

For immediate release

## Emirates NBD Announces First Half 2013 Results

**Net Profit up 40% to AED 1.81 billion**

**Dubai, 22 July 2013**

Emirates NBD (DFM: EmiratesNBD), the leading bank in the region, today announced its half year results for the period ended 30 June 2013.

### Results Highlights

- ❑ **H1 2013 net profit of AED 1.81 billion**, up 40% compared with AED 1.29 billion in H1 2012
- ❑ **Total income of AED 5.55 billion**, up 7% from H1 2012
- ❑ **Operating profit before impairments of AED 3.64 billion**, up 10% from H1 2012
- ❑ **Net impairment loss on financial assets of AED 1.88 billion**, improved by 8% compared with H1 2012
- ❑ **Total assets up 9% at AED 334.8 billion** compared with AED 308.3 billion at the end of 2012
- ❑ **Customer loans at AED 231.8 billion**, up 6% compared with AED 218.2 billion at the end of 2012
- ❑ **Customer deposits at AED 230.4 billion**, up 8% compared with AED 213.9 billion at the end of 2012
- ❑ **Headline loan to deposit ratio at 101%** as against 102% at the end of 2012
- ❑ **Capital adequacy ratio at 18.5%**

**Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said:** "During the first half of 2013, we have once again delivered a robust set of financial results with net profit for the period up by 40% compared to the same period in 2012. This is a reflection of positive momentum in the UAE economy which has continued to be resilient despite the continued uncertain global economic climate. The growth momentum in our retail and Islamic franchises has evidently gained pace. During the period, we have also successfully completed the acquisition of BNP Paribas (BNPP) Egypt."

**Emirates NBD's Chief Financial Officer, Mr. Surya Subramanian, said:** "The operating performance during the first half of 2013 has been strong supported by top line growth and effective management of net interest margin. Pre-impairment operating profits increased by 10% compared to the same period in 2012. The Bank has continued to optimize its balance sheet through increase of Tier 1 capital by AED 3.67 billion, Tier 2 capital by AED 2.9 billion, AED 2.7 billion medium term borrowings and has also repaid AED 7.8 billion of Ministry of Finance (MoF) Deposits received in 2008."

## Financial Review

AED million	Half year ended 30 Jun 2013	Half year ended 30 Jun 2012	Better / (Worse) (%)	Quarter ended 30 Jun 2013	Quarter ended 30 Jun 2012	Better / (Worse) (%)
Net interest income	3,661	3,416	7%	1,913	1,639	17%
Non-interest income	1,889	1,769	7%	1,007	860	17%
<b>Total income</b>	<b>5,550</b>	<b>5,185</b>	<b>7%</b>	<b>2,920</b>	<b>2,499</b>	<b>17%</b>
Operating expenses	(1,882)	(1,836)	(3%)	(973)	(894)	(9%)
Amortisation of intangibles	(32)	(40)	20%	(16)	(20)	19%
<b>Operating profit before impairment</b>	<b>3,636</b>	<b>3,309</b>	<b>10%</b>	<b>1,931</b>	<b>1,585</b>	<b>22%</b>
Impairment allowances	(1,884)	(2,055)	8%	(997)	(954)	(4%)
<b>Operating profit</b>	<b>1,752</b>	<b>1,254</b>	<b>40%</b>	<b>934</b>	<b>631</b>	<b>48%</b>
Impairment and share of profit/(loss) of associates	67	46	46%	41	21	95%
Taxation charge	(10)	(11)	9%	(3)	(5)	40%
<b>Net profit</b>	<b>1,808</b>	<b>1,289</b>	<b>40%</b>	<b>972</b>	<b>647</b>	<b>50%</b>
Cost to income ratio (%)	33.9%	35.4%	1.5%	33.3%	35.8%	2.5%
Net interest margin (%)	2.42%	2.43%	(0.01%)	2.48%	2.28%	0.20%
EPS (AED)	0.30	0.21	43%	0.19	0.10	82%
Return on average shareholders' equity (%)	13.7%	10.2%	3.5%	14.9%	10.3%	4.6%

AED billion	as at 30Jun 2013	as at 31Dec 2012	Better/(Worse) (%)	as at 31 Mar 2013	Better/(Worse) (%)
Total Assets	334.8	308.3	9%	315.8	6%
Loans	231.8	218.2	6%	220.6	5%
Deposits	230.4	213.9	8%	223.0	3%
Impaired Loan Ratio (%)	13.9%	14.3%	0.4%	14.2%	0.3%
Impaired Loan Coverage Ratio (%)	53%	49%	4%	51%	2%
Capital Adequacy Ratio (%)	18.5%	20.6%	(2.1%)	19.7%	(1.2%)
Tier 1 Ratio (%)	14.5%	13.8%	0.7%	13.5%	1.0%

### Total Income

*Total income* for H1 2013 amounted to AED 5,550 million; an increase of 7% compared with AED 5,185 million in H1 2012.

*Net interest income* for H1 2013 improved by 7% to AED 3,661 million from AED 3,416 million in H1 2012. The improvement in net interest income is attributable mainly to higher spread in loans and deposits which is partly offset by lower treasury spreads.

*Non-interest income* recorded an increase of 7% to AED 1,889 million in H1 2013 compared with H1 2012, driven primarily by increased banking fee income, brokerage fee income, gain on sale of investment securities and foreign exchange income.

### **Total Costs**

Costs in H1 2013 amounted to AED 1,882 million and saw a marginal increase by 3% over the previous year due to higher staff costs, BNPP Egypt acquisition and BNPP Egypt administrative costs. However the Cost to Income ratio for H1 2013 improved by 1.5% from H1 2012 as improving top line momentum, as expected, offset the increase in costs which were primarily directed at customer facing activities.

### **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 which have improved marginally during H1 2013 by 0.4% to end the period at 13.9%.

The impairment charge in H1 2013 improved by 8% to AED 1,884 million compared with AED 2,055 million in H1 2012. 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 2013, total portfolio impairment allowances amount to AED 3.7 billion or 2.8% of unclassified credit risk weighted assets, in excess of the UAE Central Bank requirement of 1.5% by AED 1.7 billion.

### **Associates and Joint Ventures**

The positive contribution of the Bank's investments in associates and joint ventures amounted to AED 67 million during the period compared with AED 46 million in H1 2012. The carrying value of Union Properties PJSC (UPP) has decreased as a result of sale of a portion of UPP shares held by Emirates NBD in H1 2013.

### **Net Profit**

Net profit for the Group was AED 1,808 million for H1 2013, 40% above the profit posted in H1 2012 of AED 1,289 million due to a higher top line and bottom line growth.

### **Customer Loans and Deposits**

Customer Loans as at 30 June 2013 (including Islamic financing) amounted to AED 231.8 billion, an increase of 6% from end 2012.

Customer Deposits as at 30 June 2013 were AED 230.4 billion, an increase of 8% from end 2012.

The loan to deposit ratio marginally improved in H1 2013 to 100.6% from 102.0% at the end of 2012.

### **Capital**

As at 30 June 2013, the bank's total capital adequacy ratio and Tier 1 capital ratio were 18.5% and 14.5% respectively. The movement in capital ratio is mainly due to increase in risk weighted assets resulting from the Egypt acquisition and repayment of AED 7.8 billion MoF deposits; which was mainly offset by new Tier 1 and Tier 2 capital, which the Bank raised during the period. Risk weighted assets increased by 5% during the period, as expected, primarily from the Egypt acquisition. Tier 1 ratio increased by 0.7% relative to end-2012 as a result of the new issue of Tier 1 capital.

## Business Performance

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

In H1 2013, income for the division increased by 9% over H1 2012 to AED 2,422 million from AED 2,229 million. This was driven by 6% growth in net interest income and a 14% improvement in fee income. During the period, CWM continued its focus on increasing revenue with several initiatives being launched to improve processes and customer service.

Credit quality remained tightly managed and retail loan portfolio delinquencies during the period continued to witness the improving trends evident throughout 2011 and 2012.

CWM's sustained focus on deposit growth during H1 2013, driven by a strong momentum in current and savings account, resulted in growth of 9% in customer deposits from end-2012 levels to reach AED 96 billion.

In Auto Loans, an exclusive tie up with Porsche Financial Services was launched across all dealer counters at Porsche, Audi and Volkswagen in the UAE - the first of its kind in the region. Mortgage bookings continued steady growth from end-2012 with the increased activities in the real estate sector. Various new products were launched during the period such as enhanced Safe Deposit Locker Proposition, Chinese Yuan account, Retail Islamic Liabilities product suite and goal based Recurring Deposit.

'Done Deals' platform was launched for Credit and Debit cardholders in partnership with Cobone, offering a variety of discounts on products and services. Business Banking launched the RISE initiative, providing SME owners in the UAE with a comprehensive platform to learn, connect and grow their businesses.

Emirates NBD was awarded "Best Retail Bank in the UAE" by the Asian Banker in March 2013. This is recognition of a long-term, sustainable, profitable franchise with the customer at its core proposition. The Emirates NBD Corporate Card was awarded the 'Best Corporate Card' at the Smart Card Awards Middle East 2013, for the second consecutive year.

### **Wholesale Banking**

Despite an on-going challenging environment, Wholesale Banking continued its robust performance in H1 2013 and delivered a healthy net profit of AED 532 million; up by 76% as compared to H1 2012.

Net interest income increased by 5.3% in H1 2013 to AED 1,583 million compared with AED 1,503 million in H1 2012 and management's focus on non-funded/service related avenues resulted in growth in fee and commission income by 14% to AED 646 million compared with AED 567 million in H1 2012, particularly from foreign exchange and debt capital markets activities.

In terms of balance sheet, H1 2013 registered an increase of 5% both in its Loan and Deposits book as compared to end-2012; reflecting the management's drive to steadily grow quality assets accompanied by lower provisioning requirements in H1 2013 by 11% compared to H1 2012.

The Investment Banking platform, Emirates NBD Capital Ltd, continued its strong performance in H1 2013 and executed several notable transactions which included acting as mandated lead arranger, advisor and bookrunner for syndicate loans with total deal value of USD 10.6 billion for major clients like Archirodon Group NV-Netherlands, Saudi Oger Limited, Zain Group- Kuwait, SBER Bank- Russia, and Investment Corporation of Dubai. It also acted as joint lead arranger and bookrunner for several Sukuk and Bond issuers including Emirates NBD, Emirates Airlines, Government of Dubai and DEWA.

During H1 2013, the management continued execution of its comprehensive wholesale banking strategy and transformation process of becoming the dynamic Wholesale Banking powerhouse in the Middle East and witnessed successful results during the period which enhanced the division's overall performance.

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

GMT reported a total income of AED 216 million for H1 2013 as against AED 443 million in H1 2012. Income generation was broad based.

During 2013, Sales Desk continued to show healthy revenues in line with 2012. Corporate clients are looking to hedge Foreign Currency payables at favourable foreign exchange rates. Balance Sheet hedging products saw an expected increase with more clients looking to take advantage of a prevailing low interest rate environment. Improved customer activity is expected during the second half of the year on the back of marked improvement in the US economy and anticipated quantitative easing (QE) rollback by Federal Reserve.

During the first half, Trading Desk has performed broadly in line with 2012. The performance was broad based across products with foreign exchange trading, credit trading having better performance and Rates Trading, which remained down, is expected to pick up in second half of the year.

In a landmark deal by the Global Funding desk, Emirates NBD improved the capital structure of the bank by issuing AED 3.67 billion Tier I Perpetual non call 6 Notes, AED 7.8 billion of Ministry of Finance funds were also repaid.

### **Islamic Banking (IB)**

H1 2013 financial result reflects IB's aspiration to become the leading Islamic bank in the region with a net profit of AED 115 million as compared to a net loss of AED 91 million in the same period last year.

Total income after customers' share of profit witnessed an increase to AED 701 million from AED 556 million for the same period last year, an increase of 26%. Financing receivables grew marginally by 2% to AED 23.7 billion from AED 23.3 billion as at December 2012.

IB continued to implement its aggressive growth plans and is being regarded as the fastest growing Islamic bank in the region. The H1 2013 growth sets up the tone right for IB success with primary focus on the retail segment

and strengthening the corporate segment by introducing innovative products. In H1 2013, IB continued its offerings to target segments of SMEs and priority clients, with several new products like commercial finance and POS finance.

In recognition of the IB transformation, the Bank has been recognized as the “Best Islamic Bank in the UAE 2013” by two prestigious international magazines, Capital Finance International (CFI) and World Finance. The awards came as a confirmation of the success the bank had in 2012.

### **Information Technology and Operations (ITO)**

In H1 2013, Group IT finalized the Transition Service Agreement with BNP Paribas Paris. Project board approval was obtained and a mandate project has been initiated to finalize the application and Infrastructure landscape for the integration.

Following the Customer Relationship Management (CRM) implementation for Emirates Islamic Bank, Siebel CRM was rolled out for Emirates NBD as well, as the Campaign, Lead & Opportunity Management tool enables the bank to have a structured Marketing & Sales experience across all frontline staff. Since the go-live date, Emirates Islamic Bank has launched multiple campaigns across channels i.e. Internet Banking, SMS, Email, Website. Cross-sell campaigns have been launched across branches and the online channels. The Contact Center and Direct Sales Force have also been migrated to CRM for lead and opportunity management. In addition, the Combat Risk Solution was delivered for Emirates NBD to manage the risk and statutory requirements in three of the international business locations - London, Singapore and KSA.

Group IT's Lean Transformation program continued with focus on strengthening the customer experience and enhancing end user satisfaction during H1 2013. As part of the Information Security program, several campaigns have been launched through social media and other channels with an objective of building customer awareness on secure banking practices.

Procurement and Realty Services have delivered efficiencies during H1 2013. Negotiations have been concluded for a single ATM vendor providing the Group with significant added value including the replacement of more than 200 machines.

## Group Initiatives

### **Tanfeeth**

Over H1 2013, Tanfeeth made significant progress in delivering its target of a 15% improvement in all key performance areas for the Group, in addition to the across-the-board service improvements of 20-30% made in 2012.

Tanfeeth's strategy to achieve this focuses on continuing to institutionalise a lean operating culture through wide-scale business transformations, implementation of its best-practice 'Tanfeeth Operating Model,' and through extensive people investments. This includes comprehensive learning and development, and performance management systems.

In H1 2013, Tanfeeth continued delivering services for a leading telecommunications provider and government authority in the UAE, and is now nearing successful completion of its first transformation and advisory engagement for a regional banking organization. During the period, Tanfeeth also reached a significant milestone, hitting 2,000-Full Time Employees (FTEs).

As Tanfeeth's top strategic priority, for the remainder of 2013, it will maintain concerted efforts to expand its geographic footprint in the GCC region across a range of industries and sectors, while delivering value for its parent company.

## Outlook

The UAE remains well-positioned to enjoy solid growth in 2013 driven by an expansion in non-oil sectors, particularly manufacturing, tourism and retail sectors, which should offset an expected stabilisation in oil production. Although the external environment remains challenging, economic data in the first half of 2013 supports our view that growth is likely to come in at 3.8% this year from an estimated 4.4% in 2012. Emirates NBD is well placed to capitalise on the improving economic fundamentals as 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 five core building blocks which include delivering excellent customer experience, building a high performance organisation, driving core businesses, running an efficient organisation and driving geographic expansion.

**END**

## Notes to editors:

### Awards

Emirates NBD named UAE's "Best Foreign Exchange Provider 2013" by Global Finance.

Emirates NBD Asset Management named 'UAE Asset Manager of the Year' at MENA Fund Manager Awards 2013.

Emirates NBD Securities has been declared as "Winner of NASDAQ Dubai's Retail Broker of the Month Award for February 2013".

Emirates NBD named 'Best Retail Bank in the UAE' by the Asian Banker.

Emirates NBD wins bronze award for best sponsorship of Omega Dubai Desert Classic.

Emirates NBD wins "Best SME Internet Banking Service" award by Banker Middle East.

Emirates NBD wins 'Best Corporate Card Award' for two consecutive years at the 'Smart Card Awards Middle East – 2013'.

Emirates NBD wins Visa LEADER Award as 'The Best Issuing Institution in MENA' at the Visa APCEMEA 2013 Security Summit.

Emirates NBD Securities won "Retail Broker of the Month" for March 2013 at NASDAQ Dubai awards.

Emirates NBD wins 'e-Banking 2013 Excellence Award' for best mobile banking application at the 18th Middle East e-Government and e-Services Excellence Awards.

Emirates NBD wins "Best Borrower in the ME" by Euroweek.

Emirates NBD named "Best Bank in the UAE" at the Euromoney Awards for Excellence 2013.

### About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 210 branches and over 901 ATMs and CDMs 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, Qatar, Singapore, the United Kingdom and Jersey (Channel Islands), and representative offices in India and China. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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