

For immediate release

## **Emirates NBD Announces Full Year 2008 Results**

***Net Profit for 2008 reached AED 3.7 billion, down 7% from 2007\****

***Total Income for 2008 up 19% from 2007 to AED 8.4 billion***

**Dubai, 12 February 2009:** Emirates NBD (DFM ticker: ENBD), the Middle East's largest banking group by assets, today announces its results for the year ended 31 December 2008.

### **Results Highlights**

- ❑ **Net profit for 2008 down 7%** from 2007 to AED 3,681 million
- ❑ **2008 Total income of AED 8,447 million**, up 19% over 2007
- ❑ Net profits in 2008 impacted by **write-downs and impairments on investment and other securities** of AED 2.26 billion
  - Write-downs and impairments reflect **market-wide devaluation** of equity and fixed income markets and increased market risk premiums
  - **Underlying quality of investment portfolio is good**
- ❑ **Core\*\* business**, excluding the impact of write-downs and impairments on investment and other securities, **continues to perform strongly:**
  - 2008 Core total income up 41% from 2007
  - Core net profit for 2008 up 49% from the prior year
- ❑ **Earnings per Share** AED 0.73 (2007: 0.78)
- ❑ **Proposed cash dividend** of 20% and stock dividend of 10%
- ❑ **Total assets increased 11%** to **AED 282.4 billion** from AED 253.8 billion as at end of 2007
- ❑ **Customer loans** at **AED 208.9 billion**, up **26%** from AED 166.4 billion as at end of 2007
- ❑ **Customer deposits** at **AED 162.3 billion**, up **15%** from AED 140.7 billion as at end of 2007
- ❑ **Return on average shareholders' equity of 19.1% (2007: 25.1%)**
- ❑ **Cost to income ratio of 39.7% (2007: 38.3%) and core cost to income ratio of 34.6% (2007: 39.4%)**
- ❑ **Total capital adequacy ratio of 11.4% (2007: 13.1%)**
- ❑ **Integration** fully on track for targeted completion and 2008 full year **synergy** targets exceeded by 90%

\* The comparative results for 2007 were prepared on a pro forma basis, which assumed that the merger occurred on 1 January 2007.

\*\* Core business trends exclude write-downs and impairments on investment and other securities of AED 2.26 billion, of which AED 1.25 billion (2007: AED 0.2 billion gain) was recorded against other income and AED 1.0 billion (2007: AED 0.3 billion) against impairment allowances on financial assets.

**Commenting on the Group's performance, His Excellency Ahmed Humaid Al Tayer, Chairman of**

**Emirates NBD said:** "Emirates NBD's strong and diverse business continued to grow across the board, with the underlying businesses performing well, further underlining our position of strength in the region. While the current economic environment presents significant challenges, it also creates an environment for us to further strengthen our position through capitalizing on opportunities that may be presented to us."

**Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said:** "We have worked hard this year to maintain our position as the region's leading banking group. We have focused on navigating ourselves through these challenging times by keeping close to our customers, whether they are consumers, SMEs, larger corporates or government entities. We continue to manage costs prudently and to optimise our balance sheet. The merger synergies achieved have exceeded our original expectations and are having the effect of fortifying our leading position."

**Financial Review**

AED m	Reported		Core business	
	Year to 31/12/2008	Year-on-year change (%)	Year to 31/12/2008	Year-on-year change (%)
Total income	8,447	+19%	9,695	+41%
Operating expenses	(3,356)	+23%	(3,356)	+23%
Impairment allowances	(1,653)	+125%	(642)	+36%
<b>Operating profit</b>	<b>3,439</b>	<b>-6%</b>	<b>5,697</b>	<b>+54%</b>
Amortization of intangibles	(96)	+17%	(96)	+17%
Associates	339	-10%	339	-10%
<b>Net profit</b>	<b>3,681</b>	<b>-7%</b>	<b>5,940</b>	<b>+49%</b>
Cost to income ratio (%)	39.7%	+1.5%	34.6%	-4.8%
Net interest margin (%)	2.01%	+0.12%		
EPS (AED)	0.73	-7%		
Return on average shareholders' equity (%)	19.1%	-6.0%		

  

AED b	As at 31/12/2008	Year-on-year change (%)
Total assets	282.4	+11%
Loans	208.9	+26%
Deposits	162.3	+15%
Capital Adequacy Ratio (%)	11.4%	-1.7%

**Total Income**

Total income for 2008 grew 19% to AED 8.4 billion. Growth was primarily driven by a continued strong performance in loans and deposits, strong fees and commission income and effective cross selling and productivity initiatives. The net interest margin for 2008 increased to 2.01% compared to 1.89% in 2007 as increased funding costs were more than offset by increased asset yields across both corporate and retail banking and the impact of differential US\$ and AED interbank rates and hedging on Treasury positions. Growth in income was partly offset in the latter part of the year by slower economic activity globally and by write-downs of AED 1.25 billion (2007: AED 0.2 billion gain) arising from the revaluation of the group's investment and other securities following the global and regional declines in asset valuations. Excluding the impact of these mark to market write-downs, core income during 2008 increased by 41% over 2007.

**Total Costs**

2008 operating costs amounted to AED 3.4 billion, an increase of 23% over 2007 pro forma costs of AED 2.7 billion. The increase in costs was primarily to support growth in business volumes during the year as well as continued investment in information technology, operations and the risk management infrastructure. While the reported cost to income ratio increased by 1.5% to 39.7% for the year, core business efficiency improved significantly with the core cost to income ratio declining by 4.8% to 34.6%. This improvement was attributable to the successful achievement of merger synergies as well as an emphasis on cost control during the latter part of 2008.

**Asset Quality and Impairments**

Credit quality remains good across our corporate and retail portfolios and aggregate non performing loan and delinquency trends remain stable with the NPL ratio, excluding impaired investment securities, remaining at 1.0%. As a measure of prudence in the current environment, an additional AED 211 million was added to portfolio impairment provisions during 2008 raising the NPL coverage ratio on credit portfolios to 120% from 105% in 2007.

The impairment allowance on financial assets for 2008 grew by 125% to AED 1.7 billion compared to 2007, primarily due to impairment on investment and other securities of AED 1.0 billion during 2008 (2007: AED 0.3 billion). Excluding these security impairments, the impairment allowance increased by 36% to AED 642 million, broadly in line with lending growth. The bank remains confident that the underlying credit quality of Emirates NBD's investment securities is strong.

**Net Profits**

Net profits for the group were AED 3.7 billion for the year ended 31 December 2008, a decrease of 7% over 2007 pro forma. Core business net profits increased by 49% to AED 5.9 billion compared to the year ended 31 December 2007.

**Dividends**

The Board of Directors will recommend to shareholders at the AGM a 20% cash dividend and 10% stock dividend for the 2008 financial year.

## Integration Update

Emirates NBD's integration process remains on track, with completion expected in the second quarter of 2009, as originally announced in 2007.

Merger synergies achieved to date have exceeded our initial expectations, with total synergies achieved during 2008 of AED 235 million exceeding the targeted synergies of AED 124 million by 90%.

A number of significant milestones were passed during the year, including the complete integration of the Group's ATMs and Smart Deposit Machines (SDMs) which now exceed 650 across the UAE, making it the biggest network in the country. Mobile and online banking has been fully integrated, with enhanced functionalities and 13 payment partners available to all of the Bank's customers.

The bank's Treasury department is now fully integrated, operating from new premises and offering clients a single integrated Foreign Exchange trading capability. In Wholesale Banking, Emirates NBD's Large Corporate Unit was inaugurated in the third quarter of 2008, providing large scale businesses in the region with a single, integrated banking relationship aimed at offering a full range of banking services tailored for the individual business.

In terms of back office, operations staff is now located in the new IT and Operations Processing Centre in Al Barsha. This site opened in July 2008.

Emirates NBD's goal of operating as one integrated bank is getting closer. The last steps will be the implementation of Finacle, our new core banking system and the rebranding of the branch network. The new core banking system will be implemented in two phases in Q1 and Q2 2009. Bank wide business simulation, an end-to-end testing of the new system and related processes, has already started in December 2008.

## Business Performance

### **Consumer Banking & Wealth Management**

The Bank's Consumer & Wealth Management (CWM) operation had a successful year, winning a number of awards, including 'Best Retail Bank' in 2008 by Arabian Business Magazine, and growing the business and the customer base. Over the year, the Bank introduced a number of cross-selling and retention initiatives designed to retain and enhance its relationships with customers. Total income for 2008 increased by 52% from 2007 to AED 3.0 billion while loans and deposits grew by 44% and 29% respectively.

Emirates NBD's CWM distribution reach was developed further over the year and its customers can now access more than 550 ATMs and SDMs with increased functionality and 94 branches across the UAE.

**Wholesale Banking**

Wholesale Banking recorded yet another year of very successful performance with substantial growth in income and assets over the previous year, despite the challenges posed by global economic downturn and credit crunch during the second half of 2008. The growth was accomplished by superior customer service, efficient management of customer's exposure, increased demand for collection services & cash management services and payments coupled with continued success of transactions banking business.

A key focus of the Division's activity during the last two quarters of the year has been to adapt to the challenging banking and economic environment, emphasising liquidity for the bank and its clients and building its non-risk based and fee generating businesses.

Emirates NBD was ranked as the leader in the local syndications market as a Mandated Lead Arranger and as a Book Runner for 2008. We amplified our leadership position & strong footprint in syndication market by execution of several major local syndication deals & execution of several major international syndications deals for financial institutions in debt syndicated markets. The Transaction Banking business also witnessed successful launch of several products and services during the year 2008 such as Trade on-line services and direct debit solution for collection of receivables.

**Global Markets and Treasury**

The increasingly volatile markets in 2008 meant a substantial increase in both treasury sales and the trading business at Emirates NBD. Regional economic conditions opened attractive opportunities for the division in terms of strategic funding and cross border positions, enabling the off-setting of widening credit spreads and challenging market conditions. Nevertheless, the division's growth in core income was impacted by write-downs on investment and other securities resulting in a net decline in total income by 50% to AED 295 million. Excluding the write-downs, core income grew by 46%.

The EBI Treasury and Markets, NBD Treasury and NBD Investment Bank Sales and Trading businesses were successfully integrated in the year, with a leading market share of Dubai corporate business. In the same period, the division arranged Government of Dubai AED Fixed and Floating Bond issues totaling AED 6.5 billion and subsequently supported a secondary issue. New debt capital markets activity initiated in 2008 totaled USD 1.4 billion, including senior debt and lower Tier 2 in AED and G7 currencies, despite the challenging environment.

**Network International**

Revenues for Network International, Emirates NBD's market leading card acquiring business, continued its upward trend in 2008 by showing growth in operating revenues of 33% over 2007 to AED 348 million. The primary drivers of this growth were significant increases in transaction volumes, comprising a 29% increase in acquiring income and a 54% increase in processing income. Network International now provides merchant acquiring services to over 9,700 merchants and processes cards for 42 financial institutions in the region.

**Emirates Islamic Bank (EIB)**

EIB achieved strong revenue growth of 56% in 2008 driven primarily through increases in fee income and growth in financing receivables and customer accounts. Total assets increased by 56% to reach AED 26 billion in 2008 from AED 17 billion in 2007, whereas customer accounts including Wakala reached AED 23.7 billion in 2008 compared to AED 14.8 billion in 2007, an increase of 60%. EIB now has the highest depositors' share of profit payout among the Islamic banks in the UAE. Shareholders' share of profit (net profit) for the year ended 31 December 2008 grew by 68% over 2007 to AED 401 million. During the year the branch network was increased by 4, taking the total to 26.

**Outlook**

In the face of more difficult economic conditions globally, growth in the UAE economy and banking sector is expected to slow down from previous years but remains strong in comparison to many of the developing and emerging economies and banking sectors outside of the region. While the environment brings new challenges, the Bank's fundamentals remain strong and Emirates NBD's scale and franchise strength positions us to take advantage of opportunities that may present themselves.

Emirates NBD's principal focus in the near term is to preserve its leading market position and strong balance sheet by maintaining good customer service, a well-managed cost base and a cautious stance on credit. The Bank continues to work hard to achieve further efficiencies from the 2007 merger.

These results are subject to approval from the Central Bank of the UAE and the shareholders' Annual General Meeting.

**END****Notes to editors:****2008 Awards**

- Best Retail Bank Arabian Business Magazine 2008 (December 2008)
- Best Foreign Exchange and Best Trade Finance Bank, Global Finance (April 2008)
- Best Bank in the UAE Global Finance 2008 (May 2008)
- Best Emerging Market Bank 2008 (April 2008)
- Deal of The Year 2008 in the UAE and Middle East (May 2008)
- Best Bank in the UAE, The Banker 2008 (November 2008)
- Three Super Brands Awards (Me Bank, Emirates Bank, NBD) (April 2008)
- Emirates NBD tops the Reuters league table for syndicated loans in the UAE for the first 6 months
- Rick Pudner, CEO of the Year 2008 The Banker Middle East magazine (June 2008)
- Sanjay Uppal, wins "Excellence in Finance – Public Companies" at the MENA CFO Awards (November 2008)
- The MasterCard Worldwide Regional Quality Award 2008 (November 2008)
- 'Best Auto Loan' award 2008 The AUTOCAR Awards 2008 (November 2008)

**About Emirates NBD**

Emirates NBD (DFM: ENBD) is the biggest banking group in the Middle East in terms of assets. The Group has a leading retail banking franchise in the UAE, with 120 branches, 545 ATMs and 114 SDMs across both conventional and Islamic banking franchises. It is a major player in the UAE corporate banking arena, with a combined market share of almost a fifth of corporate loans. It also has strong Islamic banking, investment banking, private banking, asset management and brokerage operations.

The Group has operations in the UAE, the Kingdom of Saudi Arabia, Qatar, the United Kingdom and Jersey (Channel Islands), and representative offices in India, Iran and Singapore.

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