

**For immediate release**

## **Emirates NBD Announces First Half 2016 Results**

**Net profit up 12% to AED 3.7 billion on higher income and lower provisions**

**Dubai, 18 July 2016**

### **Financial Highlights**

Emirates NBD (DFM: EmiratesNBD), the UAE's largest lender, delivered a solid set of financial results with net profit up 12% to AED 3.7 billion. The healthy operating performance was helped by an increase in total income, driven by asset growth and higher core fee income, coupled with higher recoveries.

Key Points include:

- Net profit of AED 3.7 billion, up 12% y-o-y from H1-15
- Enhanced asset quality as Impaired Loan ratio improved to 6.6% whilst the Impaired Loan Coverage ratio strengthened to 118.5%.
- Advances to Deposit ratio at 96.1% remains comfortably within the management's target range
- The Bank prudently raised over AED 14 billion of term debt at competitive pricing, through private placements, a sukuk issue and a club loan which further boosted structural liquidity
- Capital Adequacy Ratio, at a healthy 20.5%, grew on the back of strong retained profit

In June Moody's upgraded Emirates NBD's long-term rating to A3, recognising the Bank's improved and resilient financial profile.

Emirates NBD's solid financial and operating performance, along with its best-in-class digital banking platform, were also recognised in this year's Euromoney Awards for Excellence. Emirates NBD became the first bank in the Middle East to win in three categories, namely Best Bank in the Middle East, Best Bank in the UAE, and Best Digital Bank in the Middle East.

This recognition coincided with the Bank's announcement to invest 500 million dirhams over the next three years towards digital innovation as the Bank looks to launch the UAE's first digital bank for millennials. This will create a new paradigm in the way people bank in the UAE. It will offer customers the next generation of self-service money management with innovative tools and applications.

**Commenting on the Group's performance, Mr. Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said:** "I am very pleased with the strong performance that Emirates NBD has delivered in the first half of 2016. In H1 2016, Emirates NBD achieved a 12% growth in net profit to AED 3.7 billion. Emirates NBD continued to deliver further improvements in asset quality, whilst strengthening its structural liquidity and capital ratios. Our solid financial and operating performance, along with our leadership in digital banking innovation, were also recognised in this year's Euromoney for Excellence awards, reinforcing our position as the leading bank in the region. In particular, the award for

Best Digital Bank in the Middle East is testament to the success of Emirates NBD's multichannel transformation strategy. The Group continues to invest in digital initiatives to improve customer engagement and experience, in line with Dubai's vision of becoming a Smart City. Going forward, the Group is well positioned to utilise our strong franchise, capital and liquidity base to take advantage of growth opportunities within the region."

**Group Chief Executive Officer, Shayne Nelson said:** "I am delighted that we have delivered another strong set of financial results driven by higher income from asset growth and lower provisions due to improving asset quality. The Group's improved and resilient financial profile was also reflected in the recent upgrade of Emirates NBD's long-term rating to A3 by Moody's. We also announced our intention to invest AED 500 million over the next three years towards digital innovation as we look to launch the UAE's first digital bank for millennials. This will create a new paradigm in the way people bank in the UAE. It will offer customers the next generation of self-service money management with innovative tools and applications. Whilst we remain cautiously optimistic for the remainder of 2016, I am confident that our prudent business model shall enable us to deal with the opportunities and challenges that will present themselves

**Group Chief Financial Officer, Surya Subramanian said:** "The operating performance for the first half of 2016 continued to improve, as demonstrated by the growth in both total income and net profit. We remain focused on controlling expenses whilst ensuring that we continue to invest to support future growth, as demonstrated by the investment to create the UAE's first digital bank for millennials. During the first half of 2016, we took advantage of favourable market conditions to prudently raise over AED 14 billion of term funding, further boosting our structural liquidity. The upgrade from Moody's reflects the Bank's strong and resilient profile."

## **Financial Review**

AED million	Half year ended 30-Jun-16	Half year ended 30-Jun-15	Better / (Worse) (%)	Half year ended 31-Dec-15	Better / (Worse) (%)
Net interest income	5,099	4,982	2%	5,260	(3%)
Non-interest income	2,572	2,573	(0%)	2,414	7%
<b>Total income</b>	<b>7,671</b>	<b>7,555</b>	<b>2%</b>	<b>7,673</b>	<b>(0%)</b>
General & administrative expenses	(2,476)	(2,236)	(11%)	(2,484)	(0%)
<b>Operating profit before impairment charges</b>	<b>5,195</b>	<b>5,319</b>	<b>(2%)</b>	<b>5,190</b>	<b>0%</b>
Impairment allowances	(1,456)	(1,986)	27%	(1,420)	(2%)
<b>Operating profit</b>	<b>3,739</b>	<b>3,333</b>	<b>12%</b>	<b>3,769</b>	<b>(1%)</b>
Share of profits of associates	61	75	(18%)	92	(33%)
Taxation charge	(82)	(90)	9%	(54)	(52%)
<b>Net profit</b>	<b>3,718</b>	<b>3,317</b>	<b>12%</b>	<b>3,807</b>	<b>(2%)</b>
Cost to income ratio (%)	32.3%	29.6%	2.7%	32.4%	(0.1%)
Net interest margin (%)	2.58%	2.83%	(0.25%)	2.81%	(0.23%)
EPS (AED)	0.62	0.54	15%	0.64	(3%)
Return on Tangible Equity (%)	20.9%	21.0%	(0.1%)	22.6%	(1.7%)
AED billion	as at 30-Jun-16	as at 30-Jun-15	Better / (Worse)	as at 31-Dec-15	Better / (Worse)

			(%)		(%)
Total Assets	425.8	388.1	10%	406.6	5%
Loans	286.0	256.2	12%	270.6	6%
Deposits	297.6	274.4	8%	287.2	4%
Impaired Loan Ratio (%)	6.6%	7.4%	0.8%	7.1%	0.5%
Impaired Loan Coverage Ratio (%)	118.5%	109.0%	9.5%	111.5%	7.0%
Capital Adequacy Ratio (%)	20.5%	21.0%	(0.5%)	20.7%	(0.2%)
Tier 1 Ratio (%)	17.8%	18.0%	(0.2%)	18.0%	(0.2%)

Total income for the half year ended 30 June 2016 amounted to AED 7,671 million; an increase of 2% compared with AED 7,555 million during the same period in 2015.

Net interest income improved by 2% in H1-16 to AED 5,099 million. The improvement in net interest income is attributable to overall loan growth which helped offset a contraction in margins.

Non-interest income for the period held steady at AED 2,572 million as core fee income grew 5% due to growth in credit card and foreign exchange volumes, and income from property and investments declined.

Costs for the half year ended 30 June 2016 amounted to AED 2,476 million, an increase of 11% over the previous year on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality. The cost to income ratio rose by 2.7% y-o-y to 32.3%. Excluding one-offs, the cost to income ratio would be 33.0%.

During the quarter, the Impaired Loan Ratio improved further to 6.6% from 7.1% at the end of 2015. The impairment charge in H1-16 of AED 1,456 million is 27% lower than in H1-15 as the cost of risk continues to normalize. This net provision includes AED 960 million of write-backs and recoveries, and together helped boost the coverage ratio to 118.5%.

Net profit for the Group was AED 3,718 million in H1-16, 12% above the profit posted in H1-15. The increase in net profit was driven by growth in net interest income and reduced provisions.

Loans increased by 6% and Deposits grew by 4% during the first half of 2016. The Advances to Deposits Ratio remains comfortably within Management's target range at 96.1%. During the first half of 2016, the Bank prudently raised over AED 14 billion of term funding through private placements, a sukuk issue and a club loan. Term funding now represent 12% of total liabilities, further boosting structural liquidity.

As at 30 June 2016, the Bank's capital adequacy ratio and Tier 1 capital ratio were 20.5% and 17.8% respectively.

## **Business Performance**

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

RBWM reported total income of AED 3,035 million for the first half of 2016, up 8% from H1 2015. Net interest income grew 7% to AED 1,857 million while fee income rose 9% to AED 1,177 million, led by growth in Wealth Management, FX income and credit card business. Fee income now accounts for 39% of total income compared to 30% in 2013.

Current Account & Savings Account (CASA) balances grew by AED 6.3 billion in H1 2016, partly due to the Salary Transfer Promotion launched in March. The cards business has continued to focus on higher value customers with nearly a quarter of new cards sourced belonging to the premium segment. Both card spends and cards outstanding are at an all-time high.

During the period, RBWM launched the Nile Account, offering Egyptian nationals in the UAE account services with Emirates NBD Egypt with instant money transfer through DirectRemit. RBWM also launched Flexi Loans, offering customers, for the first time in the region, variable-rate loans linked to market rates with full transparency.

The Bank remains committed to improving customer experience and launched an innovative TimeSavers solution, allowing customers to be serviced instantly using tablets, thus reducing overall branch wait times. The latest release of the mobile banking app allows Private and Priority Banking customers to view and manage their investment portfolios, on a fully customisable and secure digital platform.

Wealth Management continued to grow its non-funded income from both new and existing clients across core customer segments while also starting to see success in client acquisition in our new target markets.

Emirates NBD Asset Management continues to be a leading money manager in the region, with over AED 12 billion of assets under management, whilst Emirates NBD Securities has maintained its revenues amid lower market trade volumes.

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

Wholesale Banking, delivered a solid set of financial results in the first half of 2016 with net profit of AED 1,617 million; up by 72% compared with net profit of AED 938 million in same period in 2015; backed by continued momentum in the core business and lower provisioning requirements due to improvement in the credit quality of the loan book.

Net interest income of AED 1,572 million for first half of 2016 was 12% lower compared with H1 2015, mainly due to internal re-alignment in fund transfer pricing partially off-set by higher income from improved margins and growth in lending activity.

Fee income of AED 669 million for first half of 2016 was 5% lower compared to H1 2015 on lower one-off investment gains partially off-set by higher transaction income from the sale of Treasury and Investment

banking products. Wholesale Banking continues to focus on growing non-funded income from Trade finance and Cash management products.

Costs were up 25% compared with 2015 mainly due to organisational re-alignment, an increase in the cost of the distribution network and selective initiatives undertaken to reshape the business. Wholesale Banking continues to invest and is upgrading its Transaction Banking systems to improve levels of straight through processing and in Global Markets & Treasury where the system upgrades will support the Bank's recent significant enhancement in GM&T product capability.

The credit quality of the loan book continued to remain strong; backed by a combination of on-going corporate recoveries and selective quality lending which resulted in a 70% reduction in provisioning requirements.

In terms of balance sheet, despite relatively weak corporate loan demand in the UAE, loans grew by 4% during 2016 supported by good momentum in lending activity. Deposits were 4% lower reflecting continued efforts to reduce the average cost of funding while maintaining liquidity at optimum levels.

Wholesale Banking is making good 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 reported a total income to AED 278 million for H1 2016 compared with, AED 163 million for the corresponding period in 2015. This 70% growth in income was driven by a good performance by all business units within GM&T.

Sales revenues saw strong growth as we witnessed higher volumes in Interest Rate hedging products, Foreign Exchange & Fixed Income sales.

Trading and Investment revenues improved as both Credit Trading and Foreign Exchange Trading delivered a strong performance despite volatile market conditions.

Global Funding helped raise AED 14.4 billion of term debt through AED 5.4 billion of private placements, a AED 2.8 billion Sukuk issue on behalf of Emirates Islamic and a AED 6.2 billion club deal.

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

Emirates Islamic's net profit for the first half of 2016 was AED 137 million. Adjusted for one offs, total income for first half of 2016 increased by 11% compared to the same period last year due to growth in financing receivables, effective margin management and increased fee income.

During first half of 2016, Financing and Investing Receivables grew by 14% to AED 39 billion and Customer Deposits grew by 6% to AED 42 billion. EI's continued and focused approach to improve its liabilities mix

also led to a significant increase in CASA balances and the CASA to total customer deposits ratio as on 30 June 2016 is at healthy levels of 67%.

El's Headline Financing to Deposit ratio at 93.7% remains comfortably within the management's target range. During the quarter El successfully issued a USD 750 Million 5-year Sukuk from its USD 2.5 billion certified Issuance program. The issue was rated A+ by Fitch and was listed on Nasdaq Dubai and the Irish Stock Exchange. The issue was 3 times oversubscribed and received overwhelming investor interest across the globe and marked El's return to the international debt capital markets after a period of four years.

During first half of 2016, Credit Quality improved as the Impaired Financing ratio advanced from 8.8% to 8.5% and the coverage ratio strengthened from 89.5% to 90.7%. With proactive credit risk management and a conservative provisioning policy, El continues to maintain the quality of its financing and Investment book amid challenging market conditions.

El expanded its branch network to 61 by adding one new branch during the first half of 2016.

## **Outlook**

Emirates NBD expects UAE economic growth to slow to 3.0% in 2016, down from 4.0% in 2015, as lower oil prices are likely to contribute to a tighter fiscal policy and slower non-oil sector growth. Tighter liquidity conditions and a strong dollar will continue to pose headwinds to non-oil growth, particularly in the services sectors. However, oil output is expected to rise in line with official targets and this should help to boost headline GDP growth. The Bank will continue to implement its successful strategy 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.

**-ENDS-**

## Notes to editors:

### Awards:

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

- Emirates NBD first bank in the UAE and the region to win three awards at the Euromoney Awards for Excellence 2016. Named: “Best Bank in the Middle East”, “Best Bank in the UAE” and “Best Digital Bank in the Middle East”.
- Emirates NBD won the Mobile Payment Product of the Year 2016 at the Asian Banker International Excellence in Retail Financial Services
- Emirates NBD won four awards at Banker Middle East - Industry Awards 2016. Named: “Best Bank UAE”, “Best Bank GCC”, “Best Retail Bank UAE” and “Best Investment Bank – UAE”
- Emirates NBD won the Best Local Private Bank in the Middle East 2016 by Private Banker International Middle East
- Emirates NBD ranked as the number one financial services brand in the world by 2016 Global Effie Effectiveness Index
- Emirates NBD won the ‘Best Mobile Banking Experience’ at the Smart Cards & Payments Awards 2016
- Emirates NBD has won the ‘Commercial Banking Capabilities in the UAE’ and the ‘Innovative Technology - Client Experience in the ME’ categories in the annual Euromoney Private Banking and Wealth Management Survey 2016

#### ✧ **Asset management and Consumer Finance Awards – Emirates NBD Asset Management**

- Emirates NBD Asset Management won ‘Best Fixed Income Fund UAE’ and ‘Best Real Estate Fund UAE’ at the International Finance Magazine UAE Awards 2015
- Emirates NBD Asset Management won ‘Real Estate Fund of the Year’ at the MENA Fund Manager Performance Awards 2016

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

- Emirates NBD ranked among top 100 global banking brands with a US\$2.186 billion brand valuation in The Banker’s annual brand valuation league table
- Emirates NBD named ‘Advertiser of the Year’ at the Dubai Lynx Awards
- Emirates NBD ranked 17th among Top 100 Global Banks on Social Media in the ‘Power 100 Social Media Rankings’ compiled by The Financial Brand

#### ✧ **Other Awards**

- Emirates NBD Securities Won the ‘Outstanding Risk Management Excellence Award’ at the Middle East Excellence Awards
- Emirates NBD honoured for Emiratisation efforts with The Human Resources Development (HRD) award in banking and financial sector
- Emirates NBD Human Resources won five awards at the 2015 ATD (American Society for Talent Development) – USA in the Learning Technologies, Performance Improvement and Organizational Learning & Development categories

#### ✧ **Emirates Islamic**

- Emirates Islamic named ‘Fastest Growing Bank – UAE’ by Banker Middle East
- Emirates Islamic’s ‘EI trade’ portal awarded for product innovation by Global Finance

### **About Emirates NBD**

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

Emirates NBD has a leading retail banking franchise, with 221 branches and 957 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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