

For immediate release

Emirates NBD Announces Third Quarter 2016 Results

Net profit up 8% to AED 5.4 billion on higher income and lower provisions

Dubai, 17 October 2016

Emirates NBD (DFM: EmiratesNBD), the UAE's largest lender, delivered a solid set of financial results with net profit up 8% to AED 5.4 billion for the first nine months of 2016. The operating performance was helped by higher recoveries and a modest increase in total income, driven by higher core fee income and asset growth which offset a contraction in margins.

Financial Highlights – Q3 2016 YTD

- Net profit of AED 5.4 billion, up 8% y-o-y
- Total Income of AED 11.3 billion, up 1% y-o-y as Net Interest Income grew 1% on the back of asset growth whilst core fee income grew 2% due to growth in credit card and foreign exchange volumes
- Cost of risk continues to normalise as impairment charge of AED 2,184 million is 22% lower than in Q3-15 YTD, helped by over AED 2 billion of writebacks and recoveries
- Enhanced asset quality as Impaired Loan ratio improved to 6.4% whilst the Impaired Loan Coverage ratio strengthened to 120.8%
- Advances to Deposit ratio at 92.8% remains comfortably within the management's target range
- The Bank prudently raised over AED 19 billion of term debt at competitive pricing, through private placements, a sukuk issue and a club loan which further boosted structural liquidity
- Tier 1 Capital Ratio, at a healthy 18%, grew on the back of strong retained profit

Commenting on the Group's performance, Mr. Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said: "Emirates NBD continues to deliver a solid performance, with 8% growth in net profit to AED 5.4 billion for the first nine months of the year. I am particularly pleased that, despite a challenging operating environment, the Group has achieved improved profitability whilst further enhancing asset quality, liquidity and capital ratios. Emirates NBD is a regional leader in digital banking. We continue to invest in our next generation of online and mobile banking services. We recently launched a pilot blockchain network for international remittances and trade finance, a first for the banking sector in the UAE. We were also honoured to showcase Emirates NBD's futuristic branch to H.H. Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai and H.H. Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Dubai Crown Prince. This prototype for the "Bank of the Future" was part of the official opening of the Dubai Future Foundation's prestigious Museum of the Future and marked a significant milestone as Dubai strengthens its credentials as a global innovation hub. Going forward, the Group is well positioned to utilise our strong franchise, capital and liquidity base to take advantage of growth opportunities within the region."

Group Chief Executive Officer, Shayne Nelson said: "We have delivered another positive set of financial results. Income grew modestly driven by higher core fee income and asset growth which offset a contraction

in margins. We continue to drive digital innovation. We are proud to take the lead in piloting the UAE's first blockchain network for banking services and to open a "Bank of the Future" branch at Jumeirah Emirates Towers. Whilst we have seen increased delinquencies in the micro SME segment, which has prompted Emirates Islamic to take additional provisions, the Group's overall credit quality continues to improve. Both Dubai and Emirates NBD are well placed to deal with the regional challenges stemming from a lower oil price environment. The Bank's strong balance sheet will enable us to benefit from Expo2020 and other regional opportunities for growth."

Group Chief Financial Officer, Surya Subramanian said: "The operating performance improved for the first nine months of 2016, thanks largely to lower impairment allowances backed by higher recoveries. The Group's liquidity position improved further, bolstered by a stable and highly diversified deposit base and our ability to raise over AED 19 billion of term funding in the first nine months of 2016. Given the challenging environment ahead, we have taken measures to contain costs even as we improved asset quality and capital ratios."

Financial Review

AED million	9 months ended 30-Sep-16	9 months ended 30-Sep-15	Better / (Worse) (%)
Net interest income	7,651	7,572	1%
Non-interest income	3,634	3,583	1%
Total income	11,285	11,155	1%
General & administrative expenses	(3,693)	(3,362)	(10%)
Operating profit before impairment charges	7,592	7,793	(3%)
Impairment allowances	(2,184)	(2,808)	22%
Operating profit	5,407	4,985	8%
Share of profits of associates	86	113	(24%)
Taxation charge	(111)	(108)	(3%)
Net profit	5,382	4,990	8%
Cost to income ratio (%)	32.7%	30.1%	(2.6%)
Net interest margin (%)	2.54%	2.80%	(0.26%)
EPS (AED)	0.89	0.82	0.07
Return on Tangible Equity (%)	19.7%	20.6%	(0.9%)

AED billion	as at 30-Sep-16	as at 30-Sep-15	Better / (Worse) (%)	as at 31-Dec-15	Better / (Worse) (%)
Total Assets	446.0	390.4	14%	406.6	10%
Loans	289.2	261.6	11%	270.6	7%
Deposits	311.6	269.3	16%	287.2	8%
Impaired Loan Ratio (%)	6.4%	7.1%	0.7%	7.1%	0.7%
Impaired Loan Coverage Ratio (%)	120.8%	114.5%	6.3%	111.5%	9.3%
Capital Adequacy Ratio (%)	20.5%	20.9%	(0.4%)	20.7%	(0.2%)
Tier 1 Ratio (%)	18.0%	18.0%	0.0%	18.0%	0.0%

Total income for the nine months ended 30 September 2016 amounted to AED 11,285 million; an increase of 1% compared with AED 11,155 million during the same period in 2015.

Net interest income for the period improved by 1% to AED 7,651 million. The improvement in net interest income is attributable to overall loan growth which helped offset a contraction in margins.

Non-interest income for the period improved by 1% to AED 3,634 million as the 2% growth in core fee income more than offset lower income from property sales.

Costs for the nine months ended 30 September 2016 amounted to AED 3,693 million, an increase of 10% over the previous year on the back of late 2015 growth in anticipation of increased business volumes, which has since been contained in light of the new economic reality. The cost to income ratio rose by 2.6% y-o-y to 32.7%. Excluding one-offs, the cost to income ratio is 33.0%.

During the first nine months of 2016, the Impaired Loan Ratio improved by 0.7% to 6.4%. The impairment charge of AED 2,184 million during this period is 22% lower than in the corresponding period in 2015 as the net cost of risk continues to normalise. This net provision includes AED 2,129 million of write-backs and recoveries, and together helped boost the coverage ratio to 120.8%.

Net profit for the Group was AED 5,382 million in the first nine months of 2016, 8% above the profit posted during the same period in 2015. The increase in net profit was driven by asset growth, improved core fee income and improved recoveries.

Loans increased by 7% and Deposits grew by 8% during the first nine months of 2016. The Advances to Deposits Ratio remains comfortably within Management's target range at 92.8%. During the first nine months of 2016, the Bank prudently raised AED 19.7 billion of term funding through private placements, a public sukuk issue and a club loan. Term funding now represent 12% of total liabilities, further boosting structural liquidity.

As at 30 September 2016, the Bank's capital adequacy ratio and Tier 1 capital ratio were 20.5% and 18.0% respectively.

Business Performance

Retail Banking & Wealth Management (RBWM)

RBWM reported total income of AED 4,547 million for the nine months ended 30 September 2016, up 7% over the corresponding period in 2015. Net interest income grew 6% to AED 2,812 million while fee income increased 7% to AED 1,735 million, led by wealth, foreign exchange and credit card businesses.

Liabilities grew by AED 13 billion or 11% during the quarter, driven by current and savings account balances and deposits to reach AED 134 billion. Loan growth during the quarter was led by auto and personal loans and supported by Ramadan and seasonal campaigns. Our innovative Flexi Loans, launched recently to offer customers variable rate personal loans linked to market rates, contributed to 28% of new business.

RBWM saw a 60% increase in sourcing of affluent Priority Banking customers, whilst emerging affluent Personal Banking Beyond customers grew by 13% over the corresponding quarter in 2015. Over 50% of new credit cards business belonged to the premium segment.

RBWM continued to lead the digital banking space with the launch of Emirates NBD Pay, a contactless payment service allowing customers to make in-store purchases instantly via their mobile banking app, a first in the region. The Bank launched Pepper, an artificial intelligence robot which will greet customers and present products in an engaging manner.

The Smart Pass service was launched enabling customers to authorize digital banking transactions via a soft token on their mobile phones. The Emirates NBD Future Lab™ was set up as part of the Bank's digital strategy to foster innovation and accelerate development of next generation digital services.

Private Banking has shown strong growth across its core client segments. New client acquisition as well as multiple product launches throughout the quarter have contributed to growing revenue streams.

Emirates NBD Asset Management successfully grew assets under management to AED 12.2 Billion. Emirates NBD Securities maintained its market position and continues to diversify revenue streams.

Wholesale Banking (WB)

Wholesale Banking, delivered a strong set of financial results for the nine months ended 30 September 2016 with net profits of AED 2,600 million, up 65% over the corresponding period in 2015; backed by continued growth in the core business and lower provisions due to improved credit quality of the loan book.

Net interest income of AED 2,357 million for the nine months ended 30 September 2016 was 12% lower than the same period in 2015, mainly due to a re-alignment in internal transfer pricing partially off-set by higher income from improved margins and growth in lending activity.

Fee income of AED 930 million for the nine months ended 30 September 2016 was 9% lower than the corresponding period in 2015, on lower one-off investment gains and a decline in lending-based fee income

due to pricing competition in a highly competitive market. Wholesale Banking continues to focus on growing non-funded income with the sale of Treasury products in particular showing good growth over the same period last year.

Costs were up 24% for the nine months ended 30 September 2016 compared with the same period in 2015 mainly due to organizational re-alignment, an increase in the Wholesale Banking's share of the cost of Bank's distribution network and selective initiatives undertaken to reshape the business. Wholesale Banking continues to invest in upgrading its Transaction Banking systems to digitize and improve levels of straight through processing and in Global Markets & Treasury where the system upgrades will support the Bank's recent significant enhancement in product capabilities and digitization initiatives.

The credit quality of the loan book remains stable whilst the successful resolution of legacy portfolio issues led to increased recoveries. This resulted in improved provision coverage and an 80% fall in provisioning requirements to AED 366 million for the nine-months ending 30 September 2016.

Despite relatively weak corporate loan demand in the UAE, assets grew by 2%. Deposits were lower by 2% largely reflecting efforts to optimise the cost of funding.

Wholesale Banking is making good progress in its transformation programme aiming to become 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 177% rise in total income to AED 359 million for the nine months ending 30 September 2016.

Several initiatives successfully closed in Q3 which will ensure improved pricing and efficiency going forward. These include the establishment of a derivative-counterparty friendly vehicle and centrally clearing OTC derivatives through the London Clearing House.

Sales revenues saw strong growth due to higher volumes in Interest Rate hedging products, Foreign Exchange & Fixed Income sales.

Trading and Investment revenues improved as both Credit Trading and Foreign Exchange Trading delivered a strong performance despite volatile market conditions.

Global Funding helped raise AED 19.7 billion of term debt through AED 9.8 billion of private placements, a AED 3.7 billion Sukuk issue and tap on behalf of Emirates Islamic and a AED 6.2 billion club deal.

Emirates Islamic (EI)

Emirates Islamic's net profit for the nine months ended 30 September 2016 was AED 106 million compared with AED 534 million for the same period last year. The decrease is largely attributable to prudent and conservative provisioning on legacy and SME portfolios.

During the first nine months of 2016, Financing and Investing Receivables grew by 9% to AED 37 billion and Customer Deposits grew by 5% to AED 41 billion. EI's continued and focused approach to improve its liabilities mix also led to a significant increase in CASA balances. As at 30 September 2016, CASA represented 67% of total customer deposits.

EI's Headline Financing to Deposit ratio at 90.5% remained comfortably within the management's target range. During the quarter EI successfully issued a USD 250 Million 5-year Sukuk tap from its USD 2.5 billion certified Issuance programme; following up the USD 750 million 5-year Sukuk issued earlier in the year. The issue was rated A+ by Fitch and was listed on Nasdaq Dubai and the Irish Stock Exchange. The issue was 3 times oversubscribed with overwhelming investor interest across the globe and marked EI's successful return to the international debt capital markets after a period of four years.

Outlook

Emirates NBD expects UAE economic growth to slow to 3.0% in 2016, down from 3.8% in 2015, as lower oil prices are likely to contribute to a tighter fiscal policy and slower growth in the non-oil sector. Higher interest rates and a strong dollar will continue to pose headwinds to non-oil growth, particularly in the services sectors. However, oil output is expected to rise in line with official targets and this should help to underpin headline GDP growth in 2016. The Bank will continue to implement its successful strategy 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 diversifying sources of income.

-ENDS-

Notes to editors:

Awards:

- ✧ **Best Bank and Best Regional Bank Awards – Emirates NBD**
 - Emirates NBD won Bank of the Year at the Gulf Business Industry Awards 2016
 - Emirates NBD first bank in the UAE and the region to win three awards at the Euromoney Awards for Excellence 2016. Named: "Best Bank in the Middle East", "Best Bank in the UAE" and "Best Digital Bank in the Middle East".
 - Emirates NBD won the Mobile Payment Product of the Year 2016 at the Asian Banker International Excellence in Retail Financial Services
 - Emirates NBD won four awards at Banker Middle East - Industry Awards 2016. Named: "Best Bank UAE", "Best Bank GCC", "Best Retail Bank UAE" and "Best Investment Bank – UAE"
 - Emirates NBD won the Best Local Private Bank in the Middle East 2016 by Private Banker International Middle East
 - Emirates NBD ranked as the number one financial services brand in the world by 2016 Global Effie Effectiveness Index
 - Emirates NBD won the 'Best Mobile Banking Experience' at the Smart Cards & Payments Awards 2016
 - Emirates NBD has won the 'Commercial Banking Capabilities in the UAE' and the 'Innovative Technology - Client Experience in the ME' categories in the annual Euromoney Private Banking and Wealth Management Survey 2016
- ✧ **Asset management and Consumer Finance Awards – Emirates NBD Asset Management**
 - Emirates NBD Asset Management won 'Best Fixed Income Fund UAE' and 'Best Real Estate Fund UAE' at the International Finance Magazine UAE Awards 2015
 - Emirates NBD Asset Management won 'Real Estate Fund of the Year' at the MENA Fund Manager Performance Awards 2016
- ✧ **Marketing, Social Media and Customer Engagement Awards – Emirates NBD**
 - Emirates NBD won Best Customer Experience – Banking at the 2016 CXFS Asia Awards
 - Emirates NBD ranked among top 100 global banking brands with a US\$2.186 billion brand valuation in The Banker's annual brand valuation league table
 - Emirates NBD named 'Advertiser of the Year' at the Dubai Lynx Awards
 - Emirates NBD ranked 17th among Top 100 Global Banks on Social Media in the 'Power 100 Social Media Rankings' compiled by The Financial Brand
- ✧ **Other Awards**
 - Emirates NBD Securities Won the 'Outstanding Risk Management Excellence Award' at the Middle East Excellence Awards
 - Emirates NBD honoured for Emiratisation efforts with The Human Resources Development (HRD) award in banking and financial sector
 - Emirates NBD Human Resources won five awards at the 2015 ATD (American Society for Talent Development) – USA in the Learning Technologies, Performance Improvement and Organizational Learning & Development categories
- ✧ **Emirates Islamic**
 - Emirates Islamic won Excellence in Practice Citation Award from the Association for Talent Development
 - Emirates Islamic named 'Fastest Growing Bank – UAE' by Banker Middle East
 - Emirates Islamic's 'El trade' portal awarded for product innovation by Global Finance

About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 219 branches and 985 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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