

For immediate release

Emirates NBD Announces First Half 2017 Results

Record Half-Year Net Profits of AED 3.9 billion, up 5% on higher net interest income, lower expenses and lower provisions

Announces AED 1 billion investment for digital transformation

Dubai, 19 July 2017

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a record set of results with net profit up 5% to AED 3.9 billion. Net interest income improved 2% y-o-y due to loan growth and helped by a recent improvement in margins. Net interest margin improved since the beginning of the year as loans reset at higher rates and funding costs improved as liquidity conditions eased. The operating performance was also supported by a control on expenses and lower provisions. The Bank's balance sheet continues to strengthen with further improvements in credit quality and capital, coupled with solid liquidity ratios.

Emirates NBD affirmed its credentials as the region's leader in digital banking with a revamp of its online banking platform including the launch of FaceBanking, a video banking facility that allows eligible customers to talk to an advisor at any time for assistance or sign up for a new loan instantly. The bank also announced a planned investment of AED 1 billion over the next three years to carry out a digital transformation program.

Financial Highlights – H1 2017

- Net profit of AED 3.9 billion, up 5% y-o-y from H1-16
- Net Interest Income improved 2% y-o-y on loan growth and helped by a recent improvement in margins
- Net Interest Margin improved by 20bp from 2.29% in Q4-16 to 2.49% in Q2-17
- Total Income of AED 7.5 billion, declined 3% y-o-y due to lower gains from the sale of investments
- Total assets at AED 456.2 billion, up 2% from end 2016
- Customer loans at AED 304.0 billion, up 5% from end 2016
- Customer deposits at AED 319.9 billion, up 3% from end 2016
- Impaired Loan ratio improved to 6.1% whilst the Impaired Loan Coverage ratio strengthened to 123.5%.
- Liquidity Coverage Ratio of 157.3% and AD ratio of 95% demonstrates healthy liquidity position
- Tier 1 Capital Ratio strengthened to 18.3% and Capital Adequacy Ratio advanced to 20.7% with retained earnings

Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said: "It is extremely pleasing to report that Emirates NBD has achieved its highest ever net profit in the first half of 2017. We are honoured to be 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. Our digital banking leadership, along with our solid financial and operating performance, were once again recognized in this year's Euromoney Awards for Excellence when Emirates NBD was awarded 'Best Digital Bank in

the Middle East' and 'Best Bank in the UAE'. We were pleased to have published Emirates NBD's first Sustainability Report earlier this year, confirming our commitment to being an ethical and responsible bank. The Bank now has ten disability friendly branches among our network. We are also piloting a digital sign language platform for people with hearing disabilities. Throughout 2017, we aim to embrace and adopt the Year of Giving by ensuring that all activities in our CSR calendar are designed to make a difference to individuals, society and the nation as a whole."

Commenting on the Group's performance, Group Chief Executive Officer, Shayne Nelson said:

"Despite some uncertain times Emirates NBD has delivered a record set of half-year results with net profits of AED 3.9 billion, up 5% year on year. During 2017 we have seen margins widen 20 bps as recent rate rises flowed through to loan pricing and funding costs improved as regional liquidity conditions eased. The Group's balance sheet continued to strengthen with improved capital and credit quality ratios and liquidity ratios were comfortably maintained within management's target range. Last year we announced a major investment in our digital platform and we are pleased to unveil the next revamp of our award winning online portal which includes FaceBanking that will empower customers to talk to an advisor over a video call at a time and place of their choosing. We plan to continue our digital transformation program with a planned investment of AED 1 billion over the next three years."

Group Chief Financial Officer, Surya Subramanian said: "The operating performance for the first half of 2017 was pleasing as we saw margins improve coupled with controlled loan growth. Non-interest income declined year-on-year due to the sale of investment securities in 2016 that were not repeated in the current year. Expenses remain firmly under control and provide headroom to invest for future growth. We also delivered a further improvement in credit quality with the NPL ratio strengthening to 6.1% and this, coupled with an increase in margins and lower costs, is a position we expect to hold for the remainder of 2017."

Financial Review

| AED million | Half year ended 30-Jun-17 | Half year ended 30-Jun-16 | Better / (Worse) (%) | Half year ended 31-Dec-16 | Better / (Worse) (%) |
|---|------------------------------|------------------------------|----------------------------|------------------------------|----------------------------|
| Net interest income | 5,185 | 5,099 | 2% | 5,012 | 3% |
| Non-interest income | 2,268 | 2,572 | (12%) | 2,065 | 10% |
| Total income | 7,453 | 7,671 | (3%) | 7,077 | 5% |
| General & administrative expenses | (2,253) | (2,476) | 9% | (2,412) | 7% |
| Operating profit before impairment charges | 5,201 | 5,195 | 0% | 4,665 | 11% |
| Impairment allowances | (1,260) | (1,456) | 13% | (1,152) | (9%) |
| Operating profit | 3,940 | 3,739 | 5% | 3,513 | 12% |
| Share of profits of associates | 12 | 61 | (80%) | 74 | (83%) |
| Taxation charge | (58) | (82) | 29% | (66) | 12% |
| Net profit | 3,894 | 3,718 | 5% | 3,521 | 11% |
| Cost to income ratio (%) | 30.2% | 32.3% | 2.1% | 34.1% | 3.9% |
| Net interest margin (%) | 2.41% | 2.58% | (0.17%) | 2.37% | 0.04% |
| EPS (AED) | 0.65 | 0.62 | 4.8% | 0.58 | 12.1% |
| Return on Tangible Equity (%) | 19.8% | 20.9% | (1.1%) | 19.6% | 0.2% |

| AED billion | as at 30-Jun-17 | as at 30-Jun-16 | Better / (Worse) (%) | as at 31-Dec-16 | Better / (Worse) (%) |
|----------------------------------|--------------------|--------------------|----------------------------|--------------------|----------------------------|
| Total Assets | 456.2 | 425.8 | 7% | 448.0 | 2% |
| Loans | 304.0 | 286.0 | 6% | 290.4 | 5% |
| Deposits | 319.9 | 297.6 | 7% | 310.8 | 3% |
| Impaired Loan Ratio (%) | 6.1% | 6.6% | 0.5% | 6.4% | 0.3% |
| Impaired Loan Coverage Ratio (%) | 123.5% | 118.5% | 5.0% | 120.1% | 3.4% |
| Capital Adequacy Ratio (%) | 20.7% | 20.5% | 0.2% | 21.2% | (0.5%) |
| Tier 1 Ratio (%) | 18.3% | 17.9% | 0.4% | 18.7% | (0.4%) |

Total income for the half year ended 30 June 2017 amounted to AED 7,453 million; a decrease of 3% compared with AED 7,671 million during the same period in 2016.

Net interest income improved by 2% in H1-17 to AED 5,185 million as loan growth more than offset margin contraction.

Non-interest income declined 12% compared to the same period in 2016 due to the lower gains from the sale of investment securities. Non-interest income improved 10% compared to H2-16 as a result of lower foreign exchange income due to the Egyptian Pound devaluation at the end of 2016.

Costs for the half year ended 30 June 2017 amounted to AED 2,253 million, an improvement of 9% over the previous year, helped by a containment in staff costs following cost control measures implemented in 2016. The improvement in the cost-to-income ratio enables the Bank to continue to support future growth and digital expansion.

During the first half of 2017 the Impaired Loan Ratio improved by 0.3% to 6.1%. The impairment charge during this period of AED 1,260 million is 13% lower than in the corresponding period in 2016. This net provision includes AED 696 million of write-backs and recoveries, and together helped boost the coverage ratio to 123.5%.

Net profit for the Group was AED 3,894 million in H1-17, 5% above that posted in H1-16. The increase in net profit was driven by asset growth, a control on expenses and reduced provisions which helped offset lower non-interest income.

Loans increased by 5% and Deposits grew by 3% during the first half of 2017.

The Liquidity Coverage Ratio is now reported for the first time at a very healthy 157.3% and the Advances to Deposits Ratio remains comfortably within management's target range at 95%. In H1-17, the Bank raised AED 4.8 billion of term funding through private placements and term funding represents 10% of total liabilities.

As at 30 June 2017, the Bank's capital adequacy ratio and Tier 1 capital ratio were 20.7% and 18.3% respectively.

Business Performance

Retail Banking & Wealth Management (RBWM)

RBWM delivered a strong performance for the first half of 2017 with total income of AED 3,299 million, up 9% year-on-year led by growth in net interest income from liabilities and growth in fee income from wealth, foreign exchange and cards business. Fee income now comprises 35% of revenue.

RBWM's liability book continued to grow faster than the market, increasing by AED 11 billion during H1-17, led by growth in low cost Current & Savings Accounts ('CASA') balances. Customer advances rose 2% during 2017 from growth in mortgages and term loans.

RBWM consolidated its digital banking leadership with a revamp of its online banking platform that provides a rich user interface, intuitive widgets to track finances and a digital store for new product applications including FaceBanking offering video banking facilities.

Earlier in the year, the Bank launched Liv., the UAE's first digital bank targeted at millennials, centered on lifestyle and offering curated deals and experiences for its young customers. The new proposition has been well received with new account opening ramping up rapidly to about 20% of total acquisition for the division.

A paperless Personal Loan program that was rolled out across branches and on tablets gained traction, contributing to 15% of sales. The Bank launched, for the first time, Al Etihad Credit Bureau credit score based loan approvals.

The division continued to focus on higher value customers with over 60% of new cards sourced belonging to the premium segment and the recently re-launched Personal Banking Beyond proposition contributed to an increase of 14% in emerging affluent customer acquisition.

Private Banking continued to diversify its client base attracting additional assets under management from both existing and new clients resulting in consistent growth of core revenues. Emirates NBD Asset Management solidified its leading market position and built a strong pipeline of new mandates from a diverse client base. Earlier this year, Emirates NBD Asset Management successfully listed 'ENBD REIT' on Nasdaq Dubai and has raised more than USD 100 M. Despite the continued low liquidity prevalent in local and regional capital markets, Emirates NBD Securities was able to increase market share during Q2 2017.

Wholesale Banking (WB)

Wholesale Banking delivered a solid set of financial results in H1-17 with operating income of AED 2,417 million, up by 8% compared with the corresponding period in 2016. Net profit of AED 1,684 million increased by 4% compared with AED 1,617 million in H1-16 due to the growth in operating income, partially off-set by higher credit provisioning.

Net interest income of AED 1,773 million for H1-17 was 13% higher compared with AED 1,572 million for the first half of 2016 due to an increases in customer assets coupled with improving margins.

Fee income of AED 644 million for H1-17 was 4% lower compared to the corresponding period in 2016 due to uncertainty in the regional markets. However, customer fee income and treasury sales continue to grow with an on-going focus on increasing non-funded income from trade finance and cash management products.

Costs were 3% lower compared with the first half of 2016 as a result of an organizational realignment undertaken in 2016 together with a continued focus on improving efficiency and maintaining a disciplined control over expenses.

Overall, the credit quality on newly originated business continues to be strong. However gross provisions increased by AED 117 million, despite an increase in recoveries in H1-17 compared to the corresponding period in 2016, as the provisioning levels on certain assets were prudently recorded.

In terms of the balance sheet, despite relatively weak corporate loan demand in the UAE, assets grew by 9% compared with the second half of 2016 supported by good momentum in lending activity and growth in the Bank's trade finance business. Deposits were overall lower by 4%, with growth in Current Account and Savings Account balances being more than offset by a reduction in higher cost fixed deposits reflecting the Bank's focus on lowering its average cost of funding while at the same time maintaining liquidity at an optimum level.

This strong H1-17 performance reflects the progress that Wholesale Banking is continuing to make 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 the Bank's customers across the region.

Global Markets & Treasury (GM&T)

GM&T reported a 9% growth in income to AED 304 million in H1 2017 compared to AED 278 million for the same period in 2016.

- GM&T Sales Desk revenue continued to grow, helped by a higher volume of Foreign Exchange transactions.
- GM&T Trading Desk revenue in Credit & Foreign Exchange declined on the back of increased volatility in global markets and was partially offset by an improved performance in Interest Rate Derivative Trading.

The GM&T Global Funding Desk raised AED 4.8 billion of term funding through private placements with maturities out to ten years.

Emirates Islamic (EI)

After a challenging 2016, Emirates Islamic recorded a healthy improvement in net profit of AED 387 million in H1-17 and is well positioned to benefit from current market opportunities.

El reported a marginal decline of 3% in total income (net of customers' share of profit and distribution to Sukuk holders) amounting to AED 1,185 million in H1-17 as compared to AED 1,226 million in H1-16. The decrease in total income is attributable to El's shift in financing to secured and low credit risk rated customers. Operating cost continues to be tightly managed and the total cost has decreased by 16% compared to the same period last year. Net Impairment allowances have improved by 61% compared to H2-16 due to effective remediation and an improved cost of risk associated with both corporate and retail financing receivables. At the end of H1-17, Financing and Investing Receivables stands at AED 35.4 billion and Customer deposits at AED 41.8 billion. As at end of H1-17, CASA represented 69% of total customer deposits compared with 67% at the beginning of the year. El's headline Financing to Deposit ratio at 85% remained comfortably within the management's target range.

Outlook

We have 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 early 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 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 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 221 branches and 1,023 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

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