Emirates NBD

Q3 2011 Results Presentation

October 24, 2011

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Q3 2011 Financial Results Highlights

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- **Net profit of AED 175 million**, -59% vs. Q3 2010 and -77% vs. Q2 2011
- **Net interest income grew 13% q-o-q and y-o-y** to **AED 1,950 million** due to net interest margin improvement to 2.96% in Q3 2011 from 2.53% in Q2 2011
- **Non-interest income declined** by 24% y-o-y and 22% q-o-q due to lower investment securities income and AED 160 million gain recognised in Q2 2011 on LT2 debt exchange offer; **core fee income grew 1% y-o-y and 3% q-o-q**
- **Costs increased by 3% q-o-q and 17% y-o-y** to AED 850 million in Q3 2011 resulting from continued **investment in future growth; cost to income ratio broadly stable** q-o-q and within target range of 32-33%
- Continuation of balance sheet **de-risking** and **increased conservatism on provisioning** resulted in increased **impairment allowances of AED 1,571 million**
- Signs of modest **pickup in new underwriting** with 2% q-o-q growth in net loans
- **Deposits declined 8% q-o-q** due to balance sheet management initiatives and increased deposit competition in the sector

Key Performance Indicators

AED million	Q3 2011	Q3 2010	Change (%)	Q2 2011	Change (%)
Net interest income	1,950	1,723	+13%	1,731	+13%
Non-interest income	655	866	-24%	843	-22%
Total income	**2,605**	**2,589**	**+1%**	**2,574**	**+1%**
Operating expenses	(850)	(725)	+17%	(826)	+3%
Operating profit before impairment allowances	**1,755**	**1,864**	**-6%**	**1,748**	**+0%**
Impairment allowances	(1,571)	(1,241)	+27%	(981)	+60%
Operating profit	**184**	**623**	**-70%**	**767**	**-76%**
Amortisation of intangibles	(23)	(23)	-	(23)	-
Associates	19	(171)	-111%	32	-41%
Gain on subsidiaries	-	-	-	(22)	-
Taxation charge	(5)	(5)	-2%	(9)	-42%
Net profit	**175**	**424**	**-59%**	**744**	**-77%**
Cost: income ratio (%)	32.6%	28.0%	+4.6%	32.1%	+0.5%
Net interest margin (%)	2.96%	2.51%	+0.45%	2.53%	+0.43%
EPS (AED)	0.02	0.06	-70%	0.12	-84%

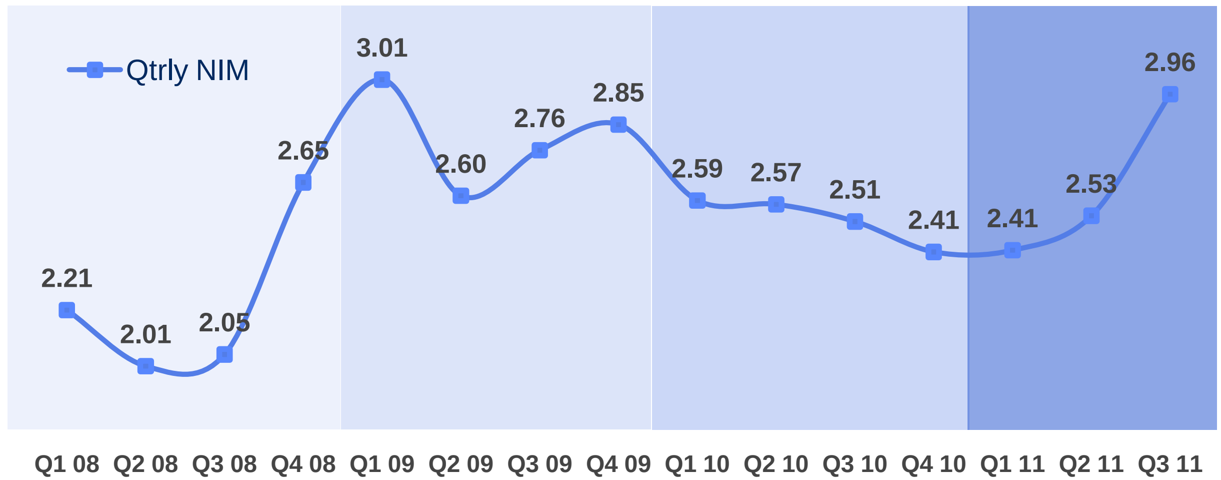
AED billion	30 Sep 2011	31 Dec 2010	Change (%)	30 Jun 2011	Change (%)
Loans	196.4	196.4	+0%	193.2	+2%
Deposits	183.6	200.0	-8%	200.5	-8%

Net Interest Income

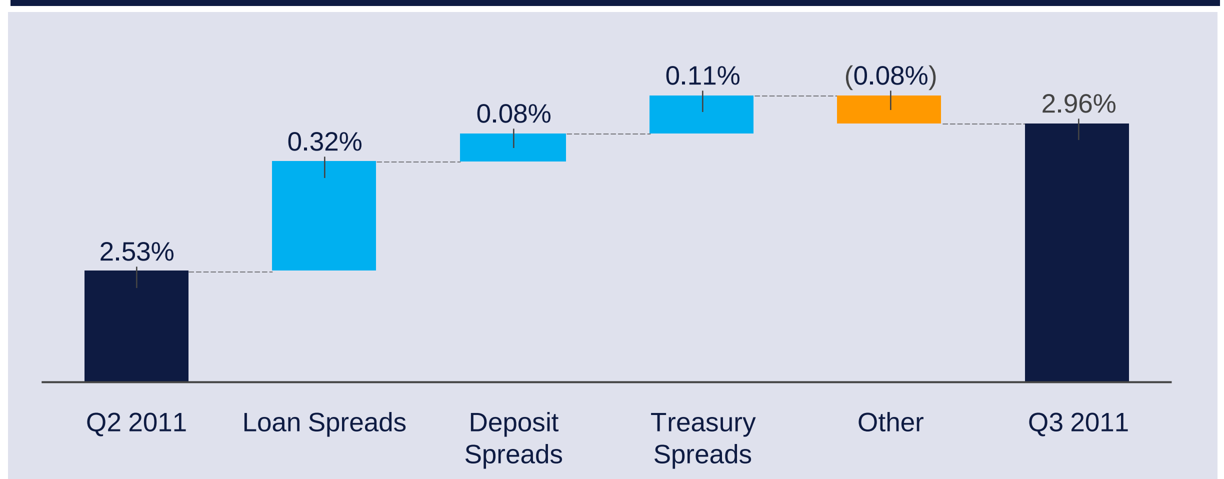
Highlights

- **NIM of 2.96%** at Q3 2011 **improved by 43 bps** from 2.53% in Q2 2011:
  - higher loan spreads due to declining average Eibor rates during Q3 2011
  - continued positive impact in Q3 2011 of downward re-pricing on deposits during H1 2011
  - positive mix impact of higher LTD ratio and lower cash and interbank balances
  - offset by lower benefit of free funds due to declining average Eibor rates during Q3 2011
- **Net interest income grew 13% q-o-q** to **AED 1,950 million** as NIM improvement offset a 4% decline in average interest assets to AED 258 billion

Net Interest Margin (%)



Net Interest Margin Drivers (%)



Non Interest Income

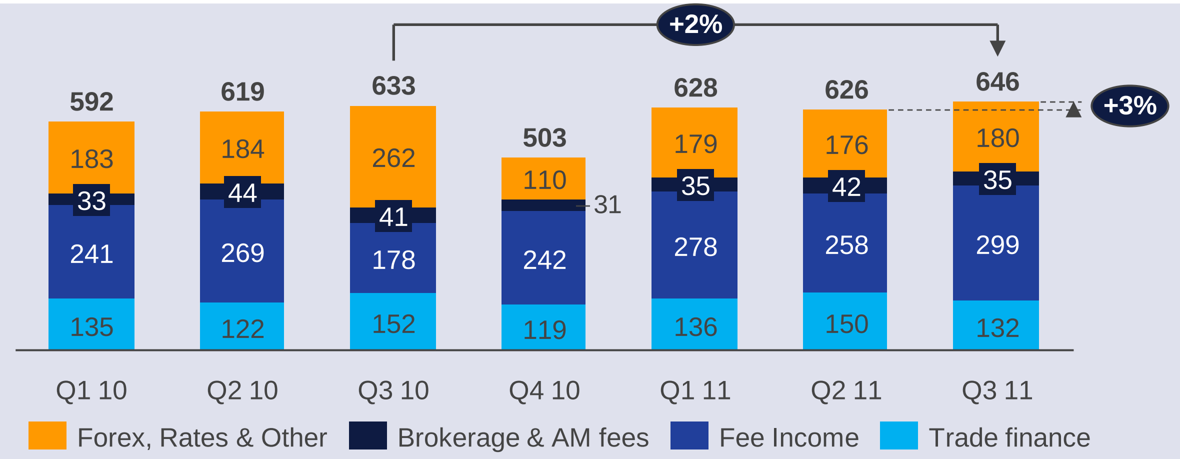
Highlights

- **Non-interest income declined** by 24% y-o-y and 22% q-o-q due to:
  - o lower investment securities income in Q3 2011
  - o AED 85 million contribution from Network International in Q3 2010
  - o AED 160 million gain recognised in Q2 2011 on LT2 debt exchange offer
- **Core fee income grew 1% and 3%** compared with Q3 2010 and Q2 2011, key trends being:
  - o pickup in banking fee income (+16% q-o-q and +68% y-o-y)
  - o reduction in trade finance income (-12% q-o-q and -14% y-o-y)
  - o mixed trends in forex, rates and other income (+2% q-o-q and -31% y-o-y)

Composition of Non Interest Income (AED million)

AED million	Q3 2011	Q3 2010	Change (%)	Q2 2011	Change (%)
Core gross fee income	646	633	+2%	626	+3%
Fees & commission expense	(45)	(41)	+11%	(41)	+10%
Core fee income	**601**	**593**	**+1%**	**585**	**+3%**
Investment properties	0	3	-91%	(3)	-110%
Investment securities	54	185	-71%	101	-46%
Network International	-	85	-100%	-	n/a
Gain on debt exchange	-	-	n/a	160	-100%
Total Non Interest Income	**655**	**866**	**-24%**	**843**	**-22%**

Composition of Core Gross Fee Income (AED million)

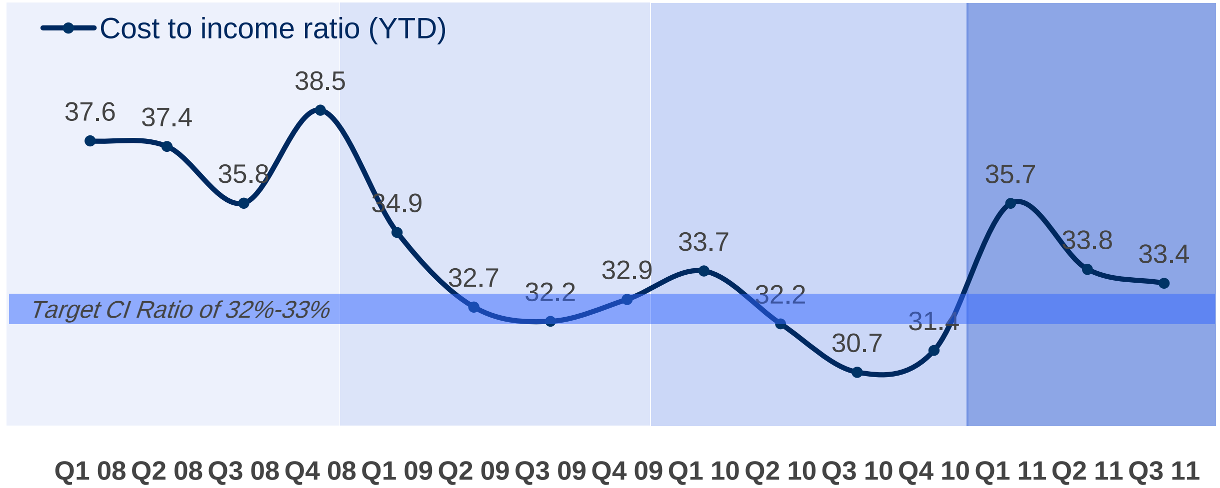


Operating Costs and Efficiency

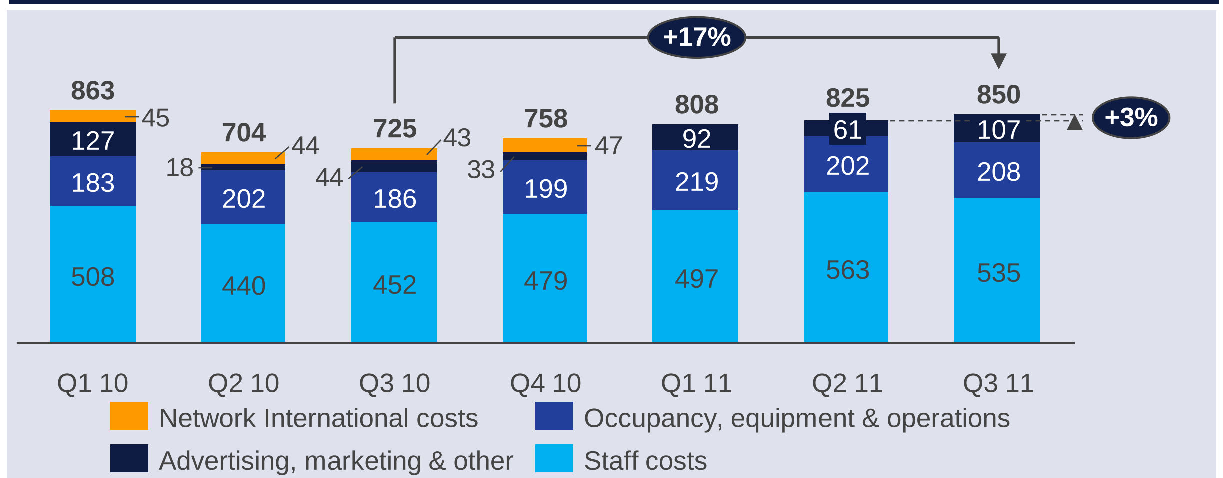
Highlights

- **Costs increased by 3% q-o-q and 17% y-o-y** to AED 850 million in Q3 2011 resulting from continued **investment in future growth** across advertising and marketing costs, and expansion of retail distribution and sales force
- The **cost to Income ratio for Q3 2011** of **32.6% is broadly stable** q-o-q and within target range of 32-33%
- The **cost to Income ratio for Q3 2011 YTD** improved by 0.4% to 33.4% from 33.8% for H1 2011
- The **cost to Income ratio** is expected to be **managed** to the **target range of c.32%-33%**

Cost to Income Ratio (%)



Cost Composition (%)

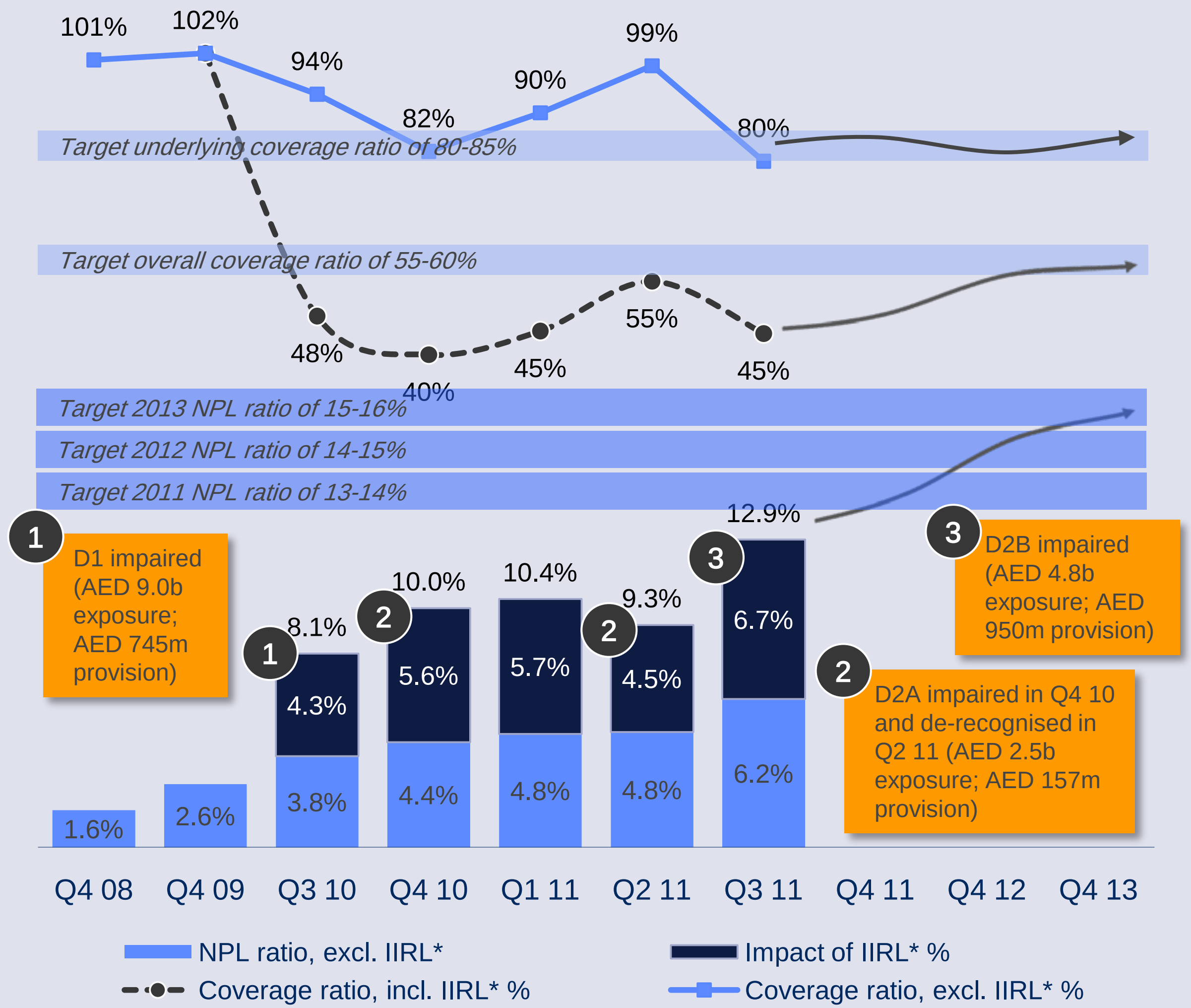


Credit Quality

Key Messages

- Q3 2011 impairment charge of AED 1,571 million driven by:
  - **Specific provision of AED 950 million** made in relation to the AED 4.7 billion exposure to a Dubai GRE
  - Strategic management decision to t**arget higher** overall **impaired loan coverage** ratio
- Management **targets for impaired loan coverage ratios:**
  - 80%-85% on underlying NPL portfolio
  - 55%-60% on overall impaired loans to be achieved by 2013
- Target coverage ratios to be achieved through:
  - **More conservative** provisioning for and recognition of impaired loans
  - Continued **build-up of portfolio impairment allowances**
- Assessment of **underlying credit risk** across the overall portfolio **remains unchanged**:
  - 2011 NPL ratio expected to reach 13%-14% as per previous guidance, but
  - 2013 NPL ratios could reach 15%-16% due to more conservative recognition of impaired loans and lower than previously expected future loan growth

Impaired Loans & Coverage Ratios (%)



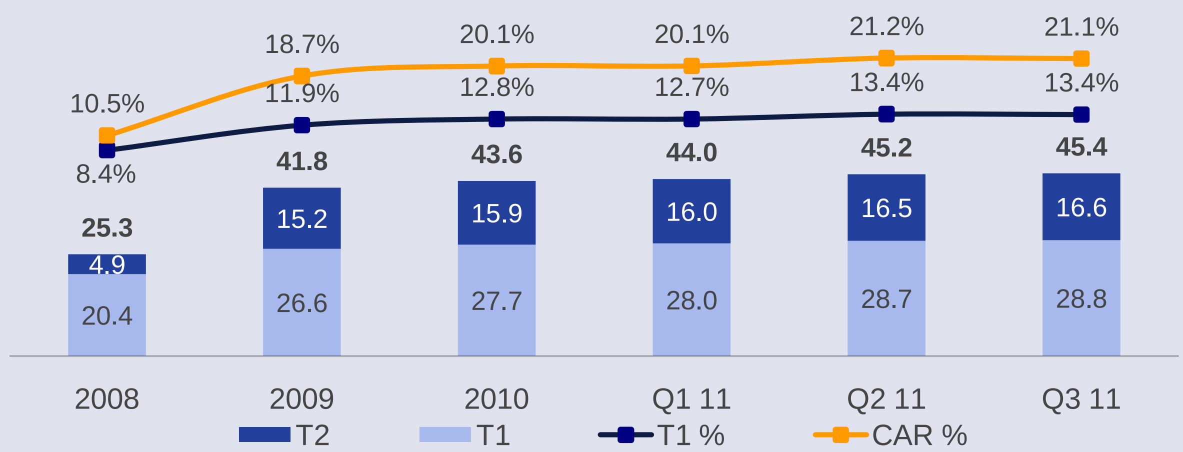
** IIRL = Interest Impaired Renegotiated Loans; Specific entities are referenced by number with the prefix "D"*

Capital Adequacy

Highlights

- **Capital adequacy remained stable q-o-q at** CAR 21.1% and T1 13.4%
- **Tier 1 capital increased by AED 1.1 billion** in Q3 2011 YTD due to net profit generation partly offset by dividend paid in respect of 2010 financial year
- **Risk Weighted Assets declined by 1%** from AED 217 billion at Q4 2010 to AED 216 billion at Q3 2011

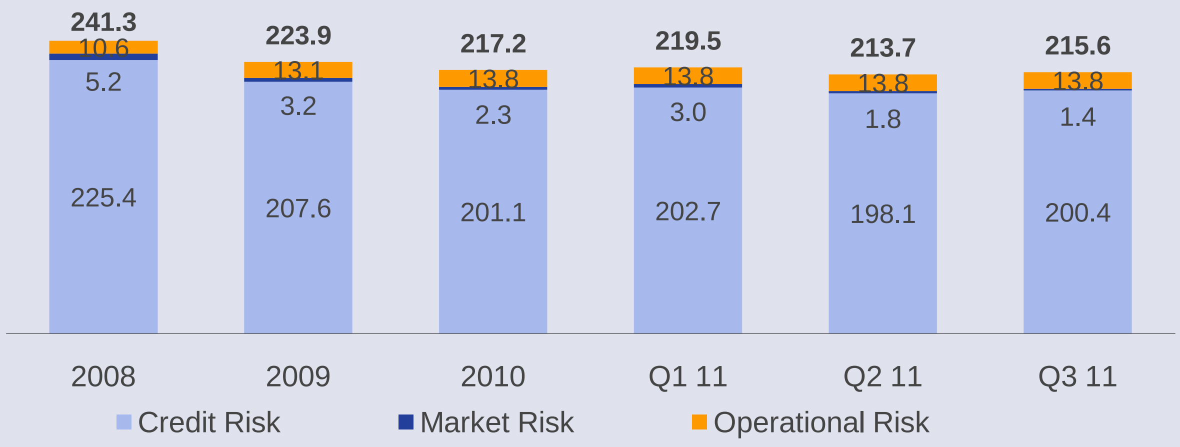
Capital Ratios - Basel II (AED billion)



Capital Movements (AED billion)

31 Dec 2010 to 30 Sep 2011	Tier 1	Tier 2	Total
Capital as at 31 Dec 2010	**27.7**	**15.9**	**43.6**
Net profits generated	2.3	-	2.3
FY 2010 dividend payable	(1.1)	-	(1.1)
Interest onT1 securities	(0.2)	-	(0.2)
Cumulative changes in FV	-	0.2	0.2
Redemption of T2 securities	-	(1.2)	(1.2)
Change in general provisions	-	1.8	1.8
Other	0.1	(0.1)	-
Capital as at 30 Sep 2011	**28.8**	**16.6**	**45.4**

Risk Weighted Assets – Basel II (AED billion)

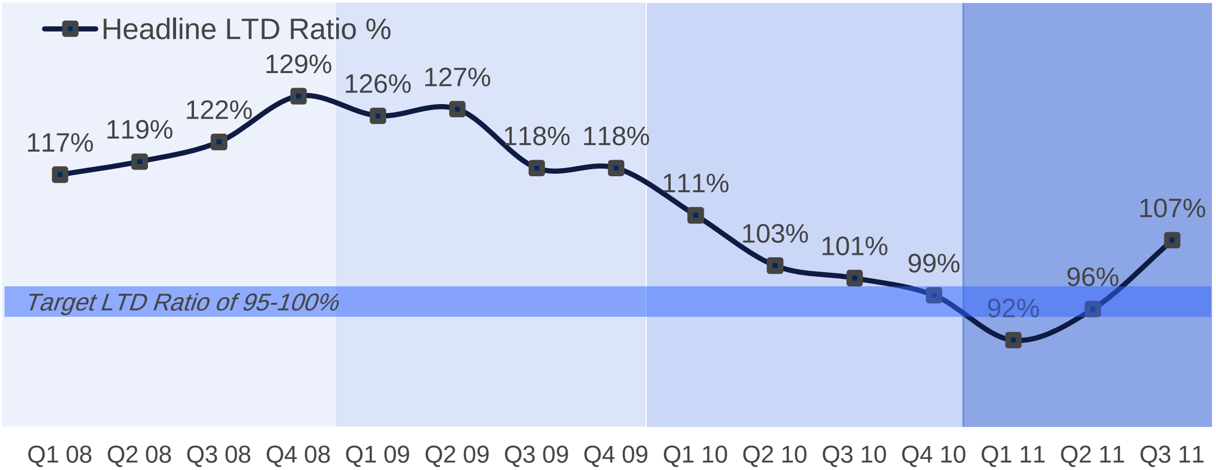


Funding and Liquidity

Highlights

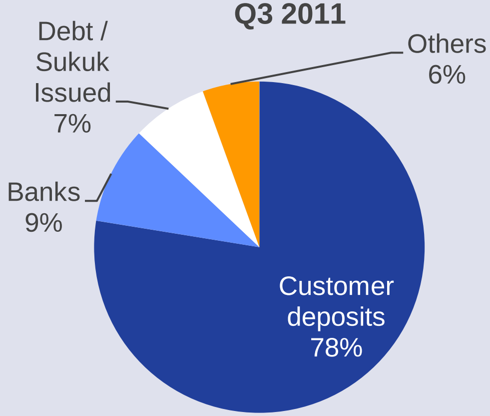
- Headline **LTD ratio of 107%** at Q3 2011 due to balance sheet management initiatives and increased deposit competition in the sector
- The **LTD ratio is expected to be managed** to the **target range of c.95%-100%**
- **Liquid assets of AED 36 billion** as at 30 September 2011 (13.2% of total assets);
- **Debt maturity profile** well **within** existing **funding capacity**

Loan to Deposit Ratios (%)

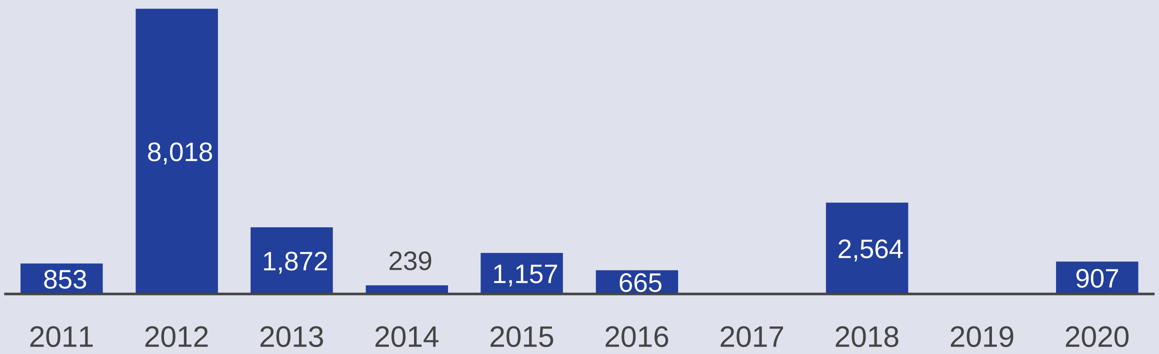


Liquid Assets and Maturity of Debt Issued (AED million)

Composition of Liabilities
Q3 2011



Maturity Profile of Debt issued
100% = AED 16.3b

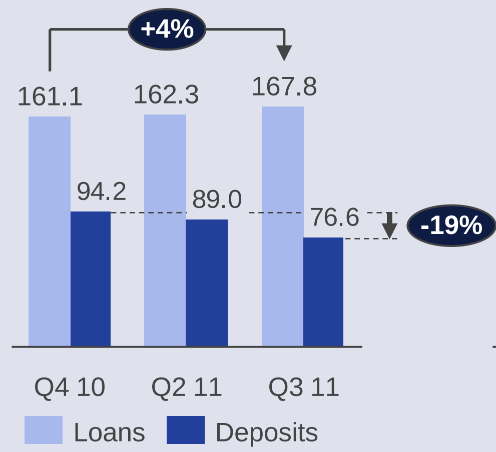


Divisional Performance

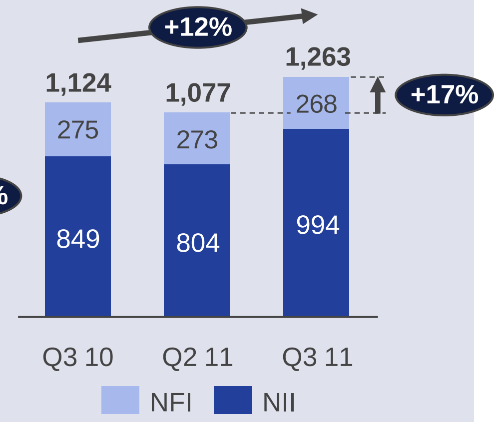
Wholesale Banking

- **Key focus** during Q3 2011 was on balance sheet optimisation, continued proactive management of credit quality, building non-risk based and fee generating businesses and selective growth in new underwriting
- **Revenue** improved 12% y-o-y and 17% q-o-q due to strong increase in net interest income while maintaining fee income broadly stable
- **Loans** rose by 4% from end-2010 evidencing a pickup in new underwriting during the period
- **Deposits** declined 19% from end-2010 due to balance sheet management initiatives and increased deposit competition in the sector

Balance Sheet Trends
AED billion



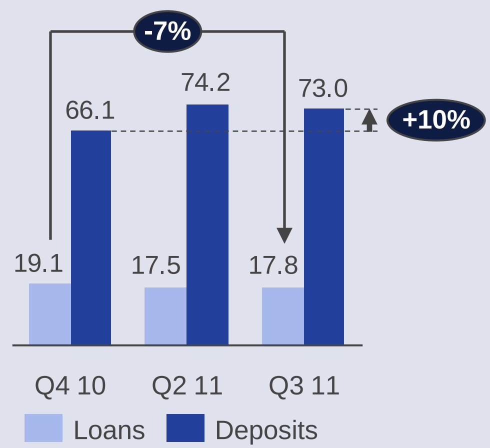
Revenue Trends
AED million



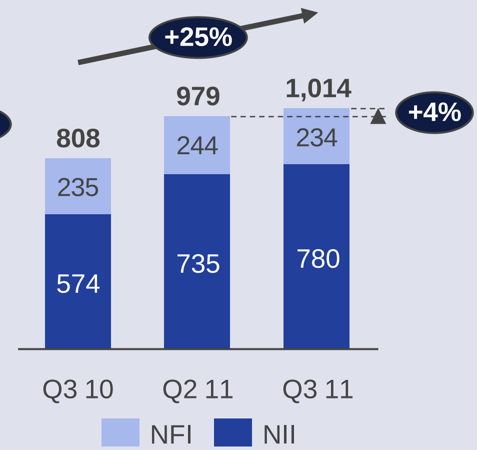
Consumer Banking & Wealth Management

- CWM **maintained its position** in challenging market conditions
- **Continued expansion in Private Banking** business; now almost 70 RMs
- **Revenue** improved 25% y-o-y due to strong 36% growth in net interest income
- **Deposits** grew 10% from end-2010;
- **Loans** declined 7% from end-2010 but grew 2% from Q2 2011 due to growth in the auto loan and credit card portfolios
- Total number of **branches** now 110 through the addition of 2 branches in Dubai and 3 branches in Abu Dhabi during Q3 2011 YTD; the ATM & SDM network totals 641

Balance Sheet Trends
AED billion



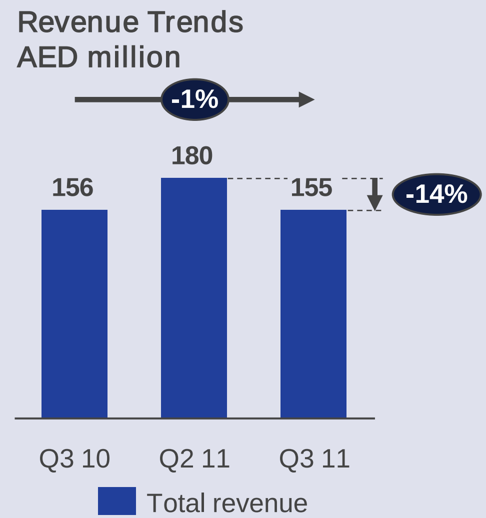
Revenue Trends
AED million



Divisional Performance

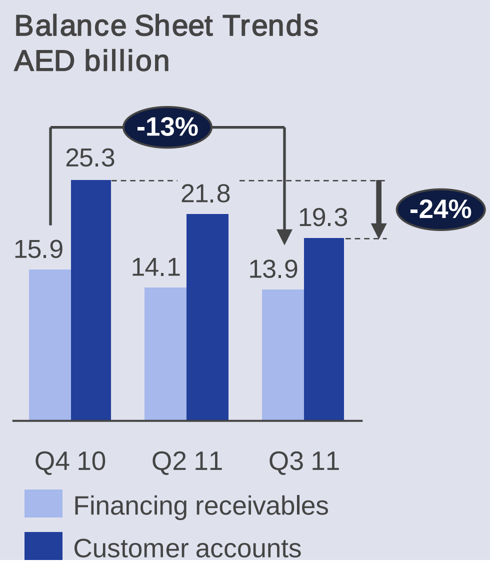
Global Markets & Treasury

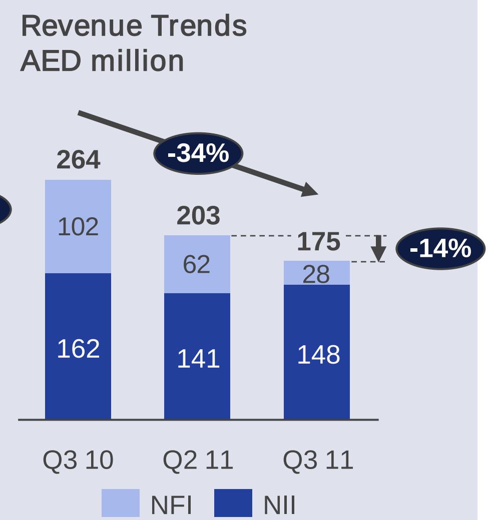
- **Revenue** was stable y-o-y and down 14% q-o-q to AED 155 million in Q3 2011
- Globally financial markets remained volatile in Q3 2011, adversely impacting the **Treasury Trading** business
- **Treasury Sales** recorded a moderate pickup in activity in Q3 2011 as customers started to exhibit greater demand for interest rate hedging products; similarly, there was a greater demand for investment products during Q3 2011
- As a result of global currency volatility, currency hedging volumes picked up in Q3 2011 resulting in improvement of **foreign exchange flow business**



Emirates Islamic Bank

- EIB **revenue** declined 34% y-o-y and 14% q-o-q to AED 175 million in Q3 2011 (net of customers' share of profit), due to lower income from investment securities
- **Financing receivables** declined 13% to AED 13.9 billion from end-2010
- **Customer accounts** declined by 24% to AED 19.3 billion from end-2010
- Total number of EIB **branches** now 32 through the addition of 1 branch in Abu Dhabi and 1 branch in Sharjah during Q3 2011 YTD; the ATM & SDM network totals 98





Note: Stand-alone Financial Statements for Emirates Islamic Bank may differ from these results due to consolidation adjustments

Strategic Imperatives for 2011

	Objectives
Optimise Balance Sheet and Capital allocation	▪ **Increase lending activities in identified pockets of growth, e.g. SME lending, cards, …** ▪ **Further diversifying funding sources with a focus on reducing cost of funding** ▪ **Review all Group companies (subsidiaries and associate companies) and decide on divestment opportunities, increasing stakes or complementary acquisitions**
Drive Profitability	▪ Management focus on **yield optimisation** ▪ **Extending Key account planning** capturing a larger share of wallet of existing broad customer base through cross-sell Treasury and Investment Banking services to corporate clients ▪ Increasing fee income through **enhanced sales efficiency** for FX, investment and banc-assurance products ▪ **Improve customer retention and deliver distinctive customer service** ▪ Continue implementation of revised **spend control processes** ▪ Capturing significant efficiency and process improvements through **Outsourcing**
Enhance Platforms	▪ **Further enhance employee proposition** through talent/leadership development as well as performance and retention management ▪ Continued **enhancement of the Group wide Risk strategy** and alignment of policies to defined risk appetite ▪ **Roll-out of Group wide service Excellence effort** as part of a change management program along all customer touch points ▪ Continuously **upgrading and enhancing IT platforms**
Measured Investment in Platforms for Growth	▪ **Exploit domestic opportunities** – Implementation of Private Banking growth plan and strengthening SME segment – Continued distribution network expansion/optimisation – Continued roll-out of Abu Dhabi growth plan ▪ **Exploit international opportunities** – Implementation of organic growth plan for KSA and detailing growth strategies for all other existing locations – Proactively pursuing inorganic regional expansion opportunities

Outlook

- While conditions in the local economy improved in H1 2011, **global economic developments** in **Q3 2011 are starting to have an impact on local and regional activity**
  - Estimated UAE GDP growth for 2011 remains 4.6% largely on the back of higher oil production, but risks are skewed to the downside for 2012 in the context of recent global developments
  - UAE oil output continued to expand in Q3 2011 and is 8% higher than average 2010 output; the hydrocarbon sector is estimated to contribute around half of UAE GDP growth for 2011
  - PMI data indicated strong private sector growth in H1 2011, but Q3 2011 data showed a sharp slowdown in private sector activity, reflecting the impact of weaker global growth although potentially impacted by seasonal factors
  - Domestic liquidity conditions improved during H1 2011, although Q3 witnessed some evidence of tighter liquidity conditions with sector deposit growth slowing and bank deposits with the Central Bank declining
  - The improving fundamentals in H1 2011 were reflected in a narrowing of CDS spreads for both Abu Dhabi and Dubai, although these widened again in Q3 2011 due to increased risk aversion in global capital markets
  - Private sector credit growth in the UAE remained subdued during Q3 2011 reflecting continued deleveraging and heightened uncertainty resulting from global conditions
- **Despite a more cautious and uncertain outlook, Emirates NBD is resilient and well placed** to take advantage of growth opportunities in selected areas
  - Capitalisation and liquidity continue to be extremely strong, offering resilience and flexibility for the future
  - The Bank has a clear strategy in place to invest in and take advantage of selected growth opportunities

Summary

Emirates NBD

- **Robust operating performance** with stable pre-impairment operating profit at AED 1.8 billion for Q3 2011
- **Top-line trends for Q3 2011 encouraging** with 13% y-o-y and q-o-q growth in net interest income and growth in core fee income of 1% y-o-y and 3% q-o-q
- Continuation of balance sheet **de-risking** and **increased conservatism on provisioning** resulted in **increased impairment allowances** of AED 1.6 billion for Q3 2011
- **Capitalisation and liquidity** continue to be **extremely strong**, offering resilience and flexibility for the future
- Emirates NBD has a **clear strategy** in place to take advantage of of selected growth opportunities

APPENDIX

Additional Asset Quality Disclosures

Investment /CDS Income and Impairments

AED million	Q1 08	Q2 08	Q3 08	Q4 08	2008	Q1 09	Q2 09	Q3 09	Q4 09	2009	Q1 10	Q2 10	Q3 10	Q4 10	2010	Q1 11	Q2 11	Q3 11
Income:																		
Investment Securities	31	49	(265)	(504)	(689)	6	241	120	54	421	172	(7)	143	48	356	(12)	72	64
CDS	(111)	21	(107)	(258)	(455)	(70)	248	157	(105)	230	71	1	42	61	175	24	29	(10)
Total Income Impact	(80)	70	(372)	(762)	(1,144)	(64)	489	277	(51)	651	243	(6)	185	109	531	12	101	54
Impairments:																		
Investment Securities	(193)	(140)	(207)	(471)	(1,011)	(144)	(58)	(64)	(82)	(348)	(35)	(44)	(76)	(105)	(260)	(35)	(57)	(27)
Total P&L Impact	(273)	(70)	(579)	(1,233)	(2,155)	(208)	431	213	(133)	303	208	(50)	109	4	271	(23)	44	27
Balance Sheet:																		
Fair Value Reserves	(225)	359	(465)	(1,479)	(1,810)	(128)	523	197	324	916	307	35	(329)	751	764	127	121	(112)
Total Balance Sheet Impact	(225)	359	(465)	(1,479)	(1,810)	(128)	523	197	324	916	307	35	(329)	751	764	127	121	(112)
Overall Impact:																		
Total Investment Securities	(387)	268	(937)	(2,454)	(3,510)	(266)	706	253	296	989	444	(16)	(262)	694	860	80	136	(75)
CDS	(111)	21	(107)	(258)	(455)	(70)	248	157	(105)	230	71	1	42	61	175	24	29	(10)
Total Impact	(498)	289	(1,044)	(2,712)	(3,965)	(336)	954	410	191	1,219	515	(15)	(220)	755	1,035	104	165	(85)

Note: Investments/CDS income includes dividend income and realised /unrealised gains/(losses) on investment, trading and CDS securities

Additional Asset Quality Disclosures (cont'd)

Credit Metrics

AED million	Q1 08	Q2 08	Q3 08	Q4 08	2008	Q1 09	Q2 09	Q3 09	Q4 09	2009	Q1 10	Q2 10	Q3 10	Q4 10	2010	Q1 11	Q2 11	Q3 11
P&L Impairment Allowances:																		
Credit – Specific	32	99	58	242	431	94	584	473	533	1,684	442	481	1,203	469	2,595	706	(57)	1,668
Credit – PIP	38	10	33	130	211	224	507	226	330	1,287	78	468	(338)	127	335	16	343	476
Other - PIP	-	-	-	-	-	-	-	-	-	-	-	200	300	(500)	-	612	638	(600)
Investment Securities	193	140	207	471	1,011	144	58	64	82	348	35	44	76	105	260	35	57	27
Total Impairment Allowances	263	249	298	843	1,653	462	1,149	763	945	3,319	555	1,193	1,241	201	3,190	1,369	981	1,571
Balance Sheet Impairment Allowances:																		
Credit – Specific	1,452	1,472	1,523	1,762	1,762	1,864	2,428	2,903	3,417	3,417	3,756	4,205	5,404	5,864	5,864	6,554	6,481	8,128
Credit – PIP	317	418	441	571	571	795	1,301	1,528	1,858	1,858	1,936	2,403	2,066	2,193	2,193	2,209	2,552	3,028
Other - PIP	-	-	-	-	-	-	-	-	-	-	-	200	500	-	-	612	1,250	650
Investment Securities	0	0	10	981	981	1,016	1,073	1,068	673	673	411	326	268	265	265	270	267	263
Total Impairment Allowances	1,769	1,890	1,973	3,314	3,314	3,675	4,802	5,499	5,947	5,947	6,103	7,133	8,238	8,322	8,322	9,645	10,550	12,069
Impaired Loans:																		
Credit	1,723	1,816	1,847	1,976	1,976	2,548	3,382	4,060	5,041	5,041	5,717	6,087	16,671	20,201	20,201	20,913	18,655	26,581
Investment Securities	262	220	233	1,316	1,316	1,316	1,316	1,201	789	789	526	435	363	361	361	371	369	360
Total Impaired Loans	1,984	2,035	2,081	3,292	3,292	3,864	4,698	5,261	5,830	5,830	6,243	6,522	17,034	20,562	20,562	21,284	19,024	26,941
Loans & Receivables, gross of impairment allowances:																		
Credit	174,508	187,115	202,267	209,870	209,870	215,729	219,102	220,427	218,994	218,994	216,936	210,089	208,608	204,758	204,758	203,418	203,140	207,949
Investment Securities	3,145	2,720	2,587	2,374	2,374	2,344	2,332	2,183	1,569	1,569	1,122	791	775	660	660	671	567	558
Total Loans & Receivables	177,653	189,835	204,854	212,244	212,244	218,073	221,434	222,610	220,563	220,563	218,058	210,880	209,383	205,418	205,418	204,089	203,707	208,507

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