

For immediate release

Emirates NBD Announces Full Year 2019 Results

Net Profit up 44% y-o-y to AED 14.5 billion

Total Assets up 37% y-o-y to AED 683 billion

Dubai, 27 January 2020

Emirates NBD, a leading bank in the region, delivered a strong set of results with net profit up 44% y-o-y to AED 14.5 billion. Net interest income increased 26% due to loan growth and non-interest income grew 38% due to higher foreign exchange and credit card related income. Core operating profit grew 4% y-o-y helped by the inclusion of DenizBank. The Bank's balance sheet remains strong with healthy liquidity and stable credit quality. The common equity tier 1 ratio settled at 15.3% following a successful rights issue in November 2019.

Financial Highlights – FY 2019

- Net profit of AED 14.5 billion, up 44% y-o-y, or increased 1% excluding the impact of the Network International transaction
- Total income of AED 22.4 billion improved 29% y-o-y due to loan growth and higher fee income
- Impairment allowances increased 176% y-o-y with net cost of risk increasing to 117 bps including DenizBank, higher charges and lower writebacks and recoveries
- Net interest margin improved 7 bps y-o-y to 2.89% helped by the positive impact of DenizBank
- Total assets grew 37% to AED 683 billion during 2019 including DenizBank
- Customer loans increased 33% to AED 437 billion during 2019 including DenizBank
- Customer deposits increased 36% to AED 472 billion during 2019 including DenizBank
- Impaired loan ratio at 5.6% and coverage ratio of 112.3%
- Liquidity coverage ratio of 160% and advances to deposits ratio of 92.6% demonstrate the Bank's healthy liquidity position
- Common equity tier 1 ratio of 15.3% and capital adequacy ratio of 18.5% well above minimum requirements

Commenting on the Bank's performance, His Highness Sheikh Ahmed Bin Saeed Al Maktoum, Chairman, Emirates NBD said: "2019 was a momentous year for Emirates NBD leading to a strong net profit. The underlying performance, coupled with strategic initiatives, helped Emirates NBD generate significant shareholder value. The outstanding success of the Rights Issue underlines the confidence of local and international investors in the Bank's business model and promising outlook. As the official banking partner of Expo 2020 Dubai, we are excited and honoured to be associated with the World's Greatest Show and look forward to creating a strong social and economic legacy. In 2019, we dedicated our corporate social activities to the 'Year of Tolerance' through continuous efforts to support People of Determination. As 2020 marks the 'Year of Getting Ready for the UAE's 50th Anniversary', we will channel our efforts to help design the future for the generations to come in the next fifty years."

Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said: “Emirates NBD delivered a strong set of results in 2019, achieving a record net profit of AED 14.5 billion and total assets in excess of AED 683 billion. We are delighted to welcome DenizBank into the Emirates NBD family during 2019, increasing the Bank’s presence to 13 countries, servicing over 14 million customers in the MENAT region. In 2019 the Bank raised its Foreign Ownership Limit to 20% and signalled its intention to further increase the limit to 40% in due course. This supports the vision and goals of the country’s leadership to make the UAE the region’s most attractive economy for foreign direct investment. 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 350,000 customers. Our aim for 2020 is to ensure that all our technology enhancements increasingly translate into seamless, innovative financial services for our customers.”

Commenting on the Bank’s performance, Shayne Nelson, Group Chief Executive Officer said: “Emirates NBD delivered a strong performance in 2019 as net profit increased by 44% to AED 14.5 billion. Core operating profit rose 4% as higher income more than offset a rise in expenses and provisions. The Bank’s balance sheet remains healthy and the acquisition of DenizBank helped grow total assets by 37% to AED 683 billion. NIMs improved 7 bps y-o-y to 2.89%, helped by our expansion into Turkey, whilst the cost to income ratio at 32.1% remains within guidance. Emirates NBD is honoured to be named ‘Bank of the Year – UAE 2019’ for the fourth time by *The Banker*. We have completed the third chapter of our AED 1 billion digital transformation and will conclude the final phase ahead of the UAE’s 50th anniversary. I am confident that we will continue to deliver excellent customer service and superior value to our shareholders while taking advantage of growth opportunities across our regional footprint.”

Financial Review

AED Million	12 months ended	12 months ended	Better / (Worse) (%)
	31-Dec-19	31-Dec-18	
Net interest income	16,188	12,888	26%
Non-interest income	6,231	4,515	38%
Total income	22,419	17,402	29%
Operating expenses	(7,207)	(5,620)	(28)%
Pre-impairment operating profit	15,211	11,783	29%
Impairment allowances	(4,818)	(1,748)	(176)%
Operating profit	10,393	10,034	4%
Gain on disposal of associate	4,389	-	n/a
Share of profits from associates	19	136	(86)%
Gain on bargain purchase	92	-	n/a
Taxation charge	(390)	(129)	(203)%
Net profit	14,504	10,042	44%
Cost: income ratio	32.1%	32.3%	0.1%
Net interest margin	2.89%	2.82%	0.07%
Adjusted EPS (AED)	1.68	1.70	(0.02)
Return on tangible equity	24.2%	20.3%	3.9%

AED Billion	as at	as at	Better / (Worse) (%)
	31-Dec-19	31-Dec-18	
Total assets	683.3	500.3	37%
Loans	437.4	327.9	33%
Deposits	472.2	347.9	36%
NPL ratio	5.6%	5.9%	0.3%
Impaired loan coverage ratio	112.3%	127.3%	(15.0)%
Capital adequacy ratio	18.5%	20.9%	(2.4)%
Tier 1 ratio	17.4%	19.8%	(2.4)%
Common equity tier 1 ratio	15.3%	16.6%	(1.3)%

Total income for 2019 amounted to AED 22,419 million, an increase of 29% compared with AED 17,402 million in 2018.

Net-interest income improved 26% y-o-y supported by loan growth and an improvement in margins from the Turkish acquisition. Excluding DenizBank, net-interest income increased 6% driven by 7% loan growth.

Total non-interest income increased 38% y-o-y, or 13% excluding DenizBank, on higher core fee and investment securities income. Core fee income increased by 32% y-o-y due to higher foreign exchange and credit card related income.

Costs for 2019 amounted to AED 7,207 million, an increase of 28% over the previous year due to a rise in staff and operating costs relating to international expansion and the amortization of intangibles. Depreciation cost increased due to the IFRS 16 implementation. The cost to income ratio at 32.1% is within guidance and the Bank remains firmly focused on cost control.

During 2019 the impaired loan ratio settled at 5.6% as a result of the acquisition of DenizBank's loans at fair value. Impairment allowances of AED 4,818 million for 2019 are 176% higher than 2018 with net cost of risk increasing to 117 bps due to the inclusion of DenizBank, higher charges and lower writebacks and recoveries.

The Bank's strong net profit of AED 14,504 million in 2019 is 44% higher than in 2018. The results include a gain of AED 4,389 million on the partial disposal of Network International shares and a fair value measurement of the remaining stake. Core operating profit grew 4% y-o-y, supported by asset growth, higher fee income and the inclusion of DenizBank.

Loans and deposits increased by 33% and 36% respectively since the beginning of the year. The advances to deposits ratio remains comfortably within management's target range at 92.6% and the liquidity coverage ratio is healthy at 160%. During 2019, the Bank raised AED 13.3 billion of senior term funding through private placements in nine currencies with maturities out to 20 years.

As at 31 December 2019, the Bank's common equity tier 1 ratio is 15.3%, tier 1 ratio is 17.4% and capital adequacy ratio is 18.5%, following the successful completion of the rights issue.

Business Performance

Retail Banking & Wealth Management (RBWM)

RBWM delivered a strong performance in 2019 with income up 8% y-o-y to AED 7,971 million, supported by growth in net interest income from liabilities. Fee income grew 5% during the year driven by cards, loans and FX and represents 33% of total revenue.

Liabilities grew by over AED 5 billion during 2019 supported by enhanced customer promotions and new product launches. Customer advances rose by AED 2 billion led by strong acquisitions of personal loans (+28%) and credit cards (+18%).

The cards franchise was strengthened with the launch of the Emirates NBD LuLu 247 Mastercard and the revamp of the Emirates NBD Marriot Bonvoy credit card. The Scholar Plus Loan was introduced for families seeking financial assistance with university education fees. The Emirates NBD Plus Saver account was rolled out offering customers attractive interest rates on their online savings account.

The Priority Banking and Business Banking brand propositions were refreshed. The bancassurance product range was revamped and the Emirates NBD Expo 2020 Dubai Account was launched providing SME customers with preferential pricing and privileges. Acquisition of emerging affluent Personal Banking Beyond customers grew 16% over the previous year.

Liv., the lifestyle digital bank for millennials continued to be the fastest growing retail proposition in the UAE, doubling its customer base in 2019 to about 350,000 customers. The product suite was expanded with Liv.'s mobile insurance, international transfers and contactless payment options. The Bank announced the launch of E20., a digital business bank for entrepreneurs and SMEs.

The division continued to advance its digitization agenda. New customers can now open accounts instantly from their smartphones. Smart Pass, a soft token based transaction authorization feature was extended to all customers.

The Bank's UAE branch footprint evolved with the opening of three new digitally enabled branches and approval was received to open 20 additional branches in the Kingdom of Saudi Arabia.

Private Banking revenue grew 7% during the year on increased client acquisitions. The wealth platform was enhanced with the introduction of new funds and structured products. Investment performance at Emirates NBD Asset Management remained strong with assets under management growing by 9% during 2019.

Wholesale Banking (WB)

WB delivered total income of AED 5,957 million, up by 2% compared to 2018. Net profits were 26% lower mainly due to higher impairment allowances and lower loan recoveries.

Net interest income of AED 4,609 million for 2019 was 0.5% higher than the previous year mainly due to growth in lending activity, partially offset by margin compression.

Fee income of AED 1,348 million for the year increased by 7% compared to 2018 due to higher lending fee revenue and increased investment banking activity.

Costs were 7% higher for 2019 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 features were launched including a new digital transaction banking platform and a digital trade finance portal.

In terms of the balance sheet, assets grew by 6% with strong momentum in lending activity and growth in the Bank's core and short term lending business. Liabilities were 18% higher with a continued focus on growing Current Account and Savings Account balances, reflecting the Bank's aim on reducing funding costs while maintaining liquidity at an optimum level.

The credit quality on newly originated business continued to be good. However, net provisions increased mainly due to higher impairment allowances coupled with lower level of recoveries.

The healthy performance of the business highlights the Bank's efforts to become the leading Wholesale Bank in the Middle East, North Africa and Turkey by providing a full range of Wholesale Banking products and solutions to clients across the region.

Global Markets & Treasury (GM&T)

GM&T income declined 25% on a decrease in net interest income due to lower interest rates.

The Trading desk delivered a strong performance with revenues growing by 45%. The Credit Trading desk benefited from increased new issuance volumes in the region and the Rates desk were able to take advantage of increased interest rate volatility.

The Global Funding Desk raised AED 13.3 billion of senior term funding in nine currencies through private placements with maturities out to 20 years and also successfully raised a US\$ 1 billion Perpetual Tier 1 issue in the first half of 2019.

As part of the Bank's IT upgrade, the Group Treasury System was extended to incorporate additional overseas operations under one common platform.

Emirates Islamic (EI)

EI delivered a strong set of results for 2019 as net profit grew 15% to AED 1,061 million surpassing, the one billion dirham mark for the first time.

EI reported total income of AED 2,670 million for 2019, an 8% increase compared to 2018. This increase is driven by higher financing and investment activity. Higher net profits were also supported by lower operating costs..

EI's total assets stand at AED 64.8 billion at the end of 2019. Financing and Investing Receivables increased by 4% to AED 37.5 billion during the year. Over the same period customer deposits increased by 9% to AED 45.3 billion. CASA balances represent 63% of total customer deposits. EI's headline financing to deposit ratio stood at 83% and is comfortably within the management's target range.

As at 31st Dec 2019, EI's common equity tier 1 ratio is 19.5% and the Total Capital ratio is 20.7%. During 2019, EI's NPF ratio improved by 0.6% to 7.6% with the coverage ratio maintained at 120%.

DenizBank

DenizBank contributed AED 3,643 million to the Bank's total income and delivered a net profit of AED 609 million for the five months since the acquisition date. Operating expenses and impairment allowances amounted to AED 1,247 million and AED 1,532 million respectively for the same period. DenizBank is the fifth largest private bank in Turkey with assets of AED 134 billion, loans of AED 86 billion and deposits of AED 98 billion as at 31 December 2019.

DenizBank has a wide presence through a network of 3000+ ATMs and operating with 708 branches in Turkey and 44 in other territories (Austria, Germany, Bahrain) servicing around 13 million customers, through over 14,000 employees.

Outlook

The Bank's Research team estimate that UAE GDP growth reached 2.0% in 2019, up from 1.7% in 2018 as the oil sector contributed positively to overall economic growth. However, deeper oil production cuts announced by OPEC in December 2019 are likely to weigh on the UAE's GDP figures in 2020 and we expect GDP growth in the UAE to slow to 1.6% as a result. Nevertheless, Dubai's economy is likely to gain momentum this year, with Expo 2020 providing a boost to activity in the Emirate. We expect Dubai's GDP to grow 3% this year, up from an estimated 2% in 2019.

-ENDS-

Notes to editors:

Awards:

❖ **Best Bank and Best Regional Bank Awards – Emirates NBD**

- Emirates NBD has been ranked among the top 20 in the Forbes' third annual list of the World's Best Regarded Companies
- 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 'Bank of the Year – UAE 2019' by The Banker
- Emirates NBD won 'Best Retail Bank in the Middle East' and 'Best Retail Bank in the UAE' and U By Emaar Visa Credit Card was recognized as 'Credit Card Product of the Year' and 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
- Emirates NBD won 'Most Innovative Financial Institution in the Middle East' by Global Finance The Innovators 2019 Awards
- Emirates NBD won IMPACT2030 Innovation Award 2019 for its Corporate volunteering efforts

❖ **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 'Innovation in Customer Experience' and 'Best Application of Advanced Technology in a Product or Service' for its 'Blockchain Center of Excellence for Payments' by 2019 BAI Global innovation Awards

❖ **Emirates Islamic**

- Emirates Islamic won 'Best Islamic Bank, UAE' at the World Finance Islamic Finance Awards 2019
- Emirates Islamic named 'Most Innovative Islamic Bank' by Islamic Finance News
- Emirates Islamic won 'Best Retail Bank' and 'Best Digital Banking Proposition' by Islamic Business & Finance Magazine

About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 979 branches and 4150 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, Turkey, the Kingdom of Saudi Arabia, Singapore, the United Kingdom, Austria, Germany and Bahrain and representative offices in China and Indonesia. For more information, please visit: www.emiratesnbd.com

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