

**For immediate release**

## **Emirates NBD Announces First Quarter 2018 Results**

**Net profit up 27% y-o-y and 10% q-o-q to AED 2.4 billion**

**Dubai, 18 April 2018**

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a strong set of results with net profit up 27% y-o-y and 10% q-o-q to AED 2.4 billion. The solid operating performance was underpinned by higher net interest income on the back of loan growth and improved margins, and a lower cost of risk. The Bank's balance sheet continues to strengthen with further improvements in credit quality, coupled with solid liquidity and capital ratios.

### **Financial Highlights – Q1 2018**

- Net profit of AED 2.4 billion, up 27% y-o-y
- Total Income of AED 4.1 billion improved 13% y-o-y due to loan growth and the positive impact of recent rate rises
- Net Interest Margin improved by 17 bps to 2.68% in Q1-18 from 2.51% in Q4-17, helped by rate rises and stable funding costs
- Total assets at AED 475.6 billion, up 1% from end 2017
- Customer loans at AED 311.4 billion, up 2% from end 2017
- Customer deposits at AED 331.9 billion, up 2% from end 2017
- Impaired Loan ratio improved to 6.0% whilst Coverage ratio strengthened to 127.9%
- Liquidity Coverage Ratio of 152.9% and AD ratio of 93.8% demonstrates healthy liquidity position
- Common Equity Tier 1 Ratio at 15.5%, Tier 1 Ratio at 19.0% and Capital Adequacy Ratio at 20.3%

**Commenting on the Group's performance, Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said:** "I am delighted that Emirates NBD has delivered another record net profit this quarter. Emirates NBD is ranked the UAE's most valuable banking brand for the second consecutive year, and 71st worldwide, by The Banker. As the region's leader in digital banking, we rolled out several initiatives this year, including the Group's first Innovation Month, aligned to the UAE Innovation Month initiative launched by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, Ruler of Dubai. We also introduced self-service banking initiatives for People of Determination, as we drive financial inclusion for everyone in the UAE. As a homegrown bank, we remain committed to contribute to the communities we serve and are proud to dedicate our 2018 CSR activities to the Year of Zayed to honour the legacy of our nation's founding father."

**Group Chief Executive Officer, Shayne Nelson said:** "Emirates NBD delivered a strong set of results in the first quarter of 2018. Net profit increased by 27% to reach a record quarter high of AED 2.4 billion, underpinned by higher net interest income on the back of loan growth and improving margins and a lower cost of risk. The Group's balance sheet remain strong with solid liquidity and capital ratios and a further strengthening in credit quality. We continued to expand the Bank's international presence and opened a

new branch in Jeddah last month and we are in the process of opening two further branches in the Kingdom of Saudi Arabia. We are well positioned to utilise our strong franchise, digital capabilities and financial strength to take advantage of growth opportunities within the region.”

**Group Chief Financial Officer, Surya Subramanian said:** “The operating performance for the first quarter of 2018 was pleasing as we delivered a record quarterly net profit supported by growth in our core business. Margins widened 17 bps during the quarter as rate rises flowed through to the loan book and funding costs remained stable due to healthy liquidity conditions. With CASA representing 57% of deposits, our book is positioned to benefit from expected rate rises. The cost to income ratio, at 31.1%, provides headroom to keep investing for future growth as we further enhance our digital and technology capabilities.”

## **Financial Review**

| AED million                                       | Quarter ended<br>31-Mar-18 | Quarter ended<br>31-Mar-17 | Better /<br>(Worse)<br>(%) | Quarter ended<br>31-Dec-17 | Better /<br>(Worse)<br>(%) |
|---------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Net interest income                               | 2,984                      | 2,486                      | 20%                        | 2,795                      | 7%                         |
| Non-interest income                               | 1,119                      | 1,131                      | -1%                        | 1,241                      | -10%                       |
| <b>Total income</b>                               | <b>4,103</b>               | <b>3,617</b>               | <b>13%</b>                 | <b>4,037</b>               | <b>2%</b>                  |
| General & administrative expenses                 | (1,276)                    | (1,116)                    | -14%                       | (1,322)                    | 3%                         |
| <b>Operating profit before impairment charges</b> | <b>2,828</b>               | <b>2,501</b>               | <b>13%</b>                 | <b>2,715</b>               | <b>4%</b>                  |
| Impairment allowances                             | (440)                      | (639)                      | 31%                        | (537)                      | 18%                        |
| <b>Operating profit</b>                           | <b>2,388</b>               | <b>1,862</b>               | <b>28%</b>                 | <b>2,178</b>               | <b>10%</b>                 |
| Share of profits of associates                    | 31                         | 39                         | -20%                       | 18                         | 73%                        |
| Taxation charge                                   | (32)                       | (27)                       | -18%                       | (20)                       | -61%                       |
| <b>Net profit</b>                                 | <b>2,386</b>               | <b>1,873</b>               | <b>27%</b>                 | <b>2,176</b>               | <b>10%</b>                 |

|                               |       |       |        |       |       |
|-------------------------------|-------|-------|--------|-------|-------|
| Cost to income ratio (%)      | 31.1% | 30.9% | (0.2%) | 32.7% | 1.6%  |
| Net interest margin (%)       | 2.68% | 2.33% | 0.35%  | 2.51% | 0.17% |
| EPS (AED)                     | 0.40  | 0.31  | 29%    | 0.36  | 11%   |
| Return on Tangible Equity (%) | 22.1% | 19.5% | 2.6%   | 20.1% | 2%    |

| AED billion                      | as at<br>31-Mar-18 | as at<br>31-Mar-17 | Better /<br>(Worse)<br>(%) | as at<br>31-Dec-17 | Better /<br>(Worse)<br>(%) |
|----------------------------------|--------------------|--------------------|----------------------------|--------------------|----------------------------|
| Total Assets                     | 475.6              | 452.0              | 5%                         | 470.4              | 1%                         |
| Loans                            | 311.4              | 295.3              | 5%                         | 304.1              | 2%                         |
| Deposits                         | 331.9              | 319.2              | 4%                         | 326.5              | 2%                         |
| Impaired Loan Ratio (%)          | 6.0%               | 6.3%               | 0.3%                       | 6.2%               | 0.2%                       |
| Impaired Loan Coverage Ratio (%) | 127.9%             | 122.5%             | 5.4%                       | 124.5%             | 3.4%                       |
| Capital Adequacy Ratio (%)       | 20.3%              | 20.2%*             | 0.1%                       | 21.2%**            | (0.9%)                     |
| Tier 1 Ratio (%)                 | 19.0%              | 17.8%*             | 1.2%                       | 18.9%**            | 0.1%                       |
| Common Equity Tier 1 Ratio (%)   | 15.5%              | -                  | -                          | 15.6%**            | (0.1%)                     |

\*Mar-17 ratios as per Basel II      \*\*Dec-17 ratios adjusted for 2017 dividends

Total income for the quarter ended 31 March 2018 amounted to AED 4,103 million; an increase of 2% compared with AED 4,037 million in the preceding quarter.

Net interest income improved 7% over the previous quarter due to loan growth coupled with an improvement in margins.

Core gross fee income was flat quarter-on-quarter and improved 4% year-on-year on account of higher fee income.

Costs for the quarter ended 31 March 2018 amounted to AED 1,276 million, an improvement of 3% over the preceding quarter, as lower marketing, IT and professional fees more than offset a modest increase in staff costs. Costs increased 14% y-o-y in Q1-18 due to investment in our digital transformation and technology refresh. The cost to income ratio at 31.1%, remains within 2018 guidance of 33% and enables us to invest to support future growth.

During the quarter, the Impaired Loan Ratio improved by 0.2% to 6.0%. The impairment charge in Q1-18 of AED 440 million is a 31% improvement on that in Q1-17 as the net cost of risk improved.

The Group's record net profit of AED 2,386 million in Q1-18 is 27% above that posted in the comparable quarter in 2017. The increase in net profit was driven by asset growth, higher margins and reduced provisions which helped offset a modest decline in non-interest income.

Both Loans and Deposits increased by 2% during the quarter. The Advances to Deposits Ratio remains comfortably within Management's target range at 93.8%. In Q1-18, the Bank raised AED 5.2 billion of term funding through a mix of public issues and private placements. Term funding represents 10% of total liabilities.

As at 31 March 2018, the Bank's Common Equity Tier 1 ratio is 15.5%, Tier 1 ratio is 19.0% and Total Capital ratio is 20.3%, as calculated under Basel III.

## **Business Performance**

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

RBWM had a good start to the year delivering a total income of AED 1,790 million during the quarter, up 7% year-on-year, led by growth in net interest income from Liabilities. Fee income grew 3% over the same period last year led by FX and Cards, and comprised 36% of revenues.

The Liabilities book grew faster than the market, increasing by AED 4.4 billion during 2018, led by low cost Current & Savings Accounts ('CASA') following a successful balance enhancement and acquisition campaign. Total customer advances were up by 1% over end 2017 from growth in mortgages and term loan balances, while acquisitions of personal loans and credit cards were up 18% and 12% respectively year-on-year.

RBWM strengthened its value focus with acquisitions of Priority Banking and emerging affluent Personal Banking Beyond customers increasing by 7% over same period last year. Card spends for the quarter

gained further traction, growing 15% year-on-year with over one in two new credit cards sourced belonging to the premium segment.

Liv., the digital bank for millennials, grew rapidly with new customer acquisition matching pace with that of the main bank, supported by a high-engagement marketing campaign and the addition of new features including instant remittances and bill-split services.

As part of its digitization agenda, RBWM extended products covered by paperless sourcing and 80% of personal loans are now sourced this way. A fully automated Decision Management System was rolled out enabling instant approvals for loan applications. The Mobile Banking App was enhanced with new features. The SkyShopper e-commerce portal added new partners and capabilities. DirectRemit 60-second remittances transactions grew 45% year-on-year. Disability friendly access now covers about a third of the branch network.

Emirates NBD's remained the UAE's most valuable banking brand as its brand value increased to USD 3.5 billion according to The Banker's annual brand valuation. The division was recognized as the Best Retail Bank in the Middle East for 2018 by The Asian Banker.

Private Banking delivered outstanding financial results in the first quarter owing to increased investment trading activity and an improved business mix. The CIO Office held its annual Global Investment Outlook guiding clients through their views on 2018. Emirates NBD Asset Management's flagship funds saw strong inflows with the Global Sukuk Fund approaching USD 250 million and the MENA Fixed Income Fund crossing USD 200 million.

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

Wholesale Banking, delivered a very strong performance for the first quarter of 2018 with net profit of AED 1,109 million, up 45% over the corresponding period in 2017, backed by continued growth in the core Wholesale Banking businesses.

Net interest income of AED 1,050 million for Q1-18 was 27% higher than the same period in 2017, driven largely by improvement in margins and growth in lending activity. The improvement in interest income was helped by a change in funding mix with an increase in CASA balances replacing more expensive fixed deposits which resulted in an improved cost of funding.

Fee income of AED 325 million for the first quarter of 2018 was higher by 2% than the corresponding period in 2017 with a continued focus on growing non-funded income from Treasury and Trade products more than offset a decline in lending-based fee income due to pricing competition in a highly competitive market.

Costs were 16% higher for the first quarter 2018 compared with the same period in 2017 mainly due to an organizational re-alignment and selective 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 whilst the successful resolution of legacy portfolio issues led to increased recoveries. This resulted in improved provision coverage and a 46% fall in provisioning requirements to AED 148 million for the quarter ended 31st March 2018.

Despite relatively weak corporate loan demand in the UAE, assets grew by 4%. Deposits declined by 4% due to a reduction in fixed deposit balances reflecting the business' efforts to optimize its funding mix.

Wholesale Banking is making 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 (GM&T)**

GM&T delivered an impressive 44% growth in income to AED 252 million for Q1 2018 against AED 175 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 a rise in short term interest rates.

Despite a difficult quarter due to volatility in global equity markets and global trade war fears, the Trading desk made a healthy contribution to performance, helped by a broader product offering and enhanced distribution network. The Structured Rates business has been launched successfully to support flow business.

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 5.2 billion of term funding through a mix of public issues and private placements with maturities out to 30 years.

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

Emirates Islamic achieved a net profit of AED 209 million in Q1 of 2018, an increase of 2% compared to the previous quarter and a decline of 6% compared to the same period in 2017.

EI reported total income (net of customers' share of profit and distribution to Sukuk holders) of AED 590 million for Q1-18, a decline of 2% compared to same period last year. EI delivered significant growth in core fee income which was offset by a decline in both funded income and non-core fee income. An enhanced collections drive coupled with an improved cost of risk in the first quarter resulted in 24% lower impairments compared to the same period last year.

EI total assets stands at AED 58 billion with Financing and Investing Receivables remaining flat at AED 34 billion during the quarter. Over the same period customer deposits grew by 4% to AED 43 billion with EI growing CASA balances by 3% and, as at the end of March 2018, CASA represented 67% of total customer deposits. EI's headline Financing to Deposit ratio stood at 78% and is comfortably within the management's

target range. Capital ratios, as calculated under the Basel III framework, were strong with the Common Equity Tier 1 ratio at 15.2% and the Total Capital ratio at 16.3%

## **Outlook**

We expect the UAE's real GDP growth to accelerate to 3.4% in 2018 from an estimated 2.0% last year. Crude oil output should recover this year following a slowdown in 2017 due to oil production cuts. Growth in the non-oil sector will be underpinned by investment in infrastructure as the country prepares for Expo 2020, 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. VAT has been introduced at a time when the economy is in good shape and is able to absorb its impact. 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 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
  - Liv. won 'Innovation in Financial services' at Arab Innovation Awards
  - Emirates NBD Egypt won "Best Digital Bank" in Egypt for 2017 by International Finance Magazine
- ✧ **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 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 228 branches and 1057 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)

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