

For immediate release

Emirates NBD Announces Third Quarter 2017 Results

Net Profit of AED 6.17 billion up 15% on higher net interest income, lower costs and provisions

Dubai, 30 October 2017

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a strong set of results with net profit up 15% to AED 6.17 billion for the first nine months of 2017. Net interest income improved 4% y-o-y due to loan growth and helped by a sustained improvement in margins. The operating performance was also supported by lower expenses and an improved cost of risk. The Bank's balance sheet continues to strengthen with stable credit quality and further improvements in capital and liquidity.

Financial Highlights – Q3 2017 YTD

- Net profit of AED 6.17 billion, up 15% y-o-y
- Net Interest Income improved 4% y-o-y due to loan growth and a sustained improvement in margins
- Net Interest Margin improved by 27 bps from 2.29% in Q4-16 to 2.56% in Q3-17, helped by rate rises and coupled with lower funding costs.
- Total Income of AED 11.4 billion, up 1% y-o-y due to higher net interest income
- Total assets at AED 461.1 billion, up 3% from end 2016
- Customer loans at AED 304.1 billion, up 5% from end 2016
- Customer deposits at AED 322.1 billion, up 4% from end 2016
- Impaired Loan ratio steady at 6.1% whilst the Impaired Loan Coverage ratio strengthened to 124.9%.
- Liquidity Coverage Ratio of 139.1% and AD ratio of 94.4% demonstrates healthy liquidity position
- Tier 1 Capital Ratio strengthened to 18.8% and Capital Adequacy Ratio advanced to 21.2% with retained earnings

Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said: "I am very pleased that Emirates NBD has delivered a strong performance in the first nine months of 2017. Our strong financial and operating performance was recognized when Emirates NBD was named 'Banking Company of the Year' by Gulf Business for the second consecutive year. We continue to expand our international presence with our first branch in India which will enable us to better support our customers. Our 2017 CSR activities, embracing the Year of Giving, support various social and environmental opportunities which contribute to the communities we serve, including initiatives to help transform Dubai into one of the world's most disability-friendly cities by 2020."

Commenting on the Group's performance, Group Chief Executive Officer, Shayne Nelson said: "Emirates NBD delivered a strong set of results with net profit of AED 6.17 billion for the first nine months of 2017, up 15% year-on-year. Margins have continued to improve throughout 2017, helped by rate rises and an improvement in funding costs. We are delighted to be recognized as the Most Innovative Financial Services Organization of the Year at the BAI Global Innovation Awards forum. Our planned AED 1 billion investment underlines our commitment to retain Emirates NBD's leadership position and to support the UAE as a driver of Digital innovation. We continue to extend our international branch network and, following

the opening of the branch in India, work continues on opening three more branches in the Kingdom of Saudi Arabia.”

Group Chief Financial Officer, Surya Subramanian said: “We achieved a record performance for the first nine months of 2017 as we delivered positive jaws with higher income and lower expenses. With CASA representing 57% of deposits, our book is positioned to benefit from expected rate rises. Expenses remain firmly under control and provide headroom to invest for future growth and to help deliver our digital aspirations. The Bank is well placed to meet various accounting and regulatory changes that take effect in 2018 and we do not expect any material impact as a result.”

Financial Review

AED million	9 months ended 30-Sep-17	9 months ended 30-Sep-16	Better / (Worse) (%)
Net interest income	7,991	7,651	4%
Non-interest income	3,428	3,634	(6%)
Total income	11,419	11,285	1%
General & administrative expenses	(3,522)	(3,693)	5%
Operating profit before impairment charges	7,896	7,592	4%
Impairment allowances	(1,692)	(2,184)	23%
Operating profit	6,204	5,407	15%
Share of profits of associates	54	86	(37%)
Taxation charge	(89)	(111)	20%
Net profit	6,170	5,382	15%
Cost to income ratio (%)	30.8%	32.7%	1.9%
Net interest margin (%)	2.46%	2.54%	(0.08%)
EPS (AED)	1.03	0.89	16%
Return on Tangible Equity (%)	20.3%	19.7%	0.6%

AED billion	as at 30-Sep-17	as at 30-Sep-16	Better / (Worse) (%)	as at 31-Dec-16	Better / (Worse) (%)
Total Assets	461.1	446.0	3%	448.0	3%
Loans	304.1	289.2	5%	290.4	5%
Deposits	322.1	311.6	3%	310.8	4%
Impaired Loan Ratio (%)	6.1%	6.4%	0.3%	6.4%	0.3%
Impaired Loan Coverage Ratio (%)	124.9%	120.8%	4.1%	120.1%	4.8%
Capital Adequacy Ratio (%)	21.2%	20.5%	0.7%	21.2%	0.0%
Tier 1 Ratio (%)	18.8%	18.0%	0.8%	18.7%	0.1%

Total income for the nine months ended 30 September 2017 amounted to AED 11,419 million; an increase of 1% compared with AED 11,285 million during the same period in 2016.

Net interest income improved by 4% in Q3-17 YTD to AED 7,991 million due to loan growth and a sustained improvement in margins. Net interest margins improved since the beginning of the year as loans reset at higher rates coupled with lower funding costs as liquidity conditions eased.

Non-interest income declined 6% compared to the same period in 2016 due to the lower gains from the sale of investment securities and a downward revaluation of illiquid inventory. However core fee income grew 3% due to higher income from foreign exchange.

Costs for the nine months ended 30 September 2017 amounted to AED 3,522 million, an improvement of 5% over the previous year, helped by a containment in staff costs following cost control measures implemented in 2016. Other costs increased due to a mixture of factors, including an increase in marketing spend and higher IT costs as signaled earlier.

During the first nine months of 2017 the Impaired Loan Ratio improved by 0.3% to 6.1%. The impairment charge during this period of AED 1,692 million is 23% lower than in the corresponding period in 2016. This net provision includes AED 1,052 million of write-backs and recoveries, and together helped boost the coverage ratio to 124.9%.

Net profit for the Group was AED 6,170 million in the first nine months of 2017, 15% above that posted during the same period in 2016. The increase in net profit was driven by asset growth, a control on expenses and reduced provisions.

Loans increased by 5% and Deposits grew by 4% during the first nine months of 2017. The Advances to Deposits Ratio remains comfortably within management's target range at 94.4% and the Liquidity Coverage Ratio is at a healthy 139.1%. During the first nine months of 2017, the Bank raised AED 6.9 billion of term funding through private placements and a ten-year Australian Dollar public deal. Term funding represents 10% of total liabilities.

As at 30 September 2017, the Bank's capital adequacy ratio and Tier 1 capital ratio were 21.2% and 18.8% respectively.

Business Performance

Retail Banking & Wealth Management (RBWM)

RBWM delivered a strong performance during Q3 2017, generating total income of AED 5,043 million year to date, up 11% year-on-year led by growth in net interest income from liabilities and fee based revenues from wealth, foreign exchange and cards. Fee income year to date comprises 35% of revenue.

Low cost Current & Savings Accounts ('CASA') balances continued to grow, increasing by AED 1.5 billion during the quarter and AED 10.3 billion year to date enabling the Bank to retire more expensive high-yield deposits. Customer advances dropped marginally during the year as a decline in micro-SME balances was largely offset by growth in mortgages and term loans.

The bank continued to focus on high value customers with over 58% of new cards sourced belonging to the premium segment supported by acquisition campaigns such as the Fly for Free promotion. The Personal Banking Beyond proposition, re-launched earlier this year, ramped up acquisition by 21% year on year, and, together with Priority Banking, contributed 26% of all new customer acquisition.

RBWM continued to lead the market in innovation and digitization with the revamp of its Online Banking platform along with launch of FaceBanking video banking facilities. Paperless sourcing of Personal Loans on tablets and in branches contributed over 40% of total sales in September, with piloting of paperless Credit Card sourcing commenced.

Liv., the digital bank proposition, was enhanced with the addition of new services. New account opening continued to grow rapidly, reaching over one - fourth of total acquisition of the division. The MetLife preferred insurance partnership successfully completed its third year.

Private Banking improved its business mix by substituting extraordinary income with steady annuity revenues. Emirates NBD Asset Management further strengthened its market leading position by gathering additional AUMs from both captive and external channels. Emirates NBD Securities improved its market position despite a relatively low-volume trading environment. Preparations for being the country's first General Clearing Member are complete.

Wholesale Banking (WB)

Wholesale Banking delivered a strong set of financial results for the nine months ended 30 September 2017 with net profits of AED 2,825 million, up 9% over corresponding period in 2016, underpinned by an 11% growth in operating income, partially off-set by higher net provisioning.

Net interest income of AED 2,727 million for the nine months ended 30 September 2017 was 16% higher than the same period in 2016; driven by growth in customer assets and margin improvement.

Fee income of AED 932 million for the nine months ended 30 September 2017 was marginally higher than the corresponding period in 2016 due to higher fees and commissions offset by lower treasury sales. Increasing customer based fee income from treasury sales, trade finance and cash management remains a strategic priority for Wholesale Banking.

Costs were lower by 3% for the first nine months of 2017 compared with the same period in 2016 due to operating efficiencies which enables Wholesale Banking to invest in upgrading its Transaction Banking and Treasury systems to digitize and improve levels of straight through processing and to enhance its product capabilities.

The credit quality on newly originated business continues to be strong while the successful resolution of legacy provisioned cases led to an improvement in provisioning coverage and a 40% fall in gross provisions.

Assets grew by 7% supported by a growth in lending and trade finance activity. Liabilities grew by 1% and the business funding mix continued to improve with CASA balances increasing and high-yield deposits

reducing; reflecting the Bank's focus on lowering its average cost of funding whilst maintaining liquidity at an optimum level.

This strong performance reflects the on-going progress that Wholesale Banking is making towards its goal of becoming the leading Wholesale Bank in the Middle East and North Africa by providing a full range of Wholesale Banking products to the Bank's customers across the region.

Global Markets & Treasury (GM&T)

GM&T reported a 44% growth in income to AED 519 million for the nine months ended 30 September 2017 compared to AED 359 million for the same period in 2016.

The Asset Liability Management Desk was the main contributor to the increase in revenue due to positioning the Balance Sheet in a manner that takes full advantage of a rise in short term interest rates following the US Federal Reserve rate hikes.

Sales revenue from Foreign Exchange increased on the back of higher volumes and was offset by a decline in income from Structured & Fixed Income sales as clients switched away from fixed income instruments due to a rising rates environment.

Trading revenue in Credit & Foreign Exchange declined on the back of increased 'event driven' volatility in global markets and was partially offset by an improved performance in Interest Rate Derivative Trading

The Global Funding Desk raised AED 6.9 billion of term funding through private placements with maturities out to twenty years and an Australian Dollar ten-year public bond issue.

Emirates Islamic (EI)

Emirates Islamic recorded a strong improvement in net profit of AED 498 million for the first nine months of 2017 as compared to AED 106 million for the same period last year and is well positioned to benefit from current market opportunities.

EI reported a decline of 6% in total income (net of customers' share of profit and distribution to Sukuk holders) amounting to AED 1,797 million for the first nine months of 2017. The decrease in total income is attributable to EI's shift in financing to secured and low credit risk rated customers. Costs continue to be tightly managed and the operating cost has decreased by 13% compared to the same period last year. Net Impairment allowances have improved by 41% compared the same period last year due to effective remediation and an improved cost of risk associated with both corporate and retail financing receivables. As at end Sept 17, Financing and Investing Receivables stood at AED 35.3 billion with Customer deposits at AED 40.8 billion. CASA represented 70% of total customer deposits compared with 67% at the beginning of the year. EI's headline Financing to Deposit ratio at 87% remained comfortably within the management's target range.

Outlook

We had earlier revised our 2017 UAE GDP growth forecast down to 2% from 3.4% previously on the back of lower oil output, following OPEC's decision to extend production cuts into Q1 2018. However, Dubai's growth is likely to exceed this on the back of increased investment in infrastructure and a focus on non-oil activity. Anticipation of a 5% VAT to be introduced in 2018 may boost spending in the second half of 2017, as consumers bring forward purchases that otherwise would be made in 2018.

-ENDS-

Notes to editors:

Awards:

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

- Emirates NBD awarded "Most Innovative Financial Services Organization of the Year" at the BAI Global Innovation Awards.
- Emirates NBD won 'Banking Company of the Year' at the annual Gulf Business Awards 2017
- Emirates NBD won 'UAE Domestic Cash Management Bank of the year' award at the Asian Banking and Finance Awards 2017
- Emirates NBD won 'Best Retail Bank in the Middle East' by Asian Banker 2017
- Emirates NBD won 'Best Digital Bank in the Middle East', Best Bank in the UAE' at Euromoney Excellence Awards 2017
- Emirates NBD named 'Bank of the Year – UAE 2016' by The Banker
- Emirates NBD won 'Best Retail Customer Service' and 'Best Online Banking Services' at The Banker Middle East Product Awards 2017
- Emirates NBD, won the 'Best Retail Bank in UAE' and 'Auto Loan Product of the Year in Asia Pacific' for 2017 by The Asian Banker.
- Emirates NBD won 'Best equity house in the Middle East' by emeafinance achievement awards
- Emirates NBD won Best Multi-Party Cardholder Program award at the 2017 Mastercard MENA Leadership Forum in London

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

- Emirates NBD Asset Management's Emirates Real Estate Fund ('EREF' or the 'Fund') won Sector Fund of the Year at the 2017 MENA FM Performance Awards

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

- Emirates NBD ranked as the top banking brand in the UAE with USD 3.406 billion brand valuation
- Emirates NBD won Best Employee Volunteering Programme and was recognized as the CSR Professional of the Year at the Gulf Sustainability and CSR Awards
- Emirates NBD won best Customer Experience Team as part of the Gulf Customer Experience awards

✧ **Emirates Islamic**

- Emirates Islamic declared 'Islamic Personal Finance Provider of the Year' by "YallaCompare"
- Emirates Islamic won 'Most Improved Website' and 'Best Social Media Reach' at the 2016 Service Olympian Awards
- Emirates Islamic won the title of 'Service Hero' in the Islamic Banking category based on the results of the Service Hero Index
- Emirates Islamic picked up two trophies at Banker Middle East Product Awards: Kunooz Savings Account was named the Best Savings Account and Flex Elite Card was awarded the Best Islamic Premium Card

About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 231 branches and 1031 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

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