EMIRATES NBD Q1 2014 RESULTS ANALYSTS & INVESTOR CONFERENCE CALL 24 APRIL 2014

CORPORATE PARTICIPANTS

Shayne Nelson - Group CEO
Surya Subramanian - Group CFO
Patrick Clerkin – Head of Investor Relations

PRESENTATION

Operator

Ladies and Gentlemen, welcome to the Emirates NBD first quarter 2014 Results Announcement Analysts and Investors Call. If we are all ready to begin, I will now pass the call over to our host Mr. Shayne Nelson, Group CEO of Emirates NBD.

Shayne Nelson - Group CEO

Thank you. I would like to welcome you all to the Emirates NBD first quarter 2014 Results Call.

Supporting me today is Surya Subramanian, the Group's Chief Financial Officer and Patrick, our Head of Investor Relations, and together we will review the operational and financial highlights for the first quarter of 2014. We will be talking through a presentation which has been made available to you earlier today after which there will be an opportunity for you to ask any questions.

I would like to highlight the key messages of the results for the first quarter of 2014. I will then pass you over to Surya and Paddy to go through the detail of the results and I will finish up by looking at the divisional performance and outlook.

I am pleased to report that, in my first full quarter as Group CEO of Emirates NBD, the Bank has delivered a strong operational performance with net profit up 25% year-on-year to over AED 1 billion. 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.

We saw net interest income grow 28% year-on-year to AED 2.2 billion helped by a 9% growth in loans and a 36 basis point improvement in the net interest margin. The Egyptian acquisition had a positive impact on both these factors, as did the growth in higher margin Retail and Islamic products.

It is also pleasing to report that non-interest income improved 25% year-on-year and 17% quarter-on-quarter to AED 1.1 billion helped by strong growth in the Bank's credit cards and trade finance businesses and also by gains from the on-going sale of our property inventory.

Costs rose 14% year-on-year, or 5% like-for-like if we strip out the costs related to our Egyptian business. Please remember that we bought our Egyptian business in early June of 2013. Costs fell 14% quarter-on-quarter as one-off rebranding and anniversary celebrations costs were not repeated in Q1. We also benefited from lower staff and marketing costs and reduced legal and professional fees. The cost to income ratio improved 3.7% year-on-year and 7.3% quarter-on-quarter to 31.5% and we will look to maintain it within the 33% management target that we have previously indicated.

In terms of asset quality and provisioning, the impaired loan ratio improved by 0.1% during the quarter to 13.8% and the coverage ratio increased by 3.2% to 60.7%.

We also saw further improvements in our liquidity and funding position as our advances to deposits ratio improved by over 4% during the quarter to 95.3%, as we continued to successfully raise the current and savings account deposit balances.

Finally, I am confident that the Bank will capitalize on the growth opportunities that are evident in the broader economy and we will continue to deliver superior value to our shareholders and our clients.

I will now hand you over to Surya to start going through the detail of the presentation.

Surya Subramanian - Group CFO

Thank you Shayne. I will speak through the financial results and key performance indicators on slide three.

1st Quarter revenues at AED 3.3 billion is a new high and a good note to start the year. Year-over-year growth in Total Income is 27% and more importantly quarter-on-quarter growth is 5% as we achieved a stable Net Interest Margin despite competitive pressures and delivered positive jaws on cost growth. This together with our conservative provisioning policy and the continued success in our Retail and Islamic franchise helped deliver a Q1 2014 Net Profit of AED 1.04 billion, an improvement of 25% on the previous year and 55% over the last quarter.

Net Interest Margin for first quarter at 2.75% was stable compared to the last quarter and our strategy to grow higher yielding retail assets across both the conventional and Islamic banks and to improve our funding mix across customer deposits both continued to bear fruit.

Growth in Non-Interest Income at 17% over the previous quarter maintains the robust trend we have seen in recent quarters supported by transactional income linked to trade, services, and other buoyant sectors of the economy such as property sales.

Headline advances to deposits ratio improved significantly to 95.3% on the back of our stable deposit gathering efforts and Emirates NBD, as always, remains well placed to meet relevant prudential liquidity requirements.

Total Costs for the quarter at AED 1.0 billion improved 14% over the previous quarter, which as we had indicated had significant one-off costs related to our Islamic Bank rebranding and the 50th Year Anniversary celebrations. We now have opportunity to invest further within our cost guidance to support staff and customer development.

Provisions for the quarter are AED 1.3 billion and this remains in line with our conservative stance until we achieve our medium term target coverage ratio of 80%.

Moving onto slide four on net interest income, our deposit raising ability continues unabated as we reach out to more customers with our superior branch network and multi-channel distribution capabilities. For yet another quarter we saw higher growth in retail assets across both conventional and Islamic products and both these drivers helped Net Interest Margin stabilize at current levels of 2.75% for the quarter.

Our guidance for full year 2014 Net Interest Margin remains in the range of 2.5% to 2.6% as we do see increased competition for loan growth.

Slide on funding and liquidity; advances to deposits ratio improved significantly to 95.3% for the quarter and we revise our target range to an improved 90-100% from the earlier 95-105%. Once again for the quarter we have seen deposits grow faster than loans and this is underpinned by our strong distribution channel and favoured product offerings.

Emirates NBD's liquid asset position is strong and at AED 40.7 billion, has grown in line with deposits to cover 13.3% of Total Liabilities.

Debts shown maturing in 2014 are short-term private placements and these are within our capacity to rollover or repay in the normal course.

As in previous years, we have no target to raise funds or capital in 2014 but will do so in an opportunistic manner as and when market pricing and tenor is favourable to our book.

Moving on to slide six on loans and deposits trends, while gross loans grew at a slower pace in the first quarter of 2014, we did see continued pick up in our Retail and SME assets.

We saw broad-based growth within the Retail book which grew quarter-on-quarter by 3%. Personal Loans, Credit Cards, Mortgages, and Auto Loans, all grew without exception and in line with the aggregate average.

Our expectation for loan growth in 2014 remains unchanged in the range of 7-8% in line with GDP growth and inflation.

Deposits grew overall by 5% quarter-on-quarter and current and savings accounts alone grew an impressive 11% over the same period.

With that, I will hand you over to Paddy to go through the next few slides.

Patrick Clerkin – Head of Investor Relations

Thank you, Surya. On slide 7, we see that total non-interest income improved by 26% year-on-year and by 5% over the quarter. Core gross fee income improved by 29% year-on-year and by 10% quarter-on-quarter. The quarterly raise is due to higher income from forex and rates coupled with an increase in fee income associated with increased credit card volumes.

Over the year, we saw a fee income grow 48% helped by the 25% growth in credit card business, as well as the material contributions from the overseas business and bank assurance. Investment banking fee income continues to grow as we see Emirates NBD capital ranked number five globally for US dollars group issuance in 2013. Emirates NBD capital also has a growing presence in regional loan syndications.

Property income was up 7% in the final quarter and contributed AED 390 million or over 10% of non-interest income for the year. Property sales did increase in Q4 and the continued gains on the sale of properties held as inventory reflects the current robustness of the real estate market in Dubai. The drop in income from investment securities in Q4 relates to a swing and income from trading securities.

Moving on to operating costs and efficiency on slide 8. The cost income ratio improved by 1.3% over the year from 36.7% in 2012 to 35.4% in 2013. In the final quarter, the cost income ratio increased from 33.5% to 38.8%. There were a number of one-off costs in Q4 relating to the rebranding of Emirates Islamic, restructuring costs and cost associated with the 50th year anniversary celebrations.

Excluding these one-off costs, Q4 saw a 5% raise in the cost base, which is a function of marketing spend, which was more concentrated in the final quarter as well as the positioning of the bank to capture a greater share of customer wallet in early 2014.

We continue to remain very vigilant in controlling costs. The cost-to-income ratio will be managed within the longer term target range of 33% to 34%.

Moving on to credit quality on slide 9. The NPL ratio closed the year at 13.9%, an improvement of 0.4% in 2013. The coverage ratio reached 57.5%, a raise of over 8% in 2013.

I'm pleased to announce that we met our 2013 guidance for NPLs and coverage ratios. We had previously given revised guidance of finishing the year with the NPL ratio between 14% and 15% and the coverage ratio between 55% and 60%.

Impaired loans increased marginally by AED 0.2 billion in the final quarter from AED 35.9 billion to AED 36.1 billion. This increase resulted from an AED 0.3 billion increase in Islamic impaired loans with a small increase in retail impaired loans and a small decrease in core corporate impaired loans.

We continue to be conservative in our approach to provisioning. This quarter we took a net impairment charge of AED 1.1 billion, driven mainly by specific provisions in relation to the group's corporate and Islamic financing portfolios. This further improved our coverage ratio by 2.7% in Q4 to 57.5%.

Over the medium term, we expect to continue to grow this coverage ratio towards 80% through conservative provisioning. And over a similar time horizon we expect the NPL ratio to improve toward 12%.

We remain encouraged by the positive level of write-backs that we see in the impaired loan portfolio. In 2013 we were able to write back over AED 1.2 billion of corporate loans, which was spread across various business sectors. Our total portfolio impairment allowance stands at AED 3.95 billion or 2.6% of credit risk with assets, and this comfortably exceeds the 1.5% central bank requirement.

Slide 10 on capital adequacy shows that Emirates NBD's Tier 1 ratio improved by 1.5% during 2013 to 15.3%. Over a similar period, the capital adequacy ratio declined by 1% to 19.6%, and during Q4, the Tier 1 ratio improved by 0.4% with a capital adequacy ratio improving by 0.6%.

The improvement in Tier 1 was primarily due to routine profit as well as a 1% reduction in risk-weighted assets held by rating upgrade of Egypt. The improvement in Tier 2 capital in Q4 was also due to the issuance of Tier 2 capital via private placements, which we are finding is a very efficient way of raising such capital.

We embarked on a capital management exercise in 2013 and we've been successful in transforming the capital structure to be more capital efficient and cost-effective.

And with that, I hand you over to Shayne to run through the remainder of the presentation.

Shayne Nelson - Group CEO
Thanks Paddy.

Slide 11 provides details of our Egyptian business and I am pleased to confirm that this has now officially been rebranded as Emirates NBD Egypt.

Cultural, system and policy integration is on-going and proceeding as expected against our integration plans. Giel-Jan Van Der Tol, our previous Head of Wholesale Banking, has been appointed as a member of the Board of Directors and the new Managing Director of Emirates NBD Egypt.

Despite a challenging political and economic environment, the Egyptian business has continued to perform well, contributing AED 161 million of revenue and AED 52 million of profit to the Group results in the first quarter of 2014.

On slide 12, we can see that on the Retail Banking and Wealth Management side of the business, revenues continue to grow, increasing by 13% year-on-year and 6% quarter-on-quarter.

We have seen loan growth of 3% in this part of the business in Q1 and deposits up 7% over a similar period. Retail business tends to be relatively more profitable and growth in this part of the business has helped contribute to the 36 basis point improvement in net interest margin over the last year.

Islamic Banking has also shown impressive revenue growth of 30% year-on-year and 9% quarter-on-quarter.

Financing receivables increased 2% since the start of the year and customer account balances also rose 2% over a similar period.

The Islamic Bank has strengthened its core franchise through an expansion of retail, SME, and corporate product offerings.

On slide 13, on the Wholesale Banking side, I am pleased to announce that Jonathan Morris has now joined us as General Manager of Wholesale Banking. Jonathan will also lead the Global Markets & Treasury business to create greater synergy and further cross-selling capabilities.

The Wholesale Bank continues to focus on customer service quality and share of wallet, with increased cross-sell of Treasury and Investment Banking products and increased Cash Management and Trade Finance penetration.

Revenues are up 12% year-on-year and during Q1, whilst the Wholesale Bank did not experience loan growth, it did generate deposit growth of 6%.

Treasury's income showed a 48% improvement year-on-year thanks to an improving net interest income on the back of balance sheet positioning. In Q1, Treasury also saw higher income from investments higher compared with the previous quarter.

The economic outlook on slide 14, we expect GDP to grow by 4.5% in the UAE. We have a slightly higher growth estimate for Dubai's GDP of 4.7% as Dubai continues to expand in the tourism and hospitality sectors, which should boost trade, transport, and associated services as well. The buoyant real estate market and the construction sectors will also boost growth. Expo 2020 will have a positive impact on Dubai. Whilst the immediate effect on Dubai will be modest in terms of construction spending, we believe that this will underpin future growth out to 2020.

Inflation is expected to rise to 3% in 2014 on the back of higher housing costs and higher input prices

As Dubai continues to recover, we expect a further positive trend in impaired loans leading to a stronger balance sheet

On slide 15, in summary, I am pleased to report a net profit up 25% year-on-year and 55% quarter-on-quarter of over AED 1 billion helped by increasing volumes, an improved asset mix and a strong cost-efficient funding base.

NPLs further improved and we continue to be conservative in provisioning. Net impairment allowances of AED 1.267 billion in Q1 boosted the coverage ratio by 3.2% to 60.7%.

Costs remain under control and capital and liquidity remain strong.

Emirates NBD will continue to implement its successful strategy and take advantage of the positive growth opportunity, both in Dubai and in the region.

With that I would like to open the call to your questions. Please go ahead, operator.

Operator

Thank you Mr. Nelson.

We will now begin the question and answer session. If you wish to ask a question, please press 01 on your telephone and wait for your name to be announced. If you wish to cancel your request please press 02.

Once again, press 01 if you have a question.

The first question comes from Mr. Chiradeep Ghosh from SICO Bahrain, please go ahead.

QUESTION AND ANSWER

Chiradeep Ghosh – SICO Bahrain

Hi, congratulations for such a nice set of results. My first question is I see you have reported a very fee income growth. Now I want to know in a scenario where the loan growth has been relatively modest, how did you manage to book such a strong fee income growth related to your banking activities?

Surya Subramanian – Group CFO

Hi, this is Surya. The fee income growth is primarily driven by transaction volumes and on the core fee side we have seen an increase in banking volumes as the economy picks up across all sector and trade finance volumes pick up as well; also, specifically in the current quarter we have also seen an increase in brokerage fees as transactions on the BFM increased as well.

There is a non-core element of fees relating to gains on property sales and that's the sale of our inventory that we picked up in the debt asset swap with Union Properties in 2010, '11, and '13. With the current market being where it is, we have some gains to run on that over the course of the next quarters. As the economy continues to remain buoyant, we would expect to see increased transactions. Not all of that historically has also been linked to asset growth; it just shows that the turnover in the economy of transactions of trade has gone up.

Shayne Nelson - Group CEO

I think the other thing here to mention is if you look at things like our market share in things like credit cards, debit cards, the pick-up in the overall economy, and the fees that that generates, just with usage of those cards has also increased quite substantially.

Chiradeep Ghosh – SICO Bahrain

So would it be fair to assume that you would be booking a fee income of a similar level over the rest of the year?

Surya Subramanian - Group CFO

Well, we do not give guidance on total income or components of it as net interest income and fee income, but it is fair to say that if you look at the past few quarters, the fee income has achieved a higher level across the quarters and all the messages are certainly positive around it.

Chiradeep Ghosh – SICO Bahrain

Okay. A second one is I know it might not be fair to ask you for comments on Dubai World/Dubai Holding at this point in time, but about the provisioning that you take, this is a precautionary provisioning or you have done some kind of restructuring and this is the net amount which you are going to lose. I mean how do you come at this provisioning number of Dubai World and Dubai Holding?

Surya Subramanian - Group CFO

Well, for both these entities, it is a restructuring effort where many banks were involved. It wasn't just any one bank and the terms of the restructure are identical for all the banks that are in the restructure. However, based on that we have formed our own opinion on what is the expected realisation. This doesn't mean we will necessarily lose what we provide. We do assess each quarter, the needs to either top up or top down a provision on all the loans that we have on our books.

Chiradeep Ghosh – SICO Bahrain

If we assume that Dubai World and Dubai Holding will make the payments as promised, there won't be any write-back, right? Am I right on this?

Surya Subramanian - Group CFO

No. If theoretically both these entities were to repay the entire debt, there would be a write-back to the extent we have provisions against these names.

Chiradeep Ghosh – SICO Bahrain

Okay, thanks. That's all from my side.

Shayne Nelson - Group CEO

In fact, I think if you look at slide three at credit quality, in the footnote you will see these provisioning levels.

Chiradeep Ghosh – SICO Bahrain

Yes, I can see that. I just wanted to know…there are some kinds of…sometimes you come out with a deal where you go for a restructuring and under normal circumstances, even if they comply with the restructuring deal, you don't get money – I mean you don't get the amount that has been restructured, so I just wanted to know that.

Surya Subramanian - Group CFO

Well, in both these cases, they have been publicly talked about. These are long-dated restructuring with bullet payments in 2015 and 2018 for Dubai World, as per the terms of the restructure, and in the case of the Dubai Holding set of companies, it is 2018 and 2024 bullet dates, so you would only know what happens in those dates, unless the companies choose to prepay in advance, which is something that we are certainly seeing with Dubai World.

Chiradeep Ghosh – SICO Bahrain

That makes sense. Thank you very much.

Surya Subramanian - Group CFO

Thank you.

Operator

Thank you. The next question comes from Nisreen Assi from Arqaam Capital. Please go ahead.

Nisreen Assi – Arqaam Capital

Hello and thank you so much for the presentation and congratulations for the good results. My first question is regarding the growth and lending to Government. Emirates NBD has witnessed a huge percentage year-on-year growth in Government lending. When shall we expect a pullback in lending to the Dubai Government?

The second one is regarding the high fair value gains in the comprehensive income of more than 100%. Do you expect this trend to continue going forward?

Shayne Nelson – Group CEO

I will take the first one and I will pass the second one to Surya. On the Government one, firstly let me say exactly what I did last quarter, we remain comfortable with our exposure to the Government. Secondly, what I would say is you can see the risk appetite for the Government of Dubai, the Sukuk that was issued in the last couple of days, three times oversubscribed and with tight spreads, so I think from a credit perspective, you can see there is plenty of appetite for it. We will be subject to the Central Bank's new guidelines on capital and the amount that we can lend to the Government of Dubai, and within that time period, we will get our facilities within those guidelines. That will be achieved by, firstly, growth and capital as we retain profits, and secondly, repayments of the Dubai debt itself.

Surya Subramanian – Group CFO

Shayne, on the second question on the movement in other comprehensive income, normally, we do not provide details of the securities that add to the increase in fair value reserve that results in the movement in other comprehensive income. However, because a lot of this can be linked back to certain transactions we did last year in the public domain, I will talk about it. members on the call will realise that we used to own 48% of shares in UP (Union Properties) which until August last year we treated as an associate on our books, and subsequent to the sell-down of shares in Union Properties from 48% down to 15%, we treated it as an available for sale investment in our books, and if you have been watching the trend for the stock in the DFM, it has gone from height-to-height, and that does result in a fair value gain in our books, which because it is an available-for-sale investment , we do not take to income, but to other comprehensive income.

Now, whether that will move up or down is anybody's call to say. There are – other than Union Properties, there are other investments we have in the normal course of running a bank, legacy investments, as well as liquidity portfolios that we manage, however; the bulk of the movement this quarter relates to the sharp rise in UP shares.

Nisreen Assi – Arqaam Capital

Okay, if you will allow me one more question, what would be driving the fall of margins to 2.5/2.6 range from the current 2.75%?

Surya Subramanian – Group CFO

Okay, at the yearend call, you would recall that I mentioned we had placed certain interest rate hedges that gave us a benefit for the last quarter and it has stayed stable this quarter, but as the hedges fall off, we would expect to see some drop-off in margin, that is the first component. The second is just a call on EIBOR, we have been wrong before, I must admit, because for last year we had expected EIBOR to go up, it did not go up and hence, margins were wider than we had anticipated. As we look forward, we do expect a slight tightening of EIBOR and hence a projection of margins going down. Lastly, it is just competitive pressures on loans. You would have seen across the banking sector, there hasn't been much loan growth in the first quarter for all the banks that have announced results, some of this is just the absence of demand, but as good quality credit comes back into the market with a buoyant economy, there would be some price competition around good quality underwriting, so a combination of all these factors takes us to guide marginally lower than where we are at present.

Nisreen Assi – Arqaam Capital

Okay and one last question if you may allow me. Regarding the NPLs of the Egyptian subsidiary, so they are as low as 0.2%, while loans and deposit margins improved versus Q4. Does this low NPL reflect pre-acquisition clean up?

Surya Subramanian – Group CFO

When we do the acquisition accounting, we take these assets at fair value, and hence you see a very small level of NPL. That hasn't really changed dramatically, so it is quite flat since the date of acquisition. However, if you look on the pre-acquisition date, we don't have the numbers in front of us, but if you go back to our last year's presentation, you would note that the NPLs on the book of the acquired entity (BNP Paribas Egypt) were quite low in any case, because it was a good quality asset that we acquired.

Nisreen Assi – Arqaam Capital

Okay, and do you see more opportunity to increase the CASA deposits as percentage of total deposits?

Shayne Nelson – Group CEO

I think our view on that is, we call it 'No regrets CASA' so wherever we can we will continue to grow our current and savings account, that is certainly a strategy that we have adopted for quite a while now, we will continue to press hard and frankly, one of our competitive advantages is our network itself, 150 branches including our Islamic business, the biggest ATM, very big market shares in credit cards etc, which does end up us being one of the preferred banks for current accounts and savings accounts for existing clients and new clients coming to Dubai and the UAE as a whole, so I think we do have some competitive advantage to attract above the market share growth in CASA and we continue to actually achieve that.

Nisreen Assi – Arqaam Capital

Okay, and excuse me for asking so many questions, but I promise one last one. When are Corporate Banking and Islamic going to contribute to net profits? At this point, we see Consumer Banking contributing to 87% of earnings, and the Islamic and Corporate Banking are still being hit by continued strengthening of reserves. When shall we expect these to start contributing to bottom line?

Shayne Nelson – Group CEO

Good question, I think if you look at the underlying performance of the Islamic Bank in particular, it is actually very strong, and remember, where is the Islamic Bank largely focused? Middle market, corporate, down to SME and consumer banking, so it is very much focused on that middle market down, where better spreads are. It is growing at a very good rate, and you can see that by the revenue growth, but it is fair to say that he legacy loans in the Islamic Bank are being cleaned up and it is fair to say a similar story for the Wholesale Bank. We have given you the guidance where we want to get from a coverage ratio, and obviously, the profitability of both the Islamic Bank and the conventional bank in Wholesale, will be affected by us achieving those coverage ratios. I can't really say more than that.

Nisreen Assi – Arqaam Capital

Thank you so much

Shayne Nelson – Group CEO

No problem

Operator

Thank you. The next question is from Vikram Vishwanathan from HSBC, please go ahead.

Vikram Vishwanathan - HSBC

Thank you gentlemen, first of all for the conference call. My question is primarily on the fee income, we have seen quite a bit of strength, not only in ENBD, but also in the sector itself, be it ADCB, or be it FGB and I think the inflection point came about two/three quarters back when we saw the fee and commission line item ramp up. Can you just take me through the process, what exactly led to the inflection point, and what really provoked this increase in in fees and commissions? Was it really higher population or higher transaction volumes? Any colour on this ramping up fees and commissions would be quite useful.

Surya Subramanian – Group CFO

I think Vikram – this is Surya – if you go back even two/three years back when things were not looking to buoyant for the economy, one of the comments we used to make in our quarterly calls or meeting with analysts was that apart from the property sector, if you looked at most of the key indicators that built Dubai, that is at the core of the economy, look at trade, services, hospitality, logistics, transport, passenger arrivals etc, these have always been on a positive uptrend, and barring a bit of the kink in the years of 2009 and 2010, where 2010 and 2011 picked up was higher than where 2008 and 2009 dropped off, although the slope of the pace of the growth post 2010/2011 was slower than the pace of growth that we had seen leading up to the crisis, so it was really just a matter of time before they showed up in the financial results, and it probably became more evident once sentiment came back into the markets, and I would say sentiment turned more likely towards the fourth quarter of 2012, as the property market also started picking up, and so not only did you have underlying trends were strong, but sentiment also added to more people coming back to undertake business transactions that have all resulted across retail, commercial, SMEs, increased volumes and hence increased fees.

Shayne Nelson – Group CEO

I would just add to what Surya has said, I think if you think about – just the example I would use would be the tourism sector, you have got hotel occupancy now running at around 87%, just slightly off from February/January which are about 88%, rev par up over 10% year-on-year, so you are actually getting a lot of people into Dubai as tourism, which then feeds into the consumer economy, into retail, which creates trade etc, so I think the whole confidence around Dubai has improved significantly. As a bank that is big in trade finance, that helps us there. As a bank that has the largest point-of-sale terminals for our subsidiary, Network International, there is benefit there. The confidence then reflects in things like our asset management company, which we have seen good growth in our asset management company, which then reflects in fees and management fees. I think brokerage is another one where we are seeing the lift in the stock market, we're one of the biggest brokers in the UAE, again, that feeds into fees. It is sort of a nice virtuous circle for us, where all this confidence and tourism is actually adding to the base of our business as a whole.

Vikram Vishwanathan – HSBC

That is perfect. Just going back to the fee income, I see there is one big number, which is 1.6 billion, which is just coming in 2013. Would it be possible to give a rough break-up? How does this 1.6 billion into credit card fees, loan…?

Shayne Nelson – Group CEO

If you go to page 7 on the deck onto the bottom right, it gives you the breakdown, yes. Page 7 of the presentation, it gives you a breakdown of the…

Vikram Vishwanathan – HSBC

All right, okay.

Okay, thank you.

Operator

Thank you. The next question is from Emrane Khan from Scope Investments. Please go ahead.

Emrane Khan – Scope Investments

Good evening gentlemen. First of all, I would like to thank you for the call and congratulate you on the excellent set of results. Just wondering, is there any consideration being given by the Board to increase the foreign ownership limit on Emirates NBD, given that we have seen other listed companies do the same? Thanks.

Shayne Nelson – Group CEO

The foreign ownership is actually controlled by our Articles Association, so any increase would require Board and shareholder approval, or the majority of the shareholders, so I am sure if we were contemplating it, you would see it either through the AGM or EGM.

Emrane Khan – Scope Investments

All right, thanks.

Operator

Thank you. The next question is from Rahul Shah from Deutsche Bank. Please go ahead.

Rahul Shah – Deutsche Bank

Yes, good afternoon gentlemen. Just one question from my side, coming back to Egypt, at the moment that market is generating around 5% of your profits. Now, that you have had a bit more time to understand that business and that market a bit better, do you see that proportion changing and can you give a sense of what you think the potential is?

Shayne Nelson – Group CEO

I think that is a good question. I think this year we're a bit more, I suppose, conservative when it comes to taking risk parameters out. We know we have got the Presidential election coming shortly and then the Parliamentary elections, so I think economically we see there are going to be a few road humps with the political situation there. We have got a lot more confidence going into 2015. Certainly, when we get our integration completed of our systems, which is in 2015, that is when we think we can deliver more growth out of that operation, and the reason for that is quite simple is, we are taking our award-winning technology in the Consumer Bank there, mobile, iPads, etc, our online capabilities there when we integrate and that won't be to mid-2015, that is when we think we can deliver customer service and technology and products that this operation didn't have previously. At the moment, we're still reliant upon the BNP platform for products and services, and their technology, so our capacity to really grow the consumer side where we have over 70 branches is going to be limited until we can deliver that technology upgrade and that product upgrade in mid-2015.

On the corporate side, we are quite conservative on that, we want to see what happens through the elections before we start opening up our risk appetite on that side. Certainly, it is a good business, it is clean, and we think there is lots of opportunity there as the political situation stabilises and the economy starts to pick up.

When we're talking about, it is probably linked to the question of the target of 20% of offshore; do we think that Egypt has got the capability of making up that gap? The answer is no, we don't think that is the case. Yes, it can make up some, but it certainly can't make up 20% of the Bank's revenue from that acquisition.

Rahul Shah – Deutsche Bank

Thank you very much. Just as a follow-up and maybe tying into the previous question, if you are going to get to that 20% level, it sounds as if you will need to make acquisitions and in that sense, isn't the FOL cramping your ability to take action in that regard?

Shayne Nelson – Group CEO

I think if you look at our results, you will see that once we get through the provisioning targets that we have actually indicated, our profit generating capacity increases very substantially, so therefore I do not see a problem about self-generation of capital, given the margins we have, the cost-to-income ratio we have and the growth potential we have within the UAE and within our existing markets.

Surya Subramanian – Group CFO

Rahul I might add that in 50 years this bank hasn't gone to market to raise core equity.

Rahul Shah – Deutsche Bank

Understood, thank you.

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypads. Thank you.

The next question is from Naveed Ahmed from Global Investment House. Please go ahead.

Naveed Ahmed – Global Investment House

Good afternoon gentlemen, thank you for the presentation. It is a quick question, it is regarding the exposure to Dubai World and Dubai Holding, I believe that – I understand that the exposure that was previously known as D2B, there has been a slight reduction in that exposure, though provisions remain the same. Could you just explain that?

Surya Subramanian – Group CFO

Hi Naveed.

Naveed Ahmed – Global Investment House

Hi Surya.

Surya Subramanian – Group CFO

This is Surya. Are you referring to the exposure that is now shown as 9.25 billion in the footnote to page 9 of the presentation?

Naveed Ahmed

No, the other one, the 4.55 billion one. I believe it was 4.62 by the end of the fourth quarter.

Surya Subramanian

Yes, there is interest unwind in all these structures. You will have seen that also in the other exposure over the years.

Naveed Ahmed

Wouldn't that also reduce the size of the provisions itself?

Surya Subramanian

It does, it does reduce the size of the provision and the amount by which it reduces the size of the provision is really dependent on whether it is an interest-only impairment loan or it is a principle and interest impaired loan, because if it is a principle and interest impaired loan, the amount of, in fact, interest movement has on provisions is limited. If it is as interest-only impaired loan, then clearly the entire movement is linked to the interest unwind.

Naveed Ahmed

Perfect, and just to add onto that, coming back to the other exposure, 9.4 billion one, is it fair to assume, because I was just calculating through the numbers before that, there is around 24 million worth of provision write-backs every quarter. Am I calculating correctly?

Surya Subramanian

Well, it used to be an interest unwind until the last quarter, but as you would have heard in the newspapers, Dubai World did have some asset sales during first quarter, they paid back the College of Creditors a certain some of which we got our portion under the terms of the agreement, so the bulk of the movement in quarter one on that exposure is an actual cash repayment and there has been talk they will look at other asset sales to advance the repayment due to the banks. We will wait and see what that is in future quarters before we make an assessment.

Naveed Ahmed

Perfect, that's it from my side. Thank you so much, Surya.

Operator

Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypads. This concludes todays Q&A session. For any further questions, please contact our Investor Relations Department whose contact details can be found on the Emirates NBD website and on the results press release. A replay of this call will also be available on the Emirates NBD website by Sunday. Ladies and gentlemen, at this point, we will be handing the call back to Mr Shayne Nelson for his closing remarks.

Shayne Nelson

Thank you, operator. Thank you for joining us today. We are very pleased with the results that we produced for the first quarter and hope you as analysts and investors, are also pleased with what we have been able to deliver and we look forward to talking to you after our first half results. Again, thank you very much for joining us on the call. Cheers.