

For immediate release

## **Emirates NBD Announces First Half 2012 Results**

### **Robust Financial Performance**

**Operating Profit up 52% to AED 1.3 billion**

**Total Income of AED 5.2 billion; Net Profit of AED 1.3 billion**

**Dubai, 23 July 2012**

Emirates NBD (DFM: EmiratesNBD), the leading bank in the region, today announced its results for the half year ended 30 June 2012.

### **Results Highlights**

- ❑ **H1 2012 net profit of AED 1.3 billion**, up 274% compared with AED 0.3 billion in H1 2011 after excluding the AED 1.8 billion non-recurring gain on subsidiaries
- ❑ **Total income of AED 5.2 billion**, up 7% from H1 2011
- ❑ **Operating profit before impairment allowances of AED 3.3 billion**, up 5% from the first half of 2011
- ❑ **Operating profit of AED 1.3 billion**, up 52% from the first half of 2011
- ❑ **Moderate increase in impaired loans ratio** during the first half of 2012 of **0.5% in line with expectations**
- ❑ **Total assets up 5% at AED 298.4 billion** compared with AED 284.6 billion at the end of 2011
- ❑ **Customer loans at AED 208.2 billion, up 2%** relative to AED 203.1 billion at the end of 2011
- ❑ **Customer deposits at AED 208.4 billion, up 8%** from AED 193.3 billion at the previous year-end
- ❑ **Headline loan to deposit ratio improved to 100%** from 105% at the end of 2011
- ❑ **Capital adequacy ratio at extremely healthy level of 19.5%**

**Commenting on the Group's performance, Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said:** "During the first half of 2012 we have delivered a robust set of financial results with pre-impairment operating profits for the period up 5%, despite a continued challenging external environment. In addition, the progress we have made towards our strategic priorities is now bearing fruit as growth momentum in our Retail and Islamic banking franchises is evidently gathering pace, while the strategy transformation activity in our Wholesale Banking business is set to reap future benefits."

**Emirates NBD's Chief Financial Officer, Mr. Surya Subramanian, said:** "The operating performance for the first half of 2012 has been strong despite challenges to top-line growth and has been supported by a sustained cost optimisation initiative, reporting declining operating costs over the last two quarters. The Bank has also continued to maintain conservatism in de-risking its balance sheet and further optimised its balance sheet during the period through its focus on growth in stable low-cost deposits and the issuance of almost AED 9 billion in medium term liabilities."

## Financial Review

AED million	Half Year ended 30 June 2012	Half Year ended 30 June 2011	Change (%)	Quarter ended 30 June 2012	Quarter ended 30 June 2011	Change (%)
Net interest income	3,416	3,379	+1%	1,639	1,731	-5%
Non-interest income	1,769	1,455	+22%	860	843	+2%
<b>Total income</b>	<b>5,185</b>	<b>4,834</b>	<b>+7%</b>	<b>2,499</b>	<b>2,574</b>	<b>-3%</b>
Operating expenses	(1,836)	(1,634)	+12%	(894)	(826)	+8%
<b>Operating profit before impairment allowances</b>	<b>3,349</b>	<b>3,200</b>	<b>+5%</b>	<b>1,605</b>	<b>1,748</b>	<b>-8%</b>
Impairment allowances	(2,055)	(2,350)	-13%	(954)	(981)	-3%
<b>Operating profit</b>	<b>1,294</b>	<b>850</b>	<b>+52%</b>	<b>651</b>	<b>767</b>	<b>-15%</b>
Amortisation of intangibles	(40)	(47)	-15%	(20)	(24)	-17%
Associates	46	(445)	-110%	21	32	-33%
Gain on subsidiaries	-	1,813	n/a	-	(22)	n/a
Taxation charge	(11)	(14)	-22%	(5)	(9)	-43%
<b>Net profit</b>	<b>1,289</b>	<b>2,157</b>	<b>-40%</b>	<b>647</b>	<b>744</b>	<b>-13%</b>
Cost to income ratio (%)	35.4%	33.8%	+1.6%	35.8%	32.1%	+3.7%
Net interest margin (%)	2.45%	2.48%	-0.03%	2.28%	2.53%	-0.25%
EPS (AED)	0.21	0.36	-43%	0.10	0.12	-14%
Return on average shareholders' equity (%)	10.2%	17.7%	-7.5%	10.3%	12.1%	-1.8%

AED billion	As at 30 June 2012	As at 31 Dec 2011	Change (%)	As at 31 Mar 2012	Change (%)
Total Assets	298.4	284.6	+5%	296.7	+1%
Loans	208.2	203.1	+2%	204.1	+2%
Deposits	208.4	193.3	+8%	208.5	-0%
Impaired loan ratio (%)	14.3%	13.8%	+0.5%	14.1%	+0.2%
Impaired loan coverage ratio (%)	46%	43%	+3%	45%	+1%
Capital Adequacy Ratio (%)	19.5%	20.5%	-1.0%	19.1%	+0.4%
Tier 1 Ratio (%)	12.8%	13.0%	-0.2%	12.5%	+0.3%

### Total Income

*Total income* for the first half of 2012 grew by 7% to AED 5,185 million from AED 4,834 million in H1 2011.

*Net interest income* for the 6 months ended 30 June 2012 improved by 1% to AED 3,416 million from AED 3,379 million in H1 2011 as a moderate 3 basis point decline in the net interest margin was more than offset by growth in average interest earning assets during the period. On a quarterly basis, Q2 2012 net interest income of AED

1,639 million decreased by 5% from Q2 2011 levels due to a reduction in the net interest margin, driven primarily by lower loan spreads.

*Non-interest income* recorded an increase of 22% to AED 1,769 million in H1 2012 compared with H1 2011, driven by increased banking fee income, a pickup in trade finance activity and increased foreign exchange and rates income. Q2 2012 non-interest income increased by 2% compared with Q2 2011, principally due to improved banking fee and trade finance income.

### **Total Costs**

Costs in H1 2012 amounted to AED 1,836 million, an increase of 12% over H1 2011 due to the inclusion of the Dubai Bank cost base in the current period, without which costs were flat relative to H1 2011. Q2 2012 costs of AED 894 million increased by 8% relative to Q2 2011, but improved by 4% excluding the impact of Dubai Bank. The cost to income ratio for H1 2012 increased by 1.6% from H1 2011 as improving top-line momentum was more than offset by the inclusion of Dubai Bank costs during the current period.

### **Credit Quality and Impairments**

Emirates NBD continues to pro-actively manage credit quality, and impaired loans across the Bank's corporate, retail and Islamic financing portfolios have increased moderately, within previously expected levels, during the first 6 months of 2012 by 0.5% to end the period at 14.3%.

The impairment charge in respect of H1 2012 improved to AED 2,055 million compared with AED 2,350 million in H1 2011. This impairment charge was primarily composed of specific provisions made in relation to the Bank's corporate and Islamic financing portfolios. As at 30 June 2012 total portfolio impairment allowances amount to AED 3.7 billion or 2.5% of unclassified credit risk weighted assets, in excess of the UAE Central Bank requirement of 1.5% by AED 1.5 billion.

### **Associates and Joint Ventures**

The positive contribution of the Bank's investments in associates and joint ventures during H1 2012 amounted to AED 46 million compared with a negative AED 445 million contribution H1 2011. In the prior period this was principally driven by a reduction of AED 500 million recorded in the Bank's investment in Union Properties, while further impairments on this investment were not required in H1 2012 as the Bank remains comfortable with the current book value of AED 532 million.

### **Net Profit**

Net profit for the Group was AED 1,289 million for H1 2012, 40% below the profit posted in H1 2011 of AED 2,157 million as the comparative period was aided by an AED 1,813 million gain on the stake sale of Network International.

### **Customer Loans and Deposits**

Customer Loans as at 30 June 2012 (including Islamic financing) grew by 2% from end-2011 levels to AED 208.2 billion.

Customer Deposits as at 30 June 2012 were AED 208.4 billion, an increase of 8% over the customer deposit base as at 31 December 2011.

The loan to deposit ratio improved in H1 2012 to 100% from 105% at the end of 2011.

### **Capital**

As at 30 June 2012, the Bank's total capital adequacy ratio and Tier 1 capital ratio were 19.5% and 12.8% respectively. While capital increased due to profit generation during the first 6 months of 2012, this was more than offset by the dividend payable in respect of the 2011 financial year and the commencement of the capital amortisation of the Ministry of Finance Tier 2 deposits. These impacts, together with an increase in risk weighted assets of 2% over the period, resulted in a moderate decline of 0.2% in the total capital adequacy ratio relative to the end of 2011.

## **Group Initiatives**

### **Tanfeeth**

Tanfeeth continued to improve service delivery for Emirates NBD over the first six months of 2012, while further establishing its brand as the GCC's first Shared Services company.

Following the integration of eight Emirates NBD back office operating units in Q1 2012, Tanfeeth completed the integration of Emirates NBD's HR Services, Finance & Accounting and Collections back office units during the second quarter of the year. In addition, Tanfeeth started the integration of Emirates NBD's Trade Finance operating unit, the latest unit to move from Emirates NBD to Tanfeeth.

Tanfeeth's transformational team have already successfully embedded a lean, customer-centric operating model in the majority of its business units and are now looking to finalise transformation of the remaining units.

The Tanfeeth leadership team has institutionalised a combination of structured problem solving methods like Lean, with innovative thinking, proven re-engineering methods and cutting edge technology. In parallel Tanfeeth has invested significantly in its people through a wide range of mentoring and training programs. These include Excellerate, a global talent development program, to ensure Tanfeeth's high-potential employees become future leaders, specially focusing on the Emirati talent.

As a result of these efforts Emirates NBD has seen a 13 per cent improvement in external customer satisfaction, as well as an improvement in employee satisfaction by 21 per cent. Forecasted savings through the efficiency and productivity improvements delivered by Tanfeeth to Emirates NBD are expected to be significant and on track.

Going forward, Tanfeeth will continue to deliver further value for Emirates NBD by increasing customer service while improving the quality and efficiency of its processes across the entire business chain.

#### **Takeover of Dubai Bank**

Following the takeover of Dubai Bank on 11 October 2011, an integration committee was established to oversee the assimilation of Dubai Bank into the Group. Technology and interoperability have been a major focus area for the committee and the first major milestone to be reached in the ongoing integration program was the successful completion of the first phase of integrating Dubai Bank's ATM network into the Emirates NBD Group during H1 2012.

During the period, Emirates NBD appointed Jamal Bin Ghalaita as the new Chief Executive Officer (CEO) of Dubai Bank. His appointment was in addition to his current position as CEO of Emirates Islamic Bank and aims at unifying the management team of both Islamic subsidiaries under the umbrella of Emirates NBD. Following this appointment, a unified Executive Committee was appointed to manage both banks, comprising senior management from both Islamic subsidiaries.

In May 2012, a Town Hall was held to introduce the Executive Committee to the middle and senior management of the bank and to share the plans to ensure a seamless assimilation of Dubai Bank into the Group. Work is also proceeding on ensuring the interoperability of technology, reinforced through the re-skilling of front line and back-office staff as well as the alignment of the product portfolio, rates and policies with Group standards for all Dubai Bank customers.

## Business Performance

### **Consumer & Wealth Management (CWM)**

The Bank's Consumer Banking and Wealth Management division recorded a good performance during the first half of 2012, achieving growth in their business and customer base.

Revenue for the Division increased by 20% for the six months ended 30 June 2012 to AED 2,221 million from AED 1,848 million in H1 2011, driven by 16% growth in net interest income to AED 1,570 million from AED 1,349 million and a 30% improvement in fee income to AED 650 million from AED 499 million. On a quarterly basis revenue improved by 12% in Q2 2012 to AED 1,100 million compared with Q2 2011, driven by 8% growth in net interest income to and a 25% improvement in fee income.

During the first half of 2012, CWM continued its focus on increasing productivity and revenue, with several initiatives being launched to improve processes and customer service, and deepening customer relationships.

Credit quality remained tightly managed and retail loan portfolio delinquencies during both the first and the second quarter of 2012 have reduced significantly as compared to 2011 figures.

CWM's sustained focus on deposit growth during H1 2012, particularly in current and savings account categories, resulted in growth of AED 9 billion in customer deposits from end-2011 levels to reach AED 84 billion.

Key highlights of H1 2012 include the launch of a number of new products and campaigns which include Go4it Debit card Packages for Personal Banking customers; Get, Set, Gold sales contest for branches and direct sales; Ladies Banking package variants (Emirati, Executive and Home Maker) offering discounts, deals and offers across personal care, apparels, health and beauty and various other services. In addition, the period saw the launch of a buy over campaign offering reduced rates to increase market share in mortgages; the launch of unique accident and health product; life style protector insurance with NOL card; the launch of Personal Cash loan, Islamic insurance products; the re-launch of Recurring Deposit as an attractive savings tool as well as the launch of a high visibility Deposit Carnival campaign.

Emirates NBD's branch network, now stands at 105 branches across the UAE. The alternate distribution capability has been streamlined and rationalised across the Emirates with a total ATM and CDM network of 580.

## Wholesale Banking

Wholesale Banking continued to deliver a robust and steady performance during the first half of 2012. The Division recorded total income of AED 2,070 million during H1 2012, down 2% compared with H1 2011. Net interest income declined by 5% in H1 2012 to AED 1,503 million compared with AED 1,588 million in H2 2011 due to loan spread compression resulting from increased competition for good quality underwriting as well as the increased cost of carry on non-performing loans. Strong growth was however achieved in fee income which rose 10% in the first 6 months of 2012 to AED 566 million compared with AED 513 million in H1 2011, reflecting a pickup in new underwriting and syndications as well as increased trade finance and cash management activity.

Customer Deposits increased by 6% since the end of 2011 while the advances portfolio grew 3% during the first 6 months of the year as a modest pickup in new underwriting was partly offset by normal loan repayments.

During H1 2012 Wholesale Banking through its Investment Banking unit executed several notable transactions, which included mandated lead arranger and / or bookrunner roles for an AED 1.14 billion conventional and Islamic facility for Palm District Cooling LLC, an AED 173.5 million term loan facility for IFA Hotels and Resorts FZE, a syndicated term loan facility for Sampath Bank with a transaction size of USD 62.5 million, a USD 1,035 million dual tranche syndicated financing facility for Dubai International Financial Centre Investments LLC, USD 290 million loan facilities for MAF Properties LLC, a USD 325 million Syndicated Dual Currency Murabaha financing facility for Bank Asya, the largest Participation Bank in Turkey and a USD 100mn Syndicated Islamic facility for Horizon Emirates Terminals Limited. Wholesale Banking further acted as joint lead arranger for the 5 year USD 500 million Sukuk issued by Emirates Islamic Bank as well as executing the role of joint lead arranger and bookrunner for the CHN 1 billion 3 year and USD 1 billion 5 year bonds issued by Emirates NBD during the period.

Another key activity during H1 2012 included the commencement of a comprehensive strategic review and transformation process for Wholesale Banking. The new vision for the Division, defined as part of this process, is to become the dynamic Wholesale Banking powerhouse in the Middle East with a client centric approach based on superior credit processes, efficient and reliable operations and a high performance culture leading to deep and mutually beneficial customer relationships. To realise this vision, a number of initiatives have been established, each encompassing several individual projects, designed to enhance the Wholesale Banking segmentation and coverage model, realise its international expansion aspirations, improve cross-selling of cash management, trade finance, treasury and investment banking products and streamline operations and credit processes.

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

GMT reported total income of AED 443 million for H1 2012 compared with AED 328 million for the comparable period of 2011, driven mainly by higher gains on principal investments and a pickup in foreign exchange and treasury sales businesses. On a quarterly basis total income improved by 9% to reach AED 196 million in Q2 2012 compared with AED 180 million in Q2 2011.

The foreign exchange business improved during the first six months of 2012 due to volatility in the foreign exchange market, seasonal demand in Q1 2012 and targeted marketing efforts. In addition, the business was able to capture short windows of trading opportunities in the Euro zone which aided foreign exchange income. During the period, the Bank was named “Best Foreign Exchange Providers in the UAE” for 2012 from Global Finance.

Treasury sales recorded a good performance during the first six months of the year as the low interest rate scenario encouraged some clients to lock in rates through vanilla hedge structures. In addition, Treasury developed commodity-linked capital protected structured products which were well received by the client base and witnessed increased demand for floating rate notes from its clients.

In H1 2012, GMT successfully raised medium to long term liabilities which included the USD 500 million 5 year Sukuk by Emirates Islamic Bank, a USD 1 billion 5 year RegS issue, a CNH 1 billion 3 year issue and in excess of USD 750 million in private placement issuance.

### **Emirates Islamic Bank (EIB)**

Total income (net of customers’ share of profit) for EIB was AED 454 million for H1 2012, an improvement of 20% from H1 2011. For the second quarter, income grew 20% from AED 194 million in Q2 2011 to AED 231 million in Q2 2012. Customer accounts grew by 9% to AED 19.9 billion during the first half of 2012 while financing receivables grew 3% to AED 14.6 billion from end-2011.

During the first half of 2012, EIB continued implementing its transformation plan focusing on growth and efficiency. The Bank has been strengthening its SME and Affluent segments, with improved value propositions. In terms of distribution, it opened 2 branches in high-potential areas, Dubai Mall and Dubai Investment Park, taking the total to 35. Furthermore, 4 ATM and CDM machines were added during the period, taking the total to 105 as at 30 June 2012.

During the period, EIB became the first Islamic Bank in the country to launch a mobile banking application for the iPhone. It additionally launched a number of products and campaigns to sustain business growth. Key highlights include the launch of a new home finance 5-year fixed rate product, expansion of the personal finance product to



new segments, the launch of a Banknote Unit in key branches, the revamp of Bina'a Home Finance to offer 100% financing up to AED 3.5 million, the continuing development of tie-ups with dealers in Auto Finance, and the launch of acquisition campaigns for Personal. In addition, a “double your salary” marketing campaign was launched targeted at acquiring new salary transfer accounts.

### **IT and Operations (ITO)**

During H1 2012, Group IT had been focused on a transformation program aimed at improving IT effectiveness and efficiency. This initiative is expected to enhance service levels on core IT activities, improve delivery time of projects and most importantly focus on delivering initiatives aligned with the Bank's strategic direction. In parallel, Group IT has successfully maintained its Quality Management certification (ISO Standard 9001:2008), a certification that is accredited by BSI® and the United Kingdom Accreditation Service (UKAS).

Key IT projects delivered during the quarter include the enhancement of customer and transaction screening systems to enable real time detection of any fraudulent or sanctioned transactions, the completion of the first phase of integrating Dubai Bank's ATM network into the Emirates NBD Group and the implementation of the Finacle core banking infrastructure in the London branch. In addition, virtualisation of server environments has continued which has saved costs, freed up servers and licenses. Additionally, to enhance customer service, the Arabic Version of Retail Internet Banking was implemented. IT also enabled the smooth introduction of the Go4it Debit card to allow customers to carry one card for banking and travel and implemented a new Queue Management system in branch premises to improve customer turnaround time, optimize resources and create new revenue streams.

Operations during the first half of 2012 have continued to concentrate on increasing efficiency and throughput on banking transactions and the Bank is continuing its focus on centralising core banking operations under the Tanfeeth umbrella in 2012 for increased efficiency and quality. Subsequent to the successful implementation of IBAN in Q4 2011, Operations has smoothly rolled out the Central Bank mandated project UAEFTS, a new payment system for domestic AED fund transfers in April 2012. The Customer Service Excellence Program (CSEP), which was launched in December 2011 and is aimed at identifying and addressing specific gaps in service deliveries and devising a self sustainable mechanism to ensure service remains focused towards customer needs and expectations, was successfully rolled out across all Emirates NBD branches and support units during Q2 2012.

At the start of 2012, the Procurement transformation continued with increased focus on further centralisation of the procurement activity and the benefits of adopting the right procurement model in 2011 for the Group were realised in terms of creating value through cost reduction in 2012.

## Outlook

During the first half of 2012, the UAE economy has continued to display resilience to global uncertainty, underpinned by a continued increase in oil output and strength in the trade, logistics, tourism and retail sales sectors. Nevertheless, the external environment remains challenging and the Bank maintains its cautious outlook. However, Emirates NBD's capitalisation, liquidity and operating profitability remain extremely strong offering both resilience and flexibility for the future. In addition, the Bank has a clear strategy in place to further enhance shareholder returns and take advantage of the selected growth opportunities. This strategy is built around further optimisation of the balance sheet and capital allocation; driving income growth and profitability through key account planning, cross-selling and customer service enhancement initiatives; enhancement of platforms; and measured investment in key growth areas.

**END**

### **Notes to editors:**

#### **Awards**

Banker Middle East “**Best SME insurance product**” award

“**Best Bank in UAE**” Award for 2012 from Global Finance

Emirates NBD Asset Management wins “**Specialist Fund of the Year**” at the 2012 MENA Fund Manager Performance Awards for its Emirates Global Sukuk Fund

Emirates NBD tops “**Brand Simplicity Index**” as region's No.1 Retail Banking Brand by Siegel+Gale.

Emirates NBD wins “**Dubai Award for sustainable Transport**” fourth edition

Emirates NBD is Rated **Amongst 50 top Regional Companies** in the **Hawkamah ESG Pan Arab Index**

“**Best Trade Finance Bank**” award for 2012 from Global Finance

“**Best Foreign Exchange Providers in the UAE**” award for 2012 from Global Finance

Emirates NBD awarded “**Best Customer Attraction**” and “**Best Overall Customer Experience**”

“**Best Bank Brand**” and award for leading PR and marketing company

Emirates NBD Asset Management named ‘**Best Asset Management Company**’ at Arab Achievement Awards 2012

“**Best Corporate Card**” at Smart Card Awards Middle East

Emirates NBD Asset Management named “**MENA Sukuk Manager**” of the year at the 2012 Global Investor/ISF Investment Excellence Awards

Emirates NBD Asset Management named “**Best Islamic Wealth Management Service Provider**” at the 2012 Sukuk Summit - Islamic Finance Awards of Excellence

#### **About Emirates NBD**

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

Emirates NBD has a leading retail banking franchise in the UAE, with 161 branches and over 740 ATMs and CDMs. It is a major player in the UAE corporate 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, the Kingdom of Saudi Arabia, Qatar, Singapore, the United Kingdom and Jersey (Channel Islands), and representative offices in India, Beijing and Iran. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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