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Emirates NBD Announces Full Year 2017 Results

Record Net Profit of AED 8.35 billion, up 15% on higher income and lower provisions

Proposed dividend of 40%

Dubai, 16 January 2018

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a strong set of results with record net profit of AED 8.35 billion in 2017, up 15% y-o-y. Net interest income improved 7% y-o-y due to loan growth and the positive impact of recent rate rises. The operating performance was also supported by higher non-interest income, lower expenses and an improved cost of risk. The Bank's balance sheet continues to strengthen with further improvements in capital and liquidity and stable credit quality. These results have enabled the Board of Directors to recommend a 2017 dividend of 40 fils per share.

Financial Highlights – FY 2017

- Net profit of AED 8.35 billion, up 15% y-o-y
- Net Interest Income improved 7% y-o-y due to loan growth and the positive impact of recent rate rises
- Net Interest Margin improved by 22 bps to 2.51% in Q4-17 from 2.29% in Q4-16, helped by rate rises and improved funding costs
- Total Income of AED 15.5 billion, up 5% y-o-y
- Total assets at AED 470.4 billion, up 5% from end 2016
- Customer loans at AED 304.1 billion, up 5% from end 2016
- Customer deposits at AED 326.5 billion, up 5% from end 2016
- Credit quality ratios stable with Impaired Loan ratio at 6.2% and Coverage ratio at 124.5%
- Liquidity Coverage Ratio of 146.0% and AD ratio of 93.1% demonstrates healthy liquidity position
- Tier 1 Capital Ratio increased to 19.5% and Capital Adequacy Ratio advanced to 21.9% with retained earnings

Commenting on the Group's performance, His Highness Sheikh Ahmed Bin Saeed Al Maktoum, Chairman, Emirates NBD said: "2017 marked a successful year for Emirates NBD as we achieved a record annual net profit. We continued to advance Emirates NBD's digital capabilities and are honored to be named the Official Banking Partner for Expo 2020 Dubai where we will play a key role in ensuring that banking services at Expo 2020 Dubai are at the forefront of innovation. As a homegrown bank, we are proud to have dedicated our 2017 Corporate Social Responsibility activities to the UAE's Year of Giving initiative and successfully exceeded our targets. In 2018, we will align our CSR activities and strategy to the Year of Zayed initiative to honor the legacy of our nation's founding father. As a leading bank in the region and a front-runner in digital banking innovation with a strong balance sheet, we are well placed to take advantage of growth opportunities in our preferred markets. In light of the solid performance by the Bank, we are proposing a cash dividend at 40 fils per share."

Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said: “Emirates NBD delivered an excellent performance in 2017, achieving a record annual net profit of AED 8.35 billion. The Bank’s strong financial and operating performance, along with its digital focus, were also recognized when Emirates NBD was named The Banker’s ‘Bank of the Year – UAE’ for the third consecutive year. We opened our first branch in India and will continue to expand the Bank’s international presence in 2018, by growing our branch network in Egypt and Saudi Arabia and opening a representative office in Turkey, to better support our customer network. We are confident that our prudent business model shall continue to deliver a solid performance and deal with the opportunities and challenges that will present themselves.”

Commenting on the Group’s performance, Group Chief Executive Officer, Shayne Nelson said: “Emirates NBD delivered a record performance in 2017 as net profit increased by 15% to reach a new high of AED 8.35 billion, underpinned by higher income, a control on expenses and a lower cost of risk. Margins widened 22 bps in 2017, helped by rate rises and improved funding costs. The Group’s balance sheet continued to strengthen, with further improvements in capital and liquidity and a stable credit quality profile. We made good progress in advancing our digital agenda and are pleased to be named Most Innovative Financial Services Organization of the Year at the BAI Global Innovations Awards forum. As part of the Bank’s efforts to drive further innovation, I am delighted to announce our partnership with Motive Partners to launch Motive Labs, an innovation and investment accelerator to pioneer digital transformation across the financial services industry. Going forward, I am confident that Emirates NBD will continue to deliver excellent customer service and superior value to our shareholders.”

Financial Review

AED million	12 months ended 31-Dec-17	12 months ended 31-Dec-16	Better / (Worse) (%)
Net interest income	10,786	10,111	7%
Non-interest income	4,669	4,637	1%
Total income	15,455	14,748	5%
General & administrative expenses	(4,844)	(4,888)	1%
Operating profit before impairment charges	10,611	9,860	8%
Impairment allowances	(2,229)	(2,608)	15%
Operating profit	8,382	7,252	16%
Share of profits of associates	72	135	(47%)
Taxation charge	(109)	(148)	27%
Net profit	8,346	7,239	15%
Cost to income ratio (%)	31.3%	33.1%	1.8%
Net interest margin (%)	2.47%	2.51%	(0.04%)
EPS (AED)	1.40	1.20	17%
Return on Tangible Equity (%)	20.2%	19.6%	0.6%

AED billion	as at 31-Dec-17	as at 31-Dec-16	Better / (Worse) (%)
Total Assets	470.4	448.0	5%
Loans	304.1	290.4	5%
Deposits	326.5	310.8	5%
Impaired Loan Ratio (%)	6.2%	6.4%	0.2%

Impaired Loan Coverage Ratio (%)	124.5%	120.1%	4.4%
Capital Adequacy Ratio – Basel II (%)	21.9%	21.2%	0.7%
Tier 1 Ratio – Basel II (%)	19.5%	18.7%	0.8%

Total income for the year ended 31 December 2017 amounted to AED 15,455 million; an increase of 5% compared with AED 14,748 million in 2016.

Net interest income grew by 7% in 2017 to AED 10,786 million due to loan growth and the positive impact of recent rate rises. Net interest margins showed a growing trend in 2017 helped by rate rises and an improvement in funding costs.

Non-interest income increased 1% during the year as higher foreign exchange and derivative income offset lower income from the sale of properties.

Costs for the year ended 31 December 2017 amounted to AED 4,844 million, an improvement of 1% over the previous year, helped by a containment in staff costs following cost control measures implemented in 2016. The rise in Marketing and IT costs relates to our planned investment in digital and technology refresh.

During 2017 the Impaired Loan Ratio improved by 0.2% to 6.2%. The impairment charge during this period of AED 2,229 million is 15% lower than in 2016 as the net cost of risk improved. This net provision includes AED 1,777 million of write-backs and recoveries, and together helped boost the coverage ratio to 124.5%.

Net profit for the Group was AED 8,346 million in 2017, 15% above that posted in 2016. The increase in net profit was driven by asset growth, a control on expenses and reduced provisions.

Loans and Deposits both grew by 5% during 2017. The Advances to Deposits Ratio remains comfortably within management's target range at 93.1% and the Liquidity Coverage Ratio is at a healthy 146.0%. During 2017, the Bank raised AED 10.2 billion of term funding through a mix of public issues and private placements with maturities out to twenty years. Term funding represents 11% of total liabilities.

As at 31 December 2017, the Bank's capital adequacy ratio and Tier 1 capital ratio, as calculated under Basel II, strengthened to 21.9% and 19.5% respectively. Under the Basel III framework, the Bank's Common Equity Tier 1 ratio is 16.4%, Tier 1 ratio is 19.7% and Total Capital ratio is 22.0%

Business Performance

Retail Banking & Wealth Management (RBWM)

Retail Banking & Wealth Management delivered a strong performance in 2017 with revenues of AED 6,833 million, up 11% over the previous year. Net interest income rose by 17% over 2016 led by liabilities and fee income grew by 1% supported by wealth, FX and cards businesses.

Current & Savings Accounts balances grew by 6% during 2017 to AED 111 billion, supported by effective marketing campaigns. Customer advances remained flat as a decline in micro-SME balances was partly

offset by 30% growth in Home Loans. The Bank was the first to introduce Al Etihad Credit Bureau score-based loan approvals along with risk-based pricing.

Card balances grew by 10% during the year. The SkyShopper e-commerce portal was launched providing a single check-out across multiple online shops. The convenience of GlobalCash as a multi-currency prepaid card helped grow balances significantly during 2017.

Acquisition of emerging affluent customers through Personal Banking Beyond grew 20% year-on-year. Priority Banking delivered a robust performance with wealth revenues growing by 23%.

RBWM continued to develop its innovation and digitization agenda with the launch of Liv., the UAE's first digital bank targeted at millennials. Liv. has been very well received with impressive account opening from the youth segment. FaceBanking video banking was launched allowing customers to talk with an advisor 24x7 and sign up for a new loan instantly. Paperless personal loan applications through tablets and in branches reached about two-thirds of total sourcing. The bank extended its digital payments capability with the introduction of Samsung Pay and Apple Pay.

EVA™, the region's first voice-based virtual chatbot powered by artificial intelligence was rolled out enabling customers to receive assistance using conversational English or Arabic. DirectRemit, the Bank's flagship remittance product grew steadily and commands a 6% market share of key remittance corridors. The Bank was recognized as the Most Innovative Financial Services Organization of the Year globally at the prestigious BAI Global Innovation Awards 2017.

Private Banking grew investment AUMs 17% year-on-year as the division was confirmed as the leading wealth manager in the region receiving six prestigious industry awards.

Emirates NBD Asset Management successfully listed ENBD REIT on Nasdaq Dubai raising over USD 100M. The Global Sukuk Fund and the Emirates MENA Fixed Income Fund cemented their position amongst the largest funds in their peer-group whilst over a third of all funds were ranked in the top quartile based on performance.

Wholesale Banking (WB)

Wholesale Banking delivered a very strong set of financial results for the year ended 31 December 2017 with net profits of AED 3,765 million, up 7% over the corresponding period in 2016; driven by 16% growth in operating income which was partially off-set by a higher level of net provisioning.

Net interest income of AED 3,695 million for the year ended 31 December 2017 was 20% higher than the same period in 2016 due to an improvement in margins and a growth in lending activity. Non-funded income of AED 1,283 million in 2017 was 6% higher than the previous year mainly on account of higher fees and commission. Increasing non-funded income through a growth in treasury sales, trade finance and cash management remains a strategic priority for Wholesale Banking.

Costs were lower by 1% for 2017 compared with 2016 due to efficiencies achieved across the business. These savings are allowing 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.

Overall, the credit quality on newly originated business continues to be strong. However, net provisioning increased to AED 805 million for the year ended 31 December 2017 due to a lower level of recoveries compared to 2016.

Assets grew by 8% due to growth in real estate, services and trade sectors. Deposits grew by 19% with strong growth in Current Account and Savings Account balances reflecting the Bank's focus on lowering its average cost of funding whilst maintaining liquidity at an optimum level.

This very strong performance for 2017 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 and solutions to Bank's customers across the region.

Global Markets & Treasury (GM&T)

Global Markets and Treasury delivered impressive growth in both income and profitability, reinforcing the positive trend in results from the preceding two years. GM&T reported a 106% growth in income to AED 782 million for 2017.

The Asset Liability Management business delivered excellent results by positioning the balance sheet to take maximum advantage of rises in short term interest rates.

Treasury Sales had another strong year with revenue growing by 16% in 2017 on higher volumes in Foreign Exchange due to enhanced product capability and a closer working relationship with Corporate and Institutional clients.

The Trading desk had a strong year despite low volatility, ad hoc stress in markets and global geopolitical events, driven by diversification into new markets and proactive risk management.

Principal Investments delivered an increase in revenue on the disposal of some legacy investments.

The Global Funding Desk successfully raised over AED 10 billion of term funding through a mix of public issues and private placements with maturities out to twenty years.

Emirates Islamic (EI)

Emirates Islamic achieved a record net profit of AED 702 million in 2017, a six-fold improvement from 2016.

EI reported a total income (net of customers' share of profit and distribution to Sukuk holders) amounting to AED 2.4 billion for 2017, a decline of 4% compared to 2016 due to EI's shift to financing secured and superior credit risk rated customers. Total cost improved by 7% as a result of the consistent control of operating costs. EI recorded its highest ever total assets of AED 62 billion and customer deposits grew by

2% to AED 42 billion. Financing and investing receivables declined by 7% to AED 34 billion due to a containment in new business as a result of a tightening in underwriting standards. EI's focused approach to improve its liabilities mix led to a significant increase in CASA balances, and at December 2017, CASA represented 68% of total customer deposits. EI's headline Financing to Deposit ratio stood at 81% 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 16.2% and the Total Capital ratio at 17.4%.

During 2017, Fitch affirmed EI's long term Issuer Default Rating of 'A+' with a Stable Outlook.

Outlook

We expect the UAE's growth rate to accelerate to 3.4% in 2018 from an estimated 2.0% last year. The slowdown in 2017 was primarily due to oil production cuts and crude output should recover this year. Non-oil sector growth 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 be constrained against a backdrop of modest job and wage growth, higher taxes and increased fuel costs. VAT is being introduced at a time when the economy is in relatively good shape and 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 the Most Innovative Financial Services Organization of the Year at the BAI Global Innovation Awards
 - Emirates NBD named 'Bank of the Year – UAE 2017' by The Banker
 - Emirates NBD won 'Best Private Wealth Bank in the UAE' at The Asian Banker Private Wealth Awards 2017, Middle East and Africa
 - Emirates NBD won 'Outstanding Global Private Bank – Middle East' award at the 2017 Private Banker International (PBI) Global Wealth Awards
 - Emirates NBD won the 'Achievement in Market Risk Management' award in the Middle East and Africa at The Asian Banker Middle East & Africa Transaction Banking and Risk Awards Ceremony 2017
 - Emirates NBD won Digital Leader – Banking Awards and Liv. by Emirates NBD won Digital Leader – Disruptive Award at the Digital Leader Awards 2017
 - Emirates NBD won 'Best Local Investment Bank' and 'Best equity house' at emeafinance Middle East Banking Awards 2017
 - 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 230 branches and 1040 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

For more information:

Ibrahim Sowaidan

Head - Group Corporate Affairs

Emirates NBD

Telephone: +971 4 609 4113 / +971 50 6538937

e-mail: ibrahims@emiratesnbd.com

Patrick Clerkin

Head - Investor Relations

Emirates NBD

Telephone: +971 4 609 3007

e-mail: IR@EmiratesNBD.com / PatrickE@EmiratesNBD.com