

For immediate release

Emirates NBD Announces First Quarter 2014 Results

Net Profit up 25% to AED 1.0 billion
Pre-impairment Operating Profit up 34% to AED 2.3 billion

Dubai, 24 April 2014

Emirates NBD (DFM: EmiratesNBD), the leading bank in the region, today announced its results for the quarter ended 31 March 2014.

Results Highlights

- ❑ **Net profit for Q1 2014 of AED 1.0 billion**, up 25% from Q1 2013 and up 55% from Q4 2013
- ❑ **Total income of AED 3.3 billion**, up 27% from Q1 2013 and up 5% from Q4 2013
- ❑ **Pre-impairment Operating profit of AED 2.3 billion**, up 34% from Q1 2013 and up 18% from Q4 2013
- ❑ **Total assets up 1% at AED 347.1 billion** compared with AED 342.1 billion at the end of 2013
- ❑ **Customer loans at AED 239.7 billion**, up 1% from AED 238.3 billion at the end of 2013
- ❑ **Customer deposits at AED 251.5 billion**, up 5% from AED 239.6 billion at the end of 2013
- ❑ **Headline Advances to Deposits (AD) ratio improved to 95.3%** from 99.5% at the end of 2013
- ❑ **Capital adequacy ratio** at a healthy level of **19.2%** and **Tier 1 ratio** at **15.0%**

Group Chief Executive Officer, Emirates NBD, Shayne Nelson, said:

"I am delighted that, in my first full quarter with the Group, we have delivered a strong set of financial results with a net profit of AED 1,042 million, up 25% in comparison with the same quarter in the previous year. This is driven by continued growth in total income which grew 27% year-on-year helped by loan growth and an increase in fee income. The Bank is well positioned to capitalise on our strong franchise and capital base and to take advantage of further expected improvements in the economic environment of Dubai and the UAE."

Group Chief Financial Officer, Emirates NBD, Surya Subramanian, said:

The operating performance for the first quarter of 2014 has strengthened, as demonstrated by the growth in both the total income and pre-provision operating profit. In Q1 2014, pre-impairment operating profit grew by 34% over the comparable period in 2013. Costs continued to be proactively managed and, despite competitive pressures, margins were maintained helped by a change in asset mix and improving funding base.

Financial Review

AED million	Quarter ended 31 Mar 2014	Quarter ended 31 Mar 2013	Better / (Worse) (%)	Quarter ended 31 Dec 2013	Better / (Worse) (%)
Net interest income	2,232	1,748	28%	2,224	0%
Non-interest income	1,101	882	25%	938	17%
Total income	3,333	2,630	27%	3,162	5%
General & administrative expenses	(1,050)	(925)	(14%)	(1,227)	14%
Operating profit before impairment charges	2,283	1,705	34%	1,935	18%
Impairment allowances	(1,267)	(888)	(43%)	(1,313)	4%
Operating profit	1,016	817	24%	622	63%
Share of profits of associates	61	26	135%	45	36%
Taxation charge	(35)	(7)	(400%)	(5)	(600%)
Net profit	1,042	836	25%	674	55%
Cost to income ratio (%)	31.5%	35.2%	3.7%	38.8%	7.3%
Net interest margin (%)	2.75%	2.39%	0.36%	2.76%	(0.01%)
EPS (AED)	0.17	0.14	21%	0.10	70%
Return on average shareholders' equity (%)	14.9%	12.7%	2.2%	9.8%	5.1%

AED billion	as at 31 Mar 2014	as at 31 Mar 2013	Better / (Worse) (%)	as at 31 Dec 2013	Better / (Worse) (%)
Total Assets	347.1	315.8	10%	342.1	1%
Loans	239.7	220.6	9%	238.3	1%
Deposits	251.5	223.0	13%	239.6	5%
Impaired Loan Ratio (%)	13.8%	14.2%	0.4%	13.9%	0.1%
Impaired Loan Coverage Ratio (%)	60.7%	51.4%	9.3%	57.5%	3.2%
Capital Adequacy Ratio (%)	19.2%	19.7%	(0.5%)	19.6%	(0.4%)
Tier 1 Ratio (%)	15.0%	13.5%	1.5%	15.3%	(0.3%)

Total Income

Total income for the quarter ended 31 March 2014 amounted to AED 3,333 million; an increase of 27% compared with AED 2,630 million in Q1 2013 and an increase of 5% compared with AED 3,162 million in Q4 2013.

Net interest income for the quarter ended 31 March 2014 improved by 28% to AED 2,232 million from AED 1,748 million in Q1 2013. The improvement in net interest income is attributable to a combination of year-on-year loan growth, an improvement in the net interest margin helped by a more efficient capital and funding structure, higher growth in consumer lending and the positive impact of declining EIBOR rates on loan spreads.

Non-interest income for the quarter improved by 25% to AED 1,101 million from the previous year, driven primarily by an increase in both core banking fee and property related income.

Total Costs

Costs for the quarter ended 31 March 2014 amounted to AED 1,050 million, an increase of 14% over the same period in the previous year and a decline of 14% compared to the previous quarter. Excluding Egypt, costs were up 5% y-o-y and improved by 14% q-o-q. This 5% increase is due to investments in customer service, IT and communication related costs. The improvement in costs over the previous quarter is due to a decrease in staff related costs and a number of one-off costs which were not repeated in Q1 2014. The cost to income ratio improved by 3.7% in Q1 2014, compared to Q1 2013, as improving top line momentum offset the increase in costs that were primarily directed at customer facing activities.

Credit Quality and Impairments

The NPL ratio improved to 13.8% at the end of Q1 2014. The impairment charge for the period under review increased to AED 1,267 million, compared with AED 888 million in the previous year. This was primarily driven by continued conservative provisioning, which helped improve the coverage ratio to 60.7% from 51.4% in Q1 2013.

Associates and Joint Ventures

The positive contribution of the Bank's investments in associates and joint ventures amounted to AED 61 million in Q1 2014 compared with AED 26 million in Q1 2013 and AED 45 million in Q4 2013.

Net Profit

Net profit for the Group was AED 1,042 million for the quarter ended 31 March 2014, 25% above the profit posted in Q1 2013 of AED 836 million and 55% above Q4 2013 of AED 674 million, due to an increase in income and an improvement in expenses over the previous quarter.

Customer Loans and Deposits

Customer Loans as at 31 March 2014 (including Islamic financing) amounted to AED 239.7 billion, an increase of 1% from the end of 2013.

Customer Deposits as at 31 March 2014 were AED 251.5 billion, an increase of 5% from 31 December 2013.

The Advances to Deposits Ratio improved in Q1 2014 to 95.3% from 99.5% at the end of 2013, due to continued strong growth in Current and Savings account balances.

Capital

As at 31 March 2014, the Bank's total capital adequacy ratio and Tier 1 capital ratio were 19.2% and 15.0% respectively, compared with 19.6% and 15.3% as at 31 December 2013. The marginal decline in the Capital adequacy ratio and the Tier 1 ratio during the quarter resulted from the 2013 dividend payout and the amortization of Ministry of Finance Tier 2 sub-debt.

Business Performance

Retail Banking & Wealth Management (RBWM)

The Bank's Consumer Banking and Wealth Management division recorded a strong performance, with income growth of 13% for the quarter ended 31 March 2014 reaching AED 1,388 million compared to AED 1,225 million in Q1 2013.

Growth was driven by an 11% increase in net interest income and a 17% growth in fee income. RBWM's sustained focus on deposit growth during this period, driven by a strong momentum in current and savings account categories, resulted in a 6.7% growth in customer deposits to reach AED 107.9 billion.

In Q1 2014, the Retail business focused on deepening relationships with existing customers as well as targeted acquisition of high value customers. The Bank continued to build on, and realize the benefits from, the partnerships formed in 2013 with Porsche Financial Services, Dubai SME and Manchester United.

Several product related campaigns such as the FIFA linked liabilities campaign, PIN2WIN campaign and Skywards credit card promotion were launched during the quarter. The 'Wealth Optimizer platform' launched in 2013 was made available to Relationship Managers on iPads.

The Bank maintained its focus on innovation and digital channels in Q1 2014. The Bank launched DirectRemit an online remittance service that allows customers to remit funds instantly to partner banks and within the hour to other banks in India.

The Private Banking business delivered strong revenue growth from its core GCC market and the non-resident Indians and non-resident Pakistani segments.

Emirates NBD Securities, the brokerage arm, continued to grow strongly and consolidate its position as a leading brokerage firm in the market.

The Asset Management business recorded strong financial results with equity products seeing significant inflows. The business also launched its first Luxembourg based open ended mutual fund.

Wholesale Banking (WB)

Despite the on-going challenging environment of increased competition and margin pressures, WB continued its strong performance in Q1 2014 with operating income up by 12% to AED 1.15 billion as compared to AED 1.03 billion in Q1 2013. Net interest income increased by 13% in Q1 2014 to AED 815 million, compared with AED 721 million in Q1 2013, and fee income increased by 8% to AED 331 million, compared with AED 307 million in Q1 2013, reflecting the management's continued focus on non-funded / service related avenues resulting in balance sheet optimization and improvement in return on assets.

In terms of balance sheet, Q1 2014 registered an increase of 5.7% in Deposits while Loan balances remained stable. The management's continued focus on asset quality is reflected by the 33% increase in provisions for Q1 2014 in comparison to Q1 2013.

During Q1 2014, the management continued with the execution of its comprehensive strategy and transformation process of becoming the leading Wholesale Banking business in the Middle East and witnessed positive results in the quarter, which enhanced the division's overall performance.

Global Markets & Treasury (GMT)

GMT reported a total income of AED 244 million for the first quarter of 2014 compared with AED 112 million in the first quarter of 2013. This shows a significant improvement over the comparable period in 2013 and compares favourably to the AED 130 million income in Q4 2013.

The ALM desk showed significantly improved performance in the quarter on the back of balance sheet positioning undertaken late last year.

Sales Revenues were supported by retail foreign exchange sales. In the first quarter, client interest in Fixed Income products were reflected in good revenues from this product set. The demand for Interest Rate Hedging products by corporate clients is likely to increase in the near future given the expectation of interest rates rising later in the year.

In spite of market volatility caused by geo political challenges, the Credit Trading desk delivered a strong performance.

Islamic Banking

Total Emirates Islamic (EI) income (net of customers' share of profit) for the period witnessed an increase of 30% to AED 420 million from the comparable previous period of AED 323 million. Net financing and investing receivables grew by 2% to AED 24.4 billion from the end of 2013. As at 31 March 2014, the branch and ATM/CDM network of EI totaled 50 and 175 respectively.

EI continued its growth in Q1 2014, with a net profit of AED 93 million compared to AED 33 million in the comparable period of 2013, leveraging its expanded platform in further customer acquisition.

EI continues to focus on strengthening its core franchise through the expansion of its Retail, SME, and Corporate offerings.

Information Technology and Operations

Group IT has geared up its systems in support of the Al Etihad Credit Bureau (AECB) initiative and is ready to provide further help in this regard. As part of this process, customers' borrowing history for the last five years was shared with the Bureau.

On the Retail front, Group IT also completed the introduction of 'cheque image capture' through Emirates NBD cash deposit machines, which added significant value to the Bank's continuous focus on customer experience and efficiency. Being a major contributor to UAE cheque clearing volumes, this initiative is expected to support growth in volumes.

Group IT also supported Emirates Islamic (EI) in the EI Retail Card Enhancement project to boost the EI Card's revenue across all card portfolios. This initiative introduced many features and services to card products such as point redemptions, redemption against annual card fee, cash back and Nol card top-up, Easy Payment Plan options and some automation to speed up the back office processing on pre-approved credit card applications.

Tanfeeth

In the first quarter of 2014, Tanfeeth has exceeded its SLA targets that include revenue, operating income, customer satisfaction, audit and compliance.

In achieving these results, Tanfeeth also established a separate vertical team to provide additional dedicated operational support for Emirates Islamic.

Over the quarter, Tanfeeth received significant external recognition, particularly for its expertise in managing overseas payment transactions. This included two major industry awards; the Barclays Bank and the Deutsche Bank Straight Through Processing (STP) Awards.

Emirates NBD S.A.E. Egypt

Despite a challenging political and economic backdrop, the Emirates NBD S.A.E. Egypt operation has continued to perform well since its consolidation with the Group on 9 June 2013. In Q1 2014, it contributed AED 161 million revenue and AED 52 million net profit to the Group's results.

At present, cultural, system and policy integration are ongoing and proceeding as expected, in accordance with the Group's integration plans.

Outlook

The UAE remains well-positioned to enjoy solid growth in 2014 driven primarily by an expansion in non-oil sectors, particularly tourism, retail and manufacturing. We believe the construction sector will contribute more significantly to GDP growth this year as the strong recovery in real estate prices encourages new development. Following a boost to oil production in excess of 4% in 2013, we expect growth in the hydrocarbon sector to slow this year. Against an improving global economic backdrop, the Bank forecasts 2014 GDP growth of 4.5% in the UAE and 4.7% in Dubai. The Bank will continue to implement its successful strategy and take advantage of the positive growth opportunity in Dubai and the region. This strategy is 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.

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Notes to editors:

Awards

Emirates NBD wins 'Best debt house' at EMEA Finance's Middle East Banking Awards 2013.

Emirates NBD Asset Management named 'UAE Asset Manager of the Year' for second consecutive year, at the 5th annual MENA Fund Manager Performance Awards 2014

Emirates NBD Asset Management awarded 'MENA Equity Fund of the Year' for the Emirates MENA Top Companies Fund, at the 5th annual MENA Fund Manager Performance Awards 2014

Emirates NBD Asset Management awarded 'Balanced Fund of the Year' for the Emirates MENA Opportunities Fund, at the 5th annual MENA Fund Manager Performance Awards 2014

Emirates NBD wins 'Banking & Finance Customer Care Excellence Award' at the 8th annual Middle East Government and Business Customer Care Excellence Awards 2014

Emirates NBD ranked 25 on the Power 100 Social Media Rankings compiled by The Financial Brand

Emirates NBD named 'Best Local Bank – United Arab Emirates' at the 2014 annual Euromoney Private Banking and Wealth Management Survey

Emirates NBD wins a 'Silver' and 'Bronze' award in the Social Media category, at the 2014 Dubai Lynx Awards

Emirates NBD named 'Middle East Regional Bank of the Year' at the International Financing Review (IFR) Middle East Awards 2013.

Emirates NBD receives top honors for the 'The Best Prepaid Card Marketing Campaign 2013' at the Middle East Pre-paid Cards Summit

About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 220 branches and over 887 ATMs and CDMs 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, Qatar, Singapore, the United Kingdom and representative offices in India, China and Indonesia. For more information, please visit: www.emiratesnbd.com

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