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Emirates NBD Announces Full Year 2018 Results

AED 10 billion Net Profit up 20% y-o-y on higher income

Total assets surpass AED 500 billion

Proposed dividend of 40%

Dubai, 16 January 2019

Emirates NBD (DFM: EmiratesNBD), a leading bank in the region, delivered a record set of results with net profit up 20% year-on-year to AED 10 billion. The Bank achieved another milestone as total assets surpassed AED 500 billion for the first time. Net interest income increased 19% year-on-year due to loan growth and an improvement in margins. The operating performance was also supported by a 22% year-on-year improvement in provisions. The Bank's balance sheet remains healthy with a further strengthening in capital due to retained earnings, stable credit quality and liquidity. These results have enabled the Board of Directors to recommend a 2018 dividend of 40 fils per share.

Financial Highlights – FY 2018

- Net profit of AED 10 billion, up 20% y-o-y
- Net Interest Income increased 19% y-o-y on loan growth and an improvement in margins
- Net Interest Margin increased by 35 bps y-o-y to 2.82% helped by rate rises
- Total Income of AED 17.4 billion improved 13% y-o-y
- Total assets at AED 500.3 billion, up 6% from end 2017
- Customer loans at AED 327.9 billion, up 8% from end 2017
- Customer deposits at AED 347.9 billion, up 7% from end 2017
- Credit quality ratios stable with impaired loan ratio at 5.9% and coverage ratio at 127.3%
- Liquidity Coverage Ratio of 195.3% and AD ratio of 94.3% demonstrate the Group's healthy liquidity position
- Capital Ratios strengthened with Common Equity Tier 1 Ratio improving to 16.6% and Capital Adequacy Ratio remained strong at 20.9%

Commenting on the Group's performance, His Highness Sheikh Ahmed Bin Saeed Al Maktoum, Chairman, Emirates NBD said: "2018 marked another successful year for Emirates NBD with strong income growth leading to a record high net profit. As a leading Bank in the UAE, we pledge our support and commitment to the 50-Year Charter and the Eight Principles of Dubai announced by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, which highlight our wise leadership's commitment to fair governance, economic diversification, and the well-being of present and future generations. As the official banking partner for Expo 2020 Dubai we are focused on ensuring that banking services at the exhibition are at the forefront of innovation. In 2018, we dedicated our corporate social activities to the Year of Zayed and successfully exceeded our targets. 2019 marks the Year of Tolerance in the UAE and through our continuous investment in innovative assistive technologies, we aim not only to enhance the banking experience for people of determination, but also to

empower them towards independence in their day-to-day lives. Emirates NBD's commitment to people of determination supports the 'My Community' initiative launched by His Highness Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of Dubai Executive Council that aims to transform Dubai to a disability-friendly city by 2020. 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 2018, achieving a record annual net profit of AED 10 billion and total assets in excess of AED 500 billion. The Bank's strong performance along with its digital focus were recognized when Emirates NBD was named the 'Best Consumer Digital Bank'. Liv., the mobile only bank by Emirates NBD, was also named the 'Most Innovative Digital Bank in the UAE' for its lifestyle centred offering that has made it the bank of choice for the younger generation. We continued to expand the Bank's international presence in 2018 by growing our branch network in the Kingdom of Saudi Arabia and Egypt. 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 2018 as net profit increased by 20% underpinned by higher income and a lower cost of risk. Margins widened 35 bps in 2018 as rate rises flowed through to the loan book which more than offset a rise in funding costs. The Group's balance sheet remains healthy with a further strengthening in capital coupled with strong liquidity and stable credit quality. We made exciting progress in advancing our digital agenda and are pleased to be named The Innovator in the Middle East at the Global Finance 2018 Innovators Awards. As part of the Bank's efforts to keep delivering new services and products, I am pleased that we have expanded our contactless payment facilities to include Google Pay as well as launching the Emirates NBD Skywards Savings Account and Visa Debit Card, the UAE's first banking solution to earn Skywards Miles for spends linked to savings. 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-18	12 months ended 31-Dec-17	Better / (Worse) (%)
Net interest income	12,888	10,786	19%
Non-interest income	4,514	4,669	-3%
Total income	17,402	15,455	13%
General & administrative expenses	-5,620	-4,844	-16%
Operating profit before impairment charges	11,783	10,611	11%
Impairment allowances	-1,748	-2,229	22%
Operating profit	10,035	8,382	20%
Share of profits of associates	136	72	89%
Taxation charge	-129	-109	-18%
Net profit	10,042	8,346	20%
Cost to income ratio (%)	32.3%	31.3%	-1.0%
Net interest margin (%)	2.82%	2.47%	0.35%

EPS (AED)	1.70	1.40	21%
Return on Tangible Equity (%)	22.1%	20.2%	1.9%

AED billion	as at 31-Dec-18	as at 31-Dec-17	Better / (Worse) (%)
Total Assets	500.3	470.4	6%
Loans	327.9	304.1	8%
Deposits	347.9	326.5	7%
Impaired Loan Ratio (%)	5.9%	6.2%	0.3%
Impaired Loan Coverage Ratio (%)	127.3%	124.5%	2.8%
Capital Adequacy Ratio (%)	20.9%	21.2%	-0.3%
Tier 1 Ratio (%)	19.8%	18.9%	0.9%
Common Equity Tier 1 Ratio (%)	16.6%	15.6%	1.0%

Total income for the year ended 31 December 2018 amounted to AED 17,402 million; an increase of 13% compared with AED 15,455 million in 2017.

Net interest income grew by 19% in 2018 to AED 12,888 million due to loan growth coupled with an improvement in margins. The net interest margin increased in 2018 helped by rate rises.

Non-interest income declined 3% during the year due to lower income from investment securities as a result of an impairment provision on a private equity fund holding.

Costs for the year ended 31 December 2018 amounted to AED 5,620 million, an increase of 16% over the previous year due to higher staff and IT costs relating to the Bank's digital transformation and technology refresh. Costs were also higher as a result of international branch expansion, VAT, advertising and Expo 2020 sponsorship. The cost-to-income ratio at 32.3%, remains within guidance of 33% as we invest in digital capability and product enhancement to serve our customers.

During 2018 the Impaired Loan Ratio improved by 0.3% to 5.9%. The net impairment charge of AED 1,748 million is 22% lower than in 2017 helped by recoveries from legacy loans. This net provision includes AED 1,631 million of write-backs and recoveries, and together helped boost the coverage ratio to 127.3%.

Net profit for the Group was AED 10,042 million in 2018, 20% above that posted in 2017. The increase in net profit was driven by asset growth, higher margins and reduced provisions which helped offset an increase in operating costs.

Loans and Deposits increased by 8% and 7% respectively during 2018. The Advances to Deposits Ratio remains comfortably within management's target range at 94.3% and the Liquidity Coverage Ratio is at a healthy 195.3%. During 2018, the Bank raised AED 8.2 billion of term funding through a mix of public issues and private placements with maturities out to thirty years. Term funding represents 10% of total liabilities. The Bank renegotiated an existing funding facility at more competitive pricing, extending it to 2021 and upsizing it to \$2 billion.

As at 31 December 2018, the Bank's Common Equity Tier 1 ratio is 16.6% and Total Capital ratio is 20.9%.

Business Performance

Retail Banking & Wealth Management (RBWM)

RBWM reported an operating income of AED 7,350 million in 2018, up 8% year-on-year, supported by growth in net interest income from liabilities. Fee income grew by 5% over the previous year led by Cards and FX and represents 35% of revenue.

The Liabilities book grew by AED 6.6 billion (5%) over 2017 in a challenging market, supported by strong on-ground acquisition and high visibility marketing campaigns. Customer advances rose by AED 3.4 billion (9%) during the year assisted by product enhancements and flexible interest rate pricing. Personal loan sales advanced 25% and new primary card sourcing was up 36% over the previous year with about half of new cards belonging to the premium card segment.

2018 saw the launch of the Emirates NBD U By Emaar Credit Card, offering earning and instant redemption of reward points across all Emaar outlets. The Emirates NBD Skywards Savings Account and Debit Card program was introduced, offering customers reward miles based on spends along with travel and lifestyle benefits. Priority Banking was enhanced with a pioneering tablet based retail wealth advisory service while the emerging affluent Personal Banking Beyond platform grew acquisitions by 7% year-on-year.

Liv., the country's first digital bank for millennials, became the fastest growing bank in the UAE, acquiring over 10,000 customers every month. RBWM continued its digitization with the revamp of the innovative Fitness App, the enhancement of payment services with Google Pay and DirectRemit 60-second money transfer service was extended to the UK.

The branch network was enhanced with the opening of the first teller-less branch and two new digitally enhanced branches in Dubai, with the international footprint augmented with three new branches in KSA.

Private Banking's double-digit revenue growth in 2018 was achieved on the back of strong client acquisition as well as an improved business mix favouring annuity-income generating products. The platform was enhanced with the addition of new products including capital-protected structured notes along with set up of 'The LaunchPad', a next-generation startup funding platform.

Emirates NBD Asset Management introduced new funds that attracted healthy investor inflow and good returns in a challenging market environment while Emirates NBD Securities was consistently adjudged the best retail broker of the month by Nasdaq Dubai.

Wholesale Banking (WB)

WB delivered a strong performance in 2018 with income increasing by 18% to AED 5,851 million and net profit rising by a similar percentage to AED 4,428 million, both records for the business.

Net interest income of AED 4,587 million for 2018 was 24% higher than the previous year through a combination of increased asset volumes, notably in Trade Finance and short term lending, and improving margins driven by higher rates. Fee income of AED 1,264 million for the year declined by 2% compared

to 2017 mainly due to a slowdown in the Investment Banking activities and partially offset by a growth in non-funded income from Trade and Treasury products.

Costs were 18% higher for 2018 compared to 2017 largely due to an increase in spend on selective initiatives undertaken to reshape the business as well as an internal reallocation of costs. As part of the Bank's digitization programme, Transaction Banking Services is continuing to invest in technology to enhance its product offering and improve the levels of straight through processing.

Despite the successful resolution of legacy portfolio issues which led to an increase in recoveries, additional provisions were taken during the year to improve the overall level of provision coverage.

Assets grew by 4% compared with the previous year with continued momentum in lending activity and growth in the Bank's Trade Finance business. Deposits increased by 5% although this growth was largely in Fixed Deposits as clients sought to benefit from higher rates.

The strong performance of the business in 2018 reflects the continued progress of Wholesale Banking in its transformation program aiming to become the leading Wholesale Bank in the Middle East and North Africa by providing a full range of products and solutions to the Bank's clients across the Region.

Global Markets & Treasury (GM&T)

GM&T delivered an impressive 18% growth in income to AED 921 million for full year 2018 against AED 782 million for 2017.

The Asset Liability Management business delivered excellent results by positioning the balance sheet to take maximum advantage of an increasing interest rate environment.

Treasury Sales had a strong year in 2018 on higher volumes in Foreign Exchange due to enhanced product capability and strong traction from Institutional and Corporate Clients.

The Trading desk delivered an excellent performance despite challenging global market conditions, driven by Rates and FX and proactive risk management.

Global Funding Desk successfully raised AED 8.2 billion of term funding through a mix of public issues and private placements with maturities out to 30 years and, along with FI and Investment Banking, extended and upsized a AED 7.3 billion club deal.

Global Markets and Treasury successfully implemented an upgraded front office system, significantly enhancing its readiness for new products and services across geographies.

Emirates Islamic (EI)

EI delivered a strong set of results for 2018 with the highest ever recorded net profit of AED 924 million, up 32% compared to last year.

EI reported total income of AED 2,463 million for 2018, a 3% increase compared to 2017. This increase is driven by higher lending activity and 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 during the year resulted in 57% lower impairments on financial assets compared to the preceding year.

EI's total assets stand at AED 58 billion at the end of 2018. Financing and Investing Receivables increased by 7% to AED 36 billion during the year. Over the same period customer deposits remained relatively flat at AED 41.6 billion. CASA balances represent 66% of total customer deposits. EI's headline Financing to Deposit ratio stood at 87% and is comfortably within the management's target range.

Outlook

Oil production in the UAE rose by more than expected in H2 2018, and as a result, we have revised our 2018 estimate for real GDP growth to 2.4% from 2.2% previously. For 2019, we expect economic activity to be underpinned by higher oil production as well as increased government spending. We expect headline GDP growth in the UAE to reach 3.1% in 2019. 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 '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 won 'Outstanding Global Private Bank – Middle East' by Private Banker International (PBI) Global Awards
 - Emirates NBD won 'Best Digital Bank-UAE', 'Best Integrated Consumer Banking Site-UAE', 'Best Consumer Digital Bank-UAE', by Global Finance World's Best Consumer Digital Banks in the ME Awards 2018.
 - Emirates NBD won 'The Innovator' in the Middle East and 'Innovator Award for Paperless Personal Loan' by Global Finance 2018 Innovators Awards
 - Emirates NBD won 'Middle East Retail Bank of the Year' and 'Best Use of Online Banking' at RBI 2018 Global Awards
 - Emirates NBD was recognised for 'National Initiative' by Ministry of Presidential Affairs
 - Emirates NBD Capital won 'Best Local Investment Bank (UAE)' and 'Best Equity House (UAE)' awards at EMEA Finance Middle East Banking Awards
 - Liv. by Emirates NBD won international accolades in first year of operations including:
 - 'Most Innovative Digital Bank-UAE' by Global Finance World's Best Consumer Digital Banks in the ME Awards 2018
 - 'Best Digital Bank in the Middle East' by The Asian Banker International Excellence in Retail Financial Services 2018 programme
- ✧ **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
- ✧ **Asset management and Consumer Finance Awards – Emirates NBD Asset Management**
 - Emirates NBD Asset Management won 'Asset Manager of the Year' by 2018 Global Investor Middle East Awards 2018
 - Emirates NBD Asset Management won 'Fastest Growing Asset Management Company Middle East 2018', 'Best Performing Multi-Asset Funds Middle East 2018' and 'Leading Sukuk Fund Middle East 2018' by Global Banking & Finance Awards 2018
 - ENBD REIT won 'Most Outstanding Real Estate Investment Services in the UAE' by Wealth and Finance 2018 Awards
- ✧ **Emirates Islamic**
 - Emirates Islamic recognised as 'Best Islamic Bank' in the UAE by Global Finance
 - 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
- ✧ **Emirates NBD Egypt**
 - Emirates NBD Egypt won 'Best Mobile Banking' in Egypt by International Finance Magazine
- ✧ **Tanfeeth**
 - Tanfeeth won International Business Excellence (IBX) 2018 Award in 'Strategy, Change and Transformation' category
 - Tanfeeth won 'Best Contact Centre' by Customer Happiness Summit and Awards 2018

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 1069 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
SVP, Head - Group Corporate Affairs
Emirates NBD
Telephone: +971 4 609 4113 / +971 50 6538937
e-mail: ibrahims@emiratesnbd.com

Patrick Clerkin
Senior Managing Director, Group Funding & Investor Relations
Emirates NBD
Telephone: +971 4 609 3007
e-mail: IR@EmiratesNBD.com / PatrickE@EmiratesNBD.com