b>	<b>3,555</b>	<b>8%</b>
General & administrative expenses	(1,079)	(1,050)	(3%)	(1,177)	8%
<b>Operating profit before impairment charges</b>	<b>2,766</b>	<b>2,283</b>	<b>21%</b>	<b>2,378</b>	<b>16%</b>
Impairment allowances	(1,085)	(1,267)	14%	(1,163)	7%
<b>Operating profit</b>	<b>1,681</b>	<b>1,016</b>	<b>65%</b>	<b>1,214</b>	<b>38%</b>
Share of profits of associates	36	61	(41%)	51	(29%)
Taxation charge	(46)	(35)	(31%)	(39)	(16%)
<b>Net profit</b>	<b>1,671</b>	<b>1,042</b>	<b>60%</b>	<b>1,226</b>	<b>36%</b>
Cost to income ratio (%)	28.1%	31.5%	3.4%	33.1%	5.0%
Net interest margin (%)	2.90%	2.75%	0.15%	2.91%	(0.01%)
EPS (AED)	0.27	0.17	59%	0.26	4%
Return on Tangible Equity (%)	21.6%	14.9%	6.7%	16.0%	5.7%

AED billion	as at 31-Mar-15	as at 31-Mar-14	Better / (Worse) (%)	as at 31-Dec-14	Better / (Worse) (%)
Total Assets	367.5	347.1	6%	363.0	1%
Loans	248.9	239.7	4%	246.0	1%
Deposits	260.4	251.5	4%	258.3	1%
Impaired Loan Ratio (%)	7.8%	13.8%	5.9%	7.9%	0.1%
Impaired Loan Coverage Ratio (%)	103.9%	60.7%	43.2%	100.3%	3.6%
Capital Adequacy Ratio (%)	20.5%	19.2%	1.4%	21.1%	(0.5%)
Tier 1 Ratio (%)	17.5%	15.0%	2.5%	18.0%	(0.5%)

Total income for the quarter ended 31 March 2015 amounted to AED 3,845 million; an increase of 15% compared with AED 3,333 million during the same period in 2014.

Net interest income improved by 11% in Q1-15 to AED 2,485 million. The improvement in net interest income is attributable to an improved asset mix due to growth of Islamic and Retail assets and a lower cost of funds helped by CASA growth.

Non-interest income for the period improved by 23% to AED 1,360 million, driven by increases in foreign exchange and derivative income, higher asset management & credit card volumes and gains from the sale of investment property.

Costs for the quarter ended 31 March 2015 amounted to AED 1,079 million, a modest increase of 3% over the previous year. Staff costs increased as we invested to support business growth. These increases were partially offset by a reduction in IT, professional fees, marketing and occupancy costs. The cost to income ratio improved by 3.4% y-o-y to 28.1%, as income growth significantly outpaced cost growth. Excluding one-offs, the cost to income ratio would have improved to 30.2%.

During the quarter, the Impaired Loan Ratio improved to 7.8% from 7.9% at the end of 2014. The impairment charge in Q1-15 of AED 1,085 million is lower than in previous quarters as the cost of risk starts to normalize in 2015. This helped boost the coverage ratio to 103.9%.

Net profit for the Group was AED 1,671 million in Q1-15, 60% above the profit posted in Q1-14. The increase in net profits was driven by growth in both net interest income & non-interest income, stable expenses and reduced provisions.

Both Loans and Deposits increased by 1% during the quarter. Emirates Islamic delivered strong growth with Islamic Financing receivables growing by 6% during the quarter. The Advances to Deposits Ratio was stable at 95.6%. During the quarter the Bank prudently increased the amount of term funding issued by AED 3.6 billion.

As at 31 March 2015, the Bank's capital adequacy ratio and Tier 1 capital ratios were 20.5% and 17.5% respectively.

## **Business Performance**

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

The Retail Banking and Wealth Management division reported a total income of AED 1,402 million for the quarter ended 31 March 2015, an increase of 1% compared with AED 1,388 million in Q1 2014. The retail business has grown but revenues remained stable due to a change in internal transfer pricing adjustments.

Growth was primarily driven by a 20% increase in fee income. As part of the Bank's on-going push to enhance its funding profile, RBWM grew its Current and Savings Account (CASA) balances by 2%, and further improved the CASA base of its AED 109.7 billion deposit book.

In Q1 2015, the Retail business focused on building customer loyalty by delivering a differentiated customer experience supported by innovations in digital banking to drive customer convenience. Customer acquisition growth has been supported by the Upper Personal Banking proposition 'Beyond' launched in Q4 2014, with the segment proposition experiencing growing customer demand.

Our Asset business had a strong quarter led by robust bookings in Auto and Personal Loans, while the Cards business continued to grow market share through campaigns like PIN2WIN and new products like the Dubai Multi Commodities Center (DMCC) credit card, the first free zone card in the UAE for SMEs. We have also expanded our flagship remittance service DirectRemit, which offers instant funds transfer to partner banks in India, Philippines and Pakistan.

Emirates NBD Private Banking showed significant growth, mainly from Non-Funded Income, and performed particularly well in its International locations. Emirates NBD Asset Management grew its assets under management to over AED 11 Billion, further consolidating its position as a leading asset manager in the UAE.

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

Wholesale Banking delivered a strong performance in Q1 2015 with operating income up by 9% to AED 1,246 million compared to AED 1,146 million in Q1 2014. Net interest income increased by 10% in Q1 2015 to AED 898 million while fee income grew by 5% to AED 349 million, driven largely by sales of Treasury products and reflecting a continued focus on improving capital efficiency through a growth in non-funded income.

In terms of the balance sheet, Wholesale Banking assets remained flat compared to Q4 2014 with new loan bookings being offset by loan repayments, while deposits grew by 1% reflecting a focus on growing core CASA balances.

Q1 2015 results are further evidence that Wholesale Banking is continuing to make solid progress in its transformation programme aiming to become 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 customers across the Region.

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

GMT reported total income of AED 105 million for Q1 2015 as against AED 244 million in Q1 2014. Q1 2015 income is lower by AED 82 million on account of re-alignment of management reporting between Treasury and Wholesale banking.

Part of the decrease in revenue is a result of lower NII mainly due to a roll off of some balance-sheet hedges and a reduction in the size of the investment portfolio.

Global Funding issued public deals in a number of currencies, raising US\$ 1 billion of 7-year funding. Q1-15 was also a record quarter for private placement senior issuance, with over US\$ 430 million of debt issued in 6 different currencies.

Revenue from Sales & Trading continues to demonstrate a positive growth trend. Sales revenue grew on higher volumes in Interest Rate hedging products and Foreign Exchange Sales. Trading revenues increased as the Foreign Exchange trading desk delivered a strong performance.

GMT expects Sales & Trading revenues to be strong in 2015 as more corporate clients look to hedge their interest rate exposures on the expectation that global interest rates will start to rise.

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

EI continued its impressive performance in 2015 with total income (net of customers' share of profit) increasing by 58% to AED 666 million for the quarter ended 31 March 2015, compared to AED 420 million in Q1 2014. Financing and investing receivables grew by 9% to AED 28.4 billion from the end of 2014.

The Bank's success, driven by a comprehensive growth strategy launched in 2011, is evidenced by the strong results reported over the last 3 years. EI's net profit grew by 106% to AED 194 million for the quarter ended 31 March 2015, compared to AED 94 million in Q1 2014.

EI's focus in 2015 has been on growing the Business Banking portfolio supported by an increased product offering for its SME customers. The Bank's success continued to be recognized across the industry, with EI winning "Best Islamic Bank in the UAE" award by World Finance magazine, "Best Savings Account" and "Best New SME product" at the Banker Middle East Product Awards 2015.

### **Outlook**

We remain cautiously optimistic for the remainder of 2015 but are conscious of the headwinds that a strong dollar and low oil price can present. Following the fall in oil prices, the Bank adjusted its 2015 UAE growth forecast down to 4.3% (from 4.8%). We expect tourism to remain an important contributor to growth notwithstanding more challenging conditions in key markets such as Russia. Other non-oil sectors, including manufacturing, transport, logistics and construction are also expected to grow. The Bank's forecast for Dubai's growth in 2015 is 4.7%. The Bank will continue to implement its successful strategy and its strong balance sheet provides a solid platform to take advantage of any regional 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 diversifying sources of income.

**END**

## Notes to editors:

### Awards:

- ✧ **Best Bank and Best Regional Bank Awards – Emirates NBD**
  - Emirates NBD Capital won 'Best Sukuk house' and 'Best local Investment Bank' in the UAE at EMEA Finance's Middle East Banking Awards 2014
  - Emirates NBD won 'Most Innovative Bank' in Pan-Middle East at EMEA Finance's Middle East Banking Awards 2014
  - Emirates NBD named Best Retail Bank in the Middle East and the UAE by the Asian Banker
  - Emirates NBD named Best Private Bank in the UAE for Philanthropy and Social Impact Investing by Euromoney
  
- ✧ **Asset management and Consumer Finance Awards – Emirates NBD Asset Management**
  - Emirates NBD Asset Management won at Fund Selector Asia Awards 2015
  - Emirates NBD Asset Management won three awards at MENA Fund Manager Performance Awards
    - UAE Asset Manager of the Year for third consecutive year
    - Fixed Income Fund of the Year for the Emirates MENA Fixed Income Fund
    - Real Estate Fund of the Year for the Emirates Real Estate Fund
  
- ✧ **Marketing, Social Media and Customer Engagement Awards – Emirates NBD**
  - Emirates NBD ranked among top 25 Global Banks on Social Media
  - Emirates NBD named the most valuable banking brand in the UAE with a brand valuation of US\$1.78 billion
  - Emirates NBD was recognised in first ever global Midas Brand Report 2014
  
- ✧ **Treasury, Emerging and Capital Markets Awards – Emirates NBD**
  - Emirates NBD won Best Financial Institution borrower 2014 from Emeafinance.
  
- ✧ **Other Awards**
  - Emirates NBD's "RISE – The Power of Small" campaign won four Gold and one Bronze awards in the Cristal MENA Awards event

### **About Emirates NBD**

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

Emirates NBD has a leading retail banking franchise, with 217 branches and 890 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, 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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