

For immediate release

Emirates NBD Announces First Half 2018 Results

**Record Half-Year as Net Profit exceeds AED 5 billion, up 29% y-o-y
on higher net interest income and lower provisions**

Dubai, 18 July 2018

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a record set of results with net profit up 29% to AED 5.0 billion. Net interest income improved 20% y-o-y due to loan growth and a further improvement in margins. The operating performance was also supported by a 40% improvement in provisions. The Bank's balance sheet remains solid with a further strengthening in capital due to retained earnings, coupled with stable liquidity and credit quality ratios.

Financial Highlights – H1 2018

- Net profit of AED 5.0 billion, up 29% y-o-y
- Net Interest Income improved 20% y-o-y on loan growth and helped by a continuing improvement in margins
- Net Interest Margin improved by 33 bps y-o-y to 2.78% helped by rate rises
- Total Income of AED 8.5 billion improved 13% y-o-y
- Total assets at AED 477.5 billion, up 2% from end 2017
- Customer loans at AED 316.4 billion, up 4% from end 2017
- Customer deposits at AED 335.0 billion, up 3% from end 2017
- Impaired Loan ratio stable at 6.0% whilst Coverage ratio strengthened to 128.4%
- Liquidity Coverage Ratio of 158.7% and AD ratio of 94.4% demonstrates healthy liquidity position
- Capital Ratios strengthened with Common Equity Tier 1 Ratio improving to 16.3% and Capital Adequacy Ratio at 21.2%

Commenting on the Group's performance, Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said: "I am extremely proud that Emirates NBD has delivered another record net profit in the first half of 2018. Following the recent UAE Innovation Month, I am pleased that, in its first year of operation, Liv., the lifestyle digital bank for millennials, has attracted over one hundred thousand customers. Liv. is now the fastest growing digital bank in the UAE and 84% of customers are new to the Bank. Emirates NBD was named 'Best Bank in the Middle East' as well as 'Best Bank in the United Arab Emirates' for the fourth consecutive year at the Euromoney Awards for Excellence. The bank was lauded for its commitment to the digitisation of banking services within the region, having introduced several first-to-market digital banking solutions. We have enthusiastically embraced the Year of Zayed to honour the legacy of our nation's founding father, with numerous CSR activities."

Group Chief Executive Officer, Shayne Nelson said: "For the first time in the Group's history, Emirates NBD delivered a half yearly net profit in excess of AED 5 billion underpinned by higher net interest income on the back of loan growth and improving margins and a lower cost of risk. The Bank's balance sheet

remains solid with a further strengthening in capital due to retained earnings, coupled with stable liquidity and credit quality ratios. Following the Bank's announcement to enter into a definitive agreement to buy Sberbank's 99.85% stake in Denizbank A.S., we were pleased that both Moody's and Fitch affirmed the ratings and outlook of Emirates NBD."

Group Chief Financial Officer, Surya Subramanian said: "The operating performance for the second quarter of 2018 was pleasing as we delivered a record quarterly net profit supported by growth in our core business. Margins improved 14 bps during the quarter as rate rises flowed through to the loan book and more than offset a modest increase in deposit costs. With CASA representing 54% of deposits, our book is positioned to benefit from further rate rises and, as a consequence, we have revised up margin guidance for this year. The cost to income ratio, at 31.3%, provides headroom to keep investing for future growth and further enhance our digital and technology capabilities."

Financial Review

AED million	Half year ended 30-Jun-18	Half year ended 30-Jun-17	Better / (Worse) (%)	Half year ended 31-Dec-17	Better / (Worse) (%)
Net interest income	6,229	5,185	20%	5,601	11%
Non-interest income	2,222	2,268	(2%)	2,401	(7%)
Total income	8,451	7,453	13%	8,002	6%
General & administrative expenses	(2,646)	(2,253)	(17%)	(2,592)	(2%)
Operating profit before impairment charges	5,805	5,200	12%	5,410	7%
Impairment allowances	(755)	(1,260)	40%	(968)	22%
Operating profit	5,050	3,940	28%	4,442	14%
Share of profits of associates	49	12	294%	60	(18%)
Taxation charge	(82)	(58)	(40%)	(50)	(62%)
Net profit	5,018	3,894	29%	4,452	13%

Cost to income ratio (%)	31.3%	30.2%	(1.1%)	32.4%	1.1%
Net interest margin (%)	2.78%	2.41%	0.37%	2.53%	0.25%
EPS (AED)	0.85	0.65	31%	0.75	13%
Return on Tangible Equity (%)	22.7%	19.8%	2.9%	21.1%	1.6%

AED billion	as at 30-Jun-18	as at 30-Jun-17	Better / (Worse) (%)	as at 31-Dec-17	Better / (Worse) (%)
Total Assets	477.5	456.2	5%	470.4	2%
Loans	316.4	304.0	4%	304.1	4%
Deposits	335.0	319.9	5%	326.5	3%
Impaired Loan Ratio (%)	6.0%	6.1%	0.1%	6.2%	0.2%
Impaired Loan Coverage Ratio (%)	128.4%	123.5%	5%	124.5%	4%
Capital Adequacy Ratio (%)	21.2%	20.7%	0.5%	21.2%	0%
Tier 1 Ratio (%)	19.8%	18.3%	1.5%	18.9%	0.9%
Common Equity Tier 1 Ratio (%)	16.3%	14.9%	1.4%	15.6%	0.7%

Total income for the half year ended 30 June 2018 amounted to AED 8,451 million; an increase of 13% compared with AED 7,453 million during the same period in 2017.

Net interest income improved 20% in H1-18 to AED 6,229 million due to loan growth coupled with an improvement in margins.

Non-interest income declined 2% compared to the same period in 2017 as higher core fee income was more than offset by a reduction in investment securities income as a result of an impairment provision on a private equity fund holding.

Costs for the half year ended 30 June 2018 amounted to AED 2,646 million, an increase of 17% over the previous year on higher staff and IT costs relating to our digital transformation and technology refresh. Costs were also higher as a result of international branch expansion and a rise in costs associated with the acquisition opportunity in Turkey. The cost to income ratio at 31.3%, remains within 2018 guidance of 33% and enables us to invest to support future growth.

During the first half of 2018 the Impaired Loan Ratio improved by 0.1% to 6.0%. The impairment charge during this period of AED 755 million is a 40% improvement on the corresponding period of 2017 as the net cost of risk improved to an annualized 55 bps.

The Group's record net profit of AED 5,018 million in H1-18 is 29% above that posted in the comparable period in 2017. The increase in net profit was driven by asset growth, higher margins and reduced provisions which helped offset a modest decline in non-interest income.

Loans and Deposits increased by 4% and 3% respectively since the beginning of the year. The Advances to Deposits Ratio remains comfortably within Management's target range at 94.4%. In H1-18, the Bank raised AED 6.7 billion of term funding through a mix of public issues and private placements. Term funding represents 10% of total liabilities.

As at 30 June 2018, the Bank's Common Equity Tier 1 ratio is 16.3%, Tier 1 ratio is 19.8% and Total Capital ratio is 21.2%.

Business Performance

Retail Banking & Wealth Management (RBWM)

RBWM delivered a strong performance in the first half of 2018 with a total income of AED 3,625 million, up 10% year-on-year, led by growth in net interest income from liabilities. Fee income increased by 11% over the same period last year driven by FX and Cards and comprised 36% of revenues.

The Liabilities book grew by AED 3.9 billion (3%) over end 2017, primarily from individual retail customers and supported by high visibility marketing campaigns. Total customer advances were up by AED 1.8 billion (5%) over end 2017 due to growth in term loans and mortgages. Acquisitions of retail assets showed strong traction supported by policy revisions and product enhancements, with personal loan sales up 32% and

new primary cards up 28% year on year. An automated Decision Management System was rolled out to provide quick personal and auto loan approvals.

The division continued to focus on higher value customers with acquisitions of Priority Banking and emerging affluent Personal Banking Beyond customers growing by 5% year on year. A new wealth advisory framework was rolled out to cater to financial planning needs of affluent customers. More than half of new cards sourced belonged to the premium segment.

RBWM continued to build on its digital leadership enabling tablet based sourcing of loans, cards, accounts and investment solutions. Agile development squads were set up to build new services quickly and efficiently. Liv., the country's first digital bank targeted at millennials, completed its first year of operations, acquiring 100,000 customers to become the fastest growing digital bank in the UAE and launched 'Liv. Goals' to help customers set deliberate saving plans to meet specific lifestyle aims. The SkyShopper e-commerce portal was enriched with the addition of new partners and capabilities.

The branch network was augmented with the opening of a new branch in Dubai Design District and two renovated branches at the Mall of the Emirates, enhanced with digital and self-serve capabilities. Disability friendly access was extended to one-third of the entire branch network.

Private Banking continued to deliver strong financial results while guiding its clients through a volatile global market environment. Emirates NBD Asset Management's flagship funds saw strong inflows with the Global Sukuk Fund and the MENA Fixed Income Fund leading their respective classes. Emirates NBD Securities continued to enhance its proposition in a low turnover market by opening new markets along with migrating over half of its customer base to online trading.

Wholesale Banking (WB)

Wholesale Banking delivered a very strong performance for the first half of 2018 with net profit of AED 2,169 million, up 29% over the corresponding period in 2017, underpinned by 17% growth in operating income and higher loan recoveries.

Net interest income of AED 2,224 million for the first half of 2018 was 25% higher than the corresponding period in 2017, driven largely by an improvement in margins, growth in lending activity and a continued effort to improve the cost of funding by focusing on growing CASA balances.

Fee income of AED 607 million for the first half of 2018 was 6% lower than the corresponding period in 2017 mainly due to slowdown in Investment Banking activities partially offset by a successful focus on growing non-funded income from Treasury products.

Costs were 16% higher for the first half of 2018 compared with the corresponding period in 2017 mainly due to an organizational realignment and selective initiatives undertaken to reshape the business. Wholesale Banking is investing in upgrading its Transaction Banking systems to digitize, enhance product capabilities and improve levels of straight through processing.

The credit quality of the loan book remains stable while the successful resolution of legacy portfolio issues led to increased recoveries. This resulted in stronger provision coverage and a 22% improvement in provisions to AED 411 million for the first half of 2018.

In terms of balance sheet, assets grew by 3% reflecting loan demand, while deposits dropped by 4% due to a reduction in fixed deposit balances reflecting the business' efforts to optimize its funding mix.

Global Markets & Treasury (GM&T)

GM&T delivered an impressive 46% growth in income to AED 443 million for H1 2018 against AED 304 million for the same period in 2017.

The ALM business continued to deliver excellent results by positioning the balance sheet to take maximum advantage of the rise in short term interest rates.

Trading delivered a strong performance with significant contributions from both the Rates & FX desks. The Rates business expanded the list of currencies traded and capitalized on multiple trading opportunities across Emerging and Developed markets. FX trading delivered positive results despite an increase in global geopolitical noise. Structured Rates continues to expand its support to flow business.

GM&T Sales desk witnessed higher volumes in Derivatives & Foreign Exchange due to enhanced product capability and good traction from Institutional & Corporate clients.

The Global Funding Desk successfully raised AED 6.7 billion of term funding through a mix of public issues and private placements with maturities out to 30 years.

Emirates Islamic (EI)

Emirates Islamic achieved a net profit of AED 485 million for the first half of 2018, an increase of 25% compared to the same period last year and an increase of 54% compared to the second half of 2017. The net profit for the second quarter of 2018 is AED 277 million, a year-on-year increase of 67%.

EI reported total income (net of customers' share of profit and distribution to Sukuk holders) of AED 1,217 million for the first half of 2018, a 3% increase compared to same period last year. This increase is driven by higher core fee income due to increased volumes of foreign exchange and credit card business. An enhanced collections drive coupled with an improved cost of risk in the first half of the year resulted in 47% lower impairments compared to the same period last year.

EI's total assets stands at AED 59 billion. Financing and Investing Receivables advanced by 3% to AED 35 billion during the year. Over the same period customer deposits grew by 2% to AED 43 billion. CASA balances grew by 5% and now represent 70% of total customer deposits. EI's headline Financing to Deposit ratio stood at 81.7% and is comfortably within the management's target range. Capital ratios, as calculated under the Basel III framework for the first half of 2018, were strong with a Common Equity Tier 1 ratio at

15.7% and the Total Capital ratio at 16.8%. EI's NPF ratio improved to 8.1% for the first half of 2018 from 10.3% as at year end 2017 and the coverage ratio improved from 92% to 126% over the same period.

Outlook

We expect the UAE's real GDP growth to accelerate to 2.2% in 2018 from 1.5% last year. The recent decision by OPEC to boost production significantly in H2 poses an upside risk to our forecast. Survey data indicates that growth in the non-oil sector has been solid in H1 2018, underpinned by investment in infrastructure as the country prepares for Expo 2020, with the public sector driving this investment. Household consumption is likely to remain constrained against a backdrop of modest job and wage growth, higher taxes and increased fuel costs. 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 'Best Bank in the Middle East' and 'Best Bank in the UAE' for the fourth consecutive year at the Euromoney Awards for Excellence in 2018
 - Emirates NBD won 'Most Innovative Bank in the Middle East' at Global Finance magazine
 - Emirates NBD won 'Middle East Retail Bank of the Year' and 'Best Use of Online Banking' at RBI 2018 Global Awards
 - Emirates NBD won 'Best Retail Bank in the UAE' by Banker Middle East Industry Awards
 - Emirates NBD was recognised for 'National Initiative' by Ministry of Presidential Affairs
 - Emirates NBD won 'Best Integrated Sports Marketing Campaign of the Year' by Sports Industry Awards 2018 for "Million Dirham Putt" competition
 - Emirates NBD won 'Best Retail Bank in the UAE', 'Best Retail Bank in the Middle East', 'Best Digital Bank in Middle East' and 'Best Online Bank globally' by The Asian Banker
 - Emirates NBD Capital won 'Best Local Investment Bank (UAE)' and 'Best Equity House (UAE)' awards at EMEA Finance Middle East Banking Awards
 - Emirates NBD won 'Best Private Bank in Middle East' by The Asian Private Banker award for Distinction 2017
 - Emirates NBD Group was recognised for leadership in innovation at the Dubai Quality Group's UAE Innovation Award
 - Tanfeeth won International Business Excellence (IBX) 2018 Award in 'Strategy, Change and Transformation' category
 - Emirates NBD Egypt won 'Best Digital Bank' in Egypt for 2017 by International Finance Magazine
 - Liv. by Emirates NBD won international accolades in first year of operations
 - 'Innovation in Financial services' by Arab Innovation Awards
 - 'Best Digital Banking Experience of the Year' award by Seamless Awards
 - 'Best Digital Bank in the Middle East' by The Asian Banker International Excellence in Retail Financial Services 2018 programme
 - 'Digital Leader' at Digitrans 2017 by MIT Sloan
 - 2017 Gold Lynx award for 'Creative Innovation'
 - 2017 Gold Midas Award in the 'Financial Technology' category
- ✧ **Marketing, Social Media and Customer Engagement Awards – Emirates NBD**
 - Emirates NBD ranked UAE's top banking brand for second consecutive year valued at USD 3.534 billion in The Banker's annual brand valuation league table

- Emirates NBD won 'Best CSR Team of the Year Award' at Gulf Sustainability and CSR Awards
- Emirates NBD won 'Customer Experience Team' and 'Business Change or Transformation Awards' at Gulf Customer Experience Awards 2017
- Emirates NBD won 'Best Customer Experience Journey Maps award' at the Service Olympian Award 2017 by Ethos Integrated Solutions

✧ **Emirates Islamic**

- Emirates Islamic recognised as 'Islamic Personal Finance Provider of the Year' for second consecutive year by yallacompare
- Emirates Islamic named 'Best Islamic Banking Brand' by Global Brands Magazine
- Emirates Islamic recognised as 'Best Islamic Bank' in the UAE by Global Finance
- Emirates Islamic won 'Best Islamic Card' and 'Best Mobile Banking app' by Banker Middle East Product Awards
- Emirates Islamic won 'Most Improved Branches' in Banks Benchmarking Index by Ethos Integrated Solutions
- Emirates Islamic won three awards at Association for Talent Development (ATD) Excellence in Practice Awards

About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 227 branches and 1065 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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