

# Emirates NBD

## 2008 Financial Results

12 February 2009



## Forward Looking Statements

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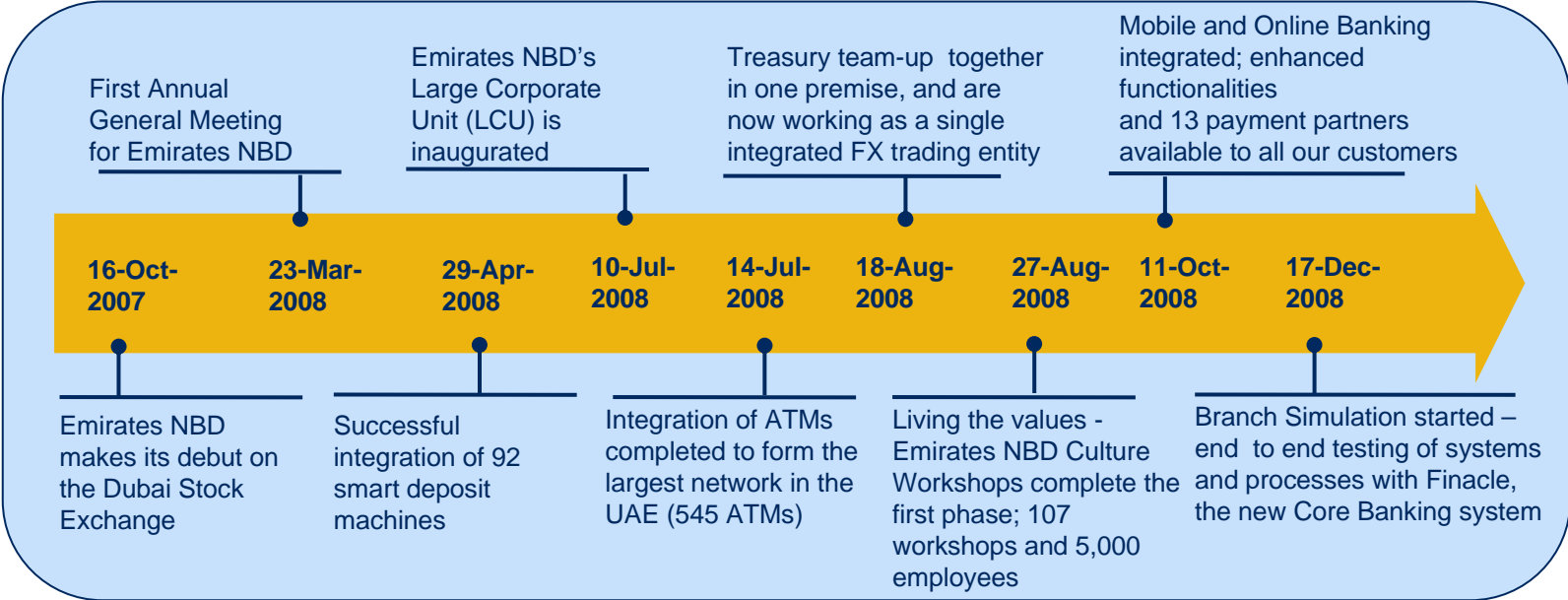
# Highlights

- **Integration is fully on track:** We achieved major milestones during the last year and we are now in a very important phase of the integration with crucial milestones coming up
  - 2008 full year **synergy targets were exceeded** on all revenue, costs & one-off synergies, with achieved synergies AED 235m (ahead of target by 90%)
- **Core business continues to perform strongly**, despite a challenging environment in Q3 & Q4 2008
  - **2008 core net profit up 49%** from 2007 and **4Q 2008 core net profit up 2%** from 4Q 2007
- Financial performance **impacted by write-downs and impairments** on investment securities & credit default swaps (CDS)
    - **Total write-downs & impairments** amount to **AED 2.26b** in 2008
    - **2008 statutory net profit down 7%** from 2007 and **4Q 2008 statutory net profit of AED 14m** compared to AED 1.2b for 4Q 2007
    - Write-downs and impairments reflect a **market-wide downturn** in equity and fixed income markets and widening CDS spreads on local and regional companies
    - The **underlying quality** of the investment and CDS portfolios is **good** and we are actively managing these to minimize crystallisation of losses
- **Credit quality is strong** and underlying credit metrics remain stable
  - As a measure of prudence in the current environment, we have increased portfolio impairment provisions
  - A correction is evident in the Dubai **real estate** sector, but we remain comfortable with our overall exposure and draw comfort from our prudent credit and underwriting standards
- The **UAE economy is expected to slow down** which will impact banking asset and income growth in 2009
  - Our **strategic priorities** in 2009 are balance sheet optimization, focus on profitability and costs and continuing improvements in risk management
  - Despite the challenges faced, due to its scale, diversity and franchise strength, Emirates NBD is **well positioned** to navigate the current environment and **take advantage of opportunities** that it may present

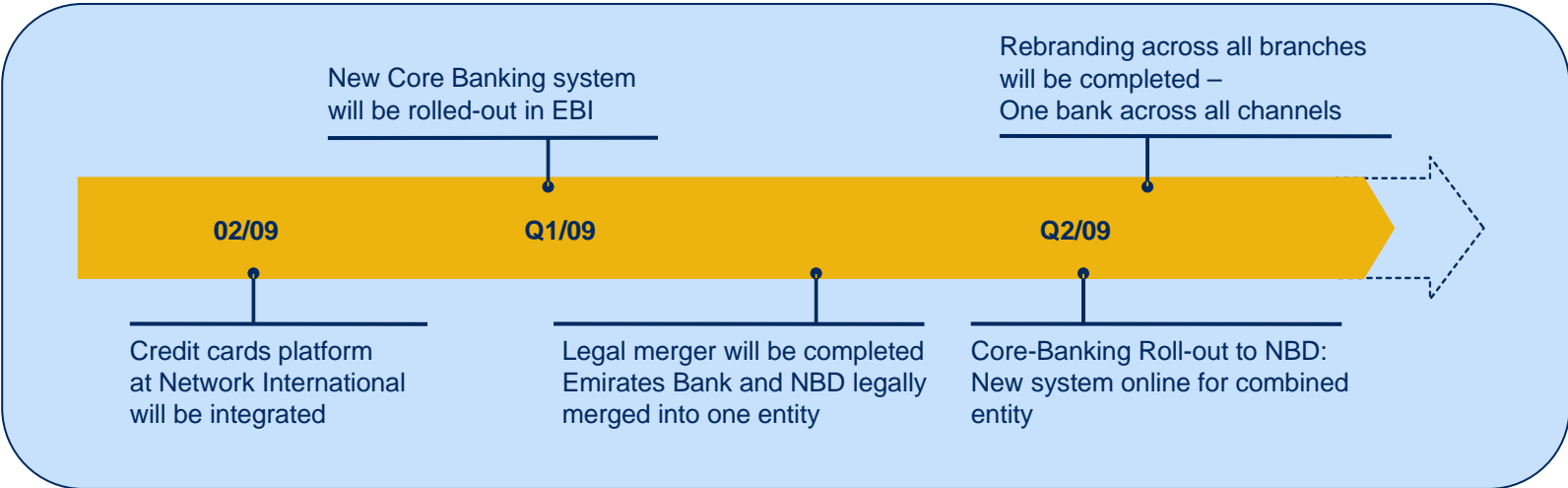
# Merger Update

## Integration fully on track

□ We have achieved major milestones during the last year



□ Now we are in a very important phase of the integration – crucial milestones are coming up



# Merger Update

Exceeded 2008 full year targets on all revenue, costs & one-off synergies

## Target Synergies

- ❑ AED 346m of recurring annual synergies by the third year post merger, plus AED 26m of one-off synergies totalling AED 372m
- ❑ The recurring synergies below will be delivered 33% in year 1 (2008), 66% in year 2 (2009) and fully by 2010

Synergies (2010)	Total, AED m	% of Smaller Base <sup>1</sup>		% of Combined Base <sup>1</sup>
		Actual**	Benchmark***	Actual
Revenue	195	10.5%	5-10%	4.1%
Costs	151	22.2%	14- 26%	8.3%

- ❑ Year 1 target therefore AED 124m (33% of AED 372m) of which, recurring synergies represent: (One-off synergy commitment in 2008 is AED 9m)

Synergies (2008)	Total, AED m	% of Smaller Base <sup>1</sup>		% of Combined Base <sup>1</sup>
		Actual**	Benchmark***	Actual
Revenue	65	3.5%	1.7-3.3%	1.4%
Costs	50	7.4%	4.6-8.6%	2.7%

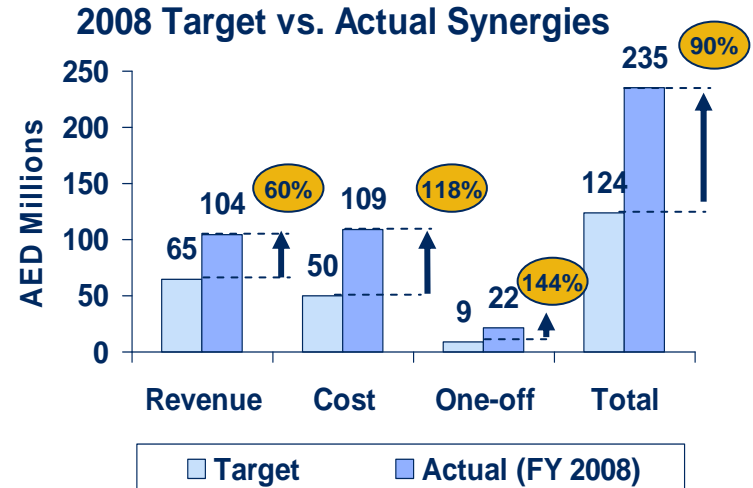
Note 1: Base used when computing synergy targets were 2006 financials, smaller base was NBD and combined was aggregated EBI and NBD

## Key drivers of Revenue Synergies

- ❑ **Revenue synergies** for 2008 full year (AED 104m):
  - Largest distribution network of 120 branches & 659 ATMs and SDMs
  - Focus on cross selling – e.g. mortgages >AED100m loans
  - Enhanced market share/pricing advantages – e.g. FDs
  - Embedded Customer efficiency framework – e.g. Tafawouq has tripled branch sales in Umm Suqeim & DCC

## Actual 2008 Synergies

- ❑ Achieved synergies of AED 235m – ahead of 2008 full year target by 90%



Note 1: Base used when computing synergy targets were 2006 financials

## Key drivers of cost & one-off synergies

- ❑ **Cost synergies** for 2008 full year (AED 109m):
  - Single Head-office in place
  - Created efficiencies through unified business models
  - Combined marketing & advertisement activities
- ❑ **One-off synergies** for 2008 full year (AED 22m):
  - Projects & initiatives discontinued due to merger, namely Islamic banking set up previously planned in NBD

# 2008 Financial Results

## Group Performance

### Comments

- ❑ Full Year 2008 Net Profit down 7% from 2007
- ❑ Proposed cash dividend of 20% and stock dividend of 10%
- ❑ Q4-2008 Net Profit of AED 14m (AED 1.2b in Q4-2007)
- ❑ Financial performance impacted by
  - mark to market & impairments on investment securities of AED 1.8b
  - mark to market on credit default swaps (CDS) of AED 455m
- ❑ Core business continues to perform strongly despite a more challenging environment in Q3 & Q4 2008
- ❑ 2008 Core net profit reached AED 5.9bn, up 49% from 2007
- ❑ Core cost to income ratio improved during the year, esp. during the 2<sup>nd</sup> half as cost measures implemented & synergies realized

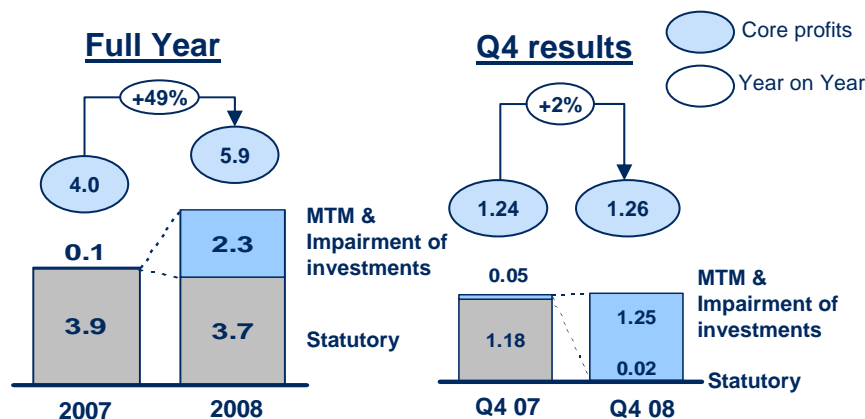
### Key Performance Indicators

AED m	Year to 31 Dec 2008	Variance vs. 2007*
Total income	8,447	+19%
Operating expenses	(3,356)	+23%
Impairment allowances	(1,653)	+125%
Operating profit	3,439	-6%
Amortisation on intangibles	(96)	+17%
Associates	339	-10%
<b>Net profit</b>	<b>3,681</b>	<b>-7%</b>
Cost: income ratio (%)	39.7%	+1.5%
Net interest margin (%)	2.01%	+0.12%
EPS (AED)	0.73	-7%
Return on average shareholders' equity (%)	19.1%	-6%

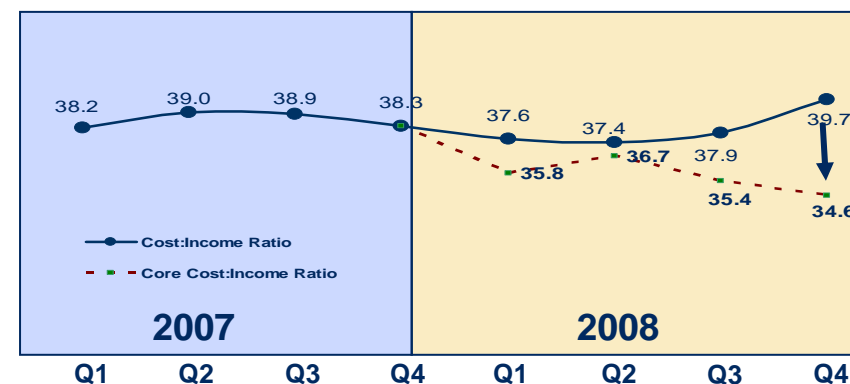
AED b	As at 31 Dec 2008	Var vs. 31 Dec 07*
Total assets	282.4	+11%
Loans	208.9	+26%
Deposits	162.3	+15%
Capital Adequacy Ratio (%)	11.4%	-1.7%

\* 2007 comparatives are presented on a pro forma basis

### Core Business Performance



### Cost : Income Ratio



Note 1: 2007 comparatives are presented on a pro forma basis

Note 2: Core business trends exclude mark to market impacts and impairments on investment and other securities.

Note 1: Core cost:income ratio excluding mark to market impacts on investment and other securities in 2008

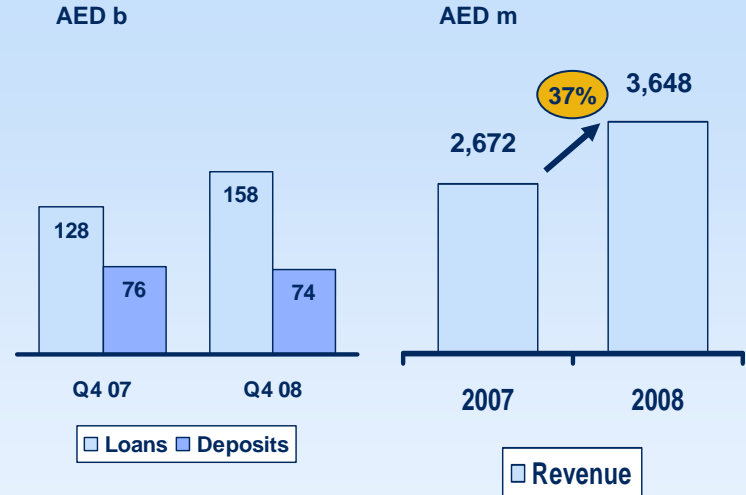
Note 2: Cost income ratios for each quarter are presented on a year-to-date basis

# 2008 Financial Results

## Divisional Performance

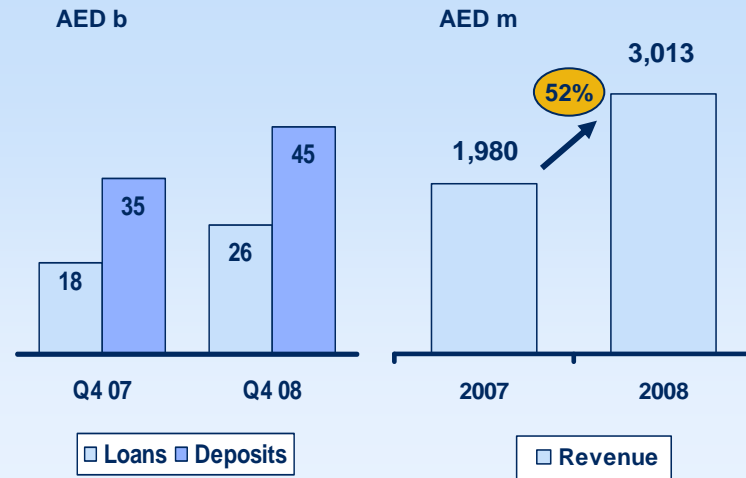
### Wholesale Banking

- ❑ Wholesale banking had another successful quarter
  - Continued success of its transactions business
  - Emirates NBD ranked as leader in local syndications market as Mandated Lead Arranger and Bookrunner in 2008
  - Key focus during 2008 to emphasis liquidity for the bank and its clients and building non-risk based and fee generating businesses
- ❑ Revenue grew 37% year-on-year
- ❑ Loans grew 23% year-on-year
- ❑ Deposits remained broadly stable year-on-year



### Consumer Banking & Wealth Management (CWM)

- ❑ Continues to expand and build on distribution reach
  - Distribution network strengthened. Total branches now at 94, of which 12 in Abu Dhabi
  - ATM and SDM network now at 564
  - Emirates NBD won 'Best Retail Bank' in 2008 by Arabian Business Magazine
- ❑ Revenue grew 52% year-on-year
- ❑ Loans grew 44% year-on-year
- ❑ Deposits grew 29% year-on-year

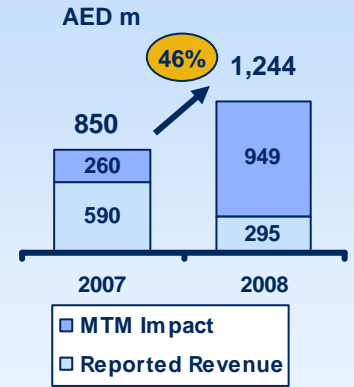


# 2008 Financial Results

## Divisional Performance (cont'd)

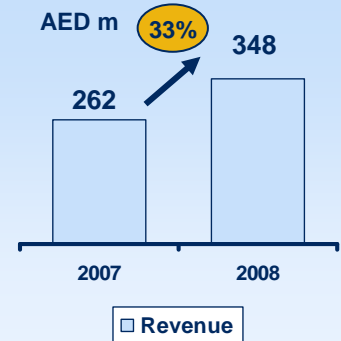
### Global Markets & Treasury

- ❑ Grew sales and trading business; leading market share of Dubai's corporate business
  - Arranged Govt of Dubai AED Fixed and Floating Bond issues totaling AED 6.5b
  - New debt capital markets activity initiated in 2008 totaled USD 1.4b, including senior debt and lower Tier 2 in AED and G7 currencies
- ❑ Total revenue for the year down 50% from 2007
- ❑ Core revenue (excl. MTM) up 46%



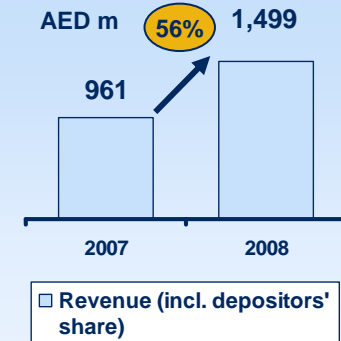
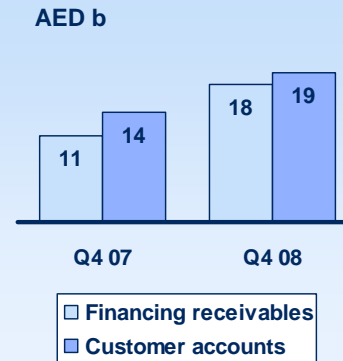
### Network International

- ❑ Strong growth with revenues up 33% from 2007
- ❑ Serves over 9,700 merchants and 42 financial institutions in the region
- ❑ Significant increases in transaction volumes:
  - 29% increase in acquiring revenues
  - 54% increase in processing revenues



### Emirates Islamic Bank

- ❑ EIB achieved strong revenue growth of 56% in 2008 (including depositors' share of profit)
- ❑ Financing receivables up 59% to AED17.8b; Customer Deposits up 36% to AED19.1b
- ❑ Highest depositors' share of profit payout among UAE Islamic banks
- ❑ 4 new branches in 2008 taking the total to 26





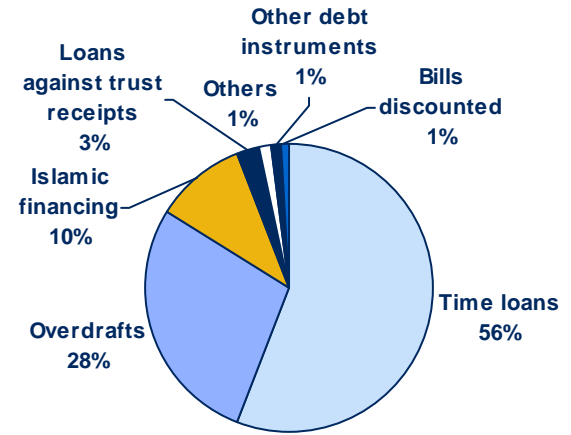
# Asset Quality

## Credit Metrics: Wholesale and Consumer

### Comments

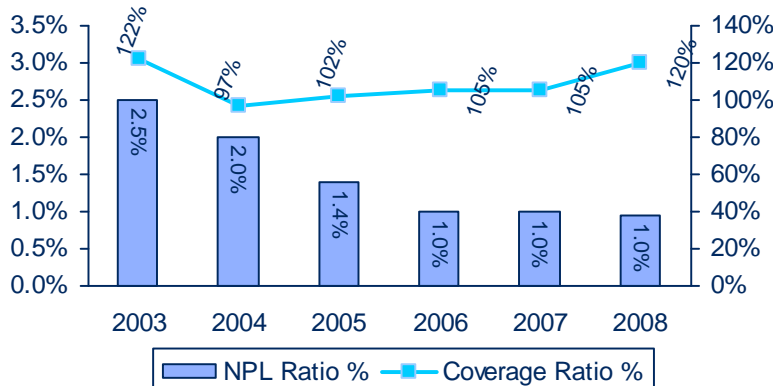
- Loan portfolio is balanced and well secured
- Counterparties have been extensively reviewed and we remain comfortable with our exposures
- NPL and impairment allowance metrics remain broadly stable
- Added AED211m to portfolio impairment provisions in 2008 as a measure of prudence in the current environment

### Loan Portfolio by Type – 2008



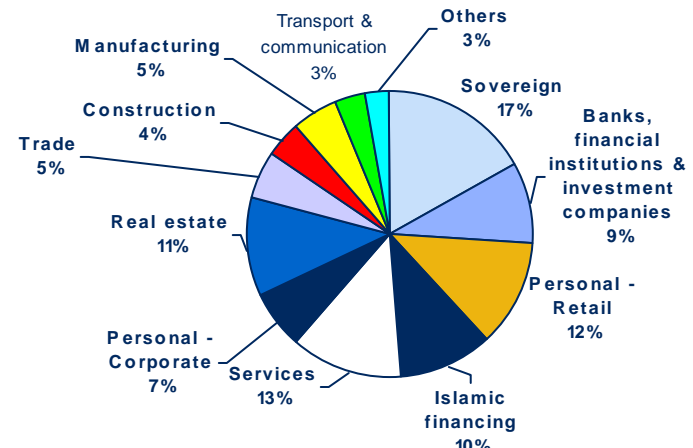
**100% = AED 213.1b**

### NPL & Coverage Ratios



Note 1: 2008 NPL and coverage ratios excludes investment securities classified as non-performing loans

### Loan Portfolio by Sector – 2008



**100% = AED 213.1b**

# Asset Quality

## Real Estate Exposure

### Wholesale Bank

- ❑ Exposures to Real Estate & Construction Sector is 14% and 5% of the WB portfolio respectively
- ❑ Emirates NBD is very selective in financing real estate sector. Extent of finance is generally limited to:
  - 70% of construction cost excluding land or 60% of cost including land (land valued at lower of cost or market value)
  - 60% of purchase price for completed properties.
- ❑ Exposure is mainly to top tier names with diversified business interests and multiple sources of repayment
- ❑ Repayment experience is satisfactory with no accounts classified in doubtful or loss categories
- ❑ Approximately 70% of the portfolio has a repayment maturity of < 3 years
- ❑ Careful monitoring of the Real Estate, Construction and related sector exposures

### Consumer Bank

- ❑ Mortgage finance offered across a select range of premium developers, including Dubai Properties, Emaar, Nakheel, Aldar, Sorouh & Union Properties
- ❑ Emaar, Dubai Properties & Nakheel account for 77% of the mortgages financed by ENBD
- ❑ Villas account for approximately 38% of the portfolio; Completed properties account for 61% of the portfolio
- ❑ Average LTV is 75% on original value and 59% on market value
- ❑ More than 75% of the customers have only one mortgage loan from ENBD
- ❑ Lending criteria are revisited regularly to ensure that the quality of the loan portfolio remains good
- ❑ Mortgages portfolio performance is good: Focus on high income customer segments, 90% of portfolio comprises of customers with income > AED 25K per month, low delinquency and provision rates

# Asset Quality

## Investments & Trading Securities

### Comments

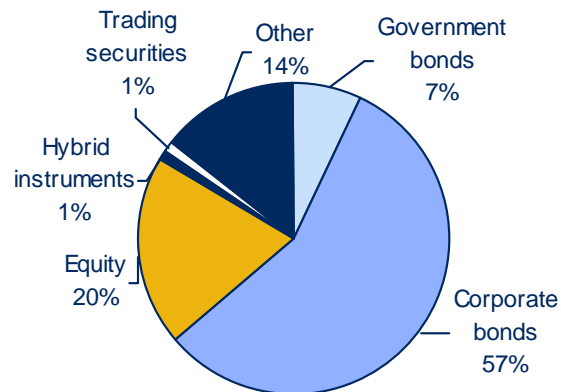
- ❑ Exposure to sub-prime and related exposures (e.g. RMBS, CMBS, CDOs, CLOs) are minimal and were fully written down in prior years
- ❑ 81% of the assets are classified as Available for Sale
- ❑ Fixed income assets make up 64% of the portfolio where:
  - impact from market volatility is relatively lesser
  - 7% of portfolio in government bonds (mostly GCC)
  - comprises mainly of investment grade assets
  - duration of fixed income portfolio largely 1-5 years; some losses will reverse if held to maturity and no credit event occurs
- ❑ Portfolios actively monitored with the objective to reduce exposure where opportunities arise or where future distress is anticipated.

### 2008 MTM Impact

AED million	Total Balance	P&L impact		Cumulative changes in FV
		Income	Impairm.	
<b>Investment Securities</b>	19,391	(314)	(205)	(1,810)
<b>Trading Securities</b>	244	(137)	-	-
<b>Subtotal</b>	<b>19,635</b>	<b>(451)</b>	<b>(205)</b>	<b>(1810)</b>
Investment Securities in L&R	2,374	(342)	(806)	-
<b>Total</b>	<b>22,009</b>	<b>(793)*</b>	<b>(1,011)</b>	<b>(1,810)</b>

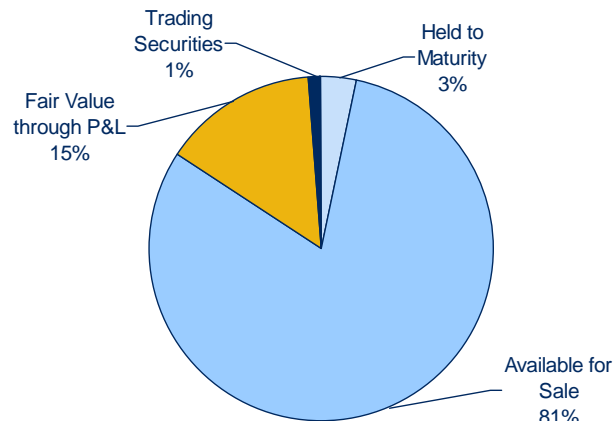
\* Net of AED 262m write-down reclassified from trading to AFS securities pursuant to the amendments to IAS39 and IFRS 7.

### Composition by type



**100% = AED 19.6b**

### Composition by Category



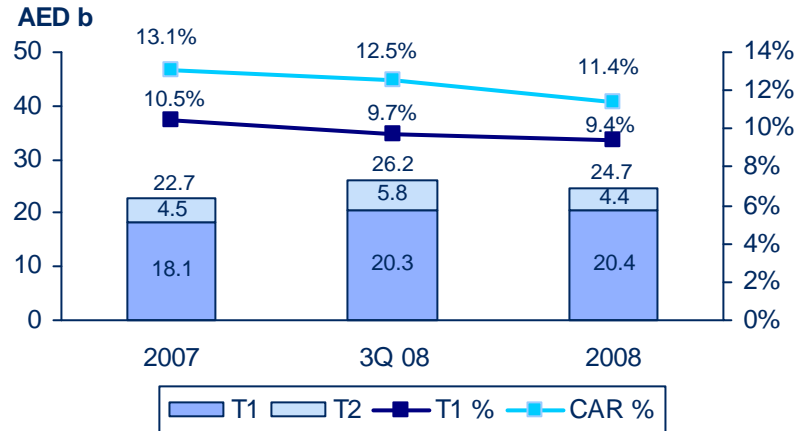
**100% = AED 19.6b**

# Capital, Funding and Liquidity

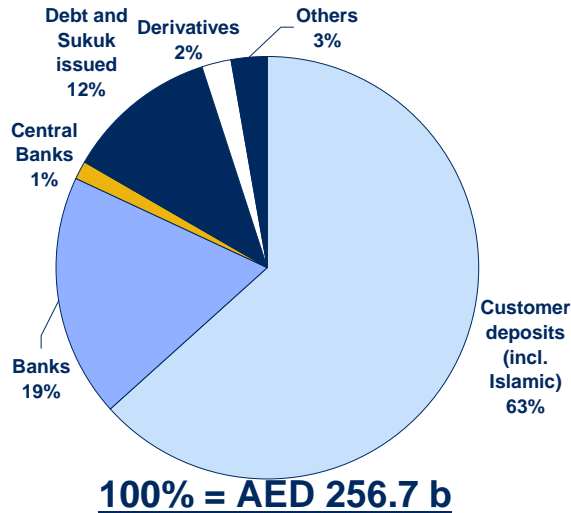
## Comments

- Capital adequacy ratio at 11.4% in 2008 (2007: 12.5%)
- Liquidity in the UAE Banking system has improved in 4Q 2008 compared to Q3 2008, helped by the various Government initiatives
- Emirates NBD received AED12.6b 3/5 year deposits of AED50b injected by the Ministry of Finance into local banks
- Formal deposit guarantee documentation expected soon.
- Funding remains stable
- Term debt maturity profile is well within our funding capacity; repaid scheduled US\$ 500 MM FRN in Jan 2009

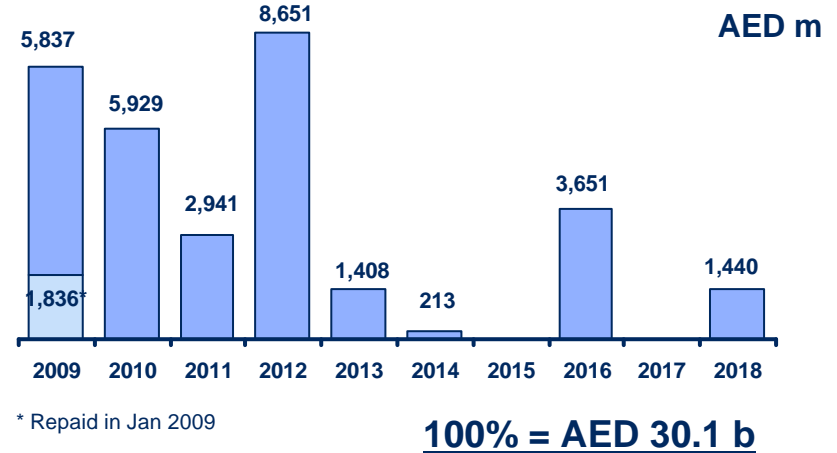
## Capital Ratios



## Composition of Liabilities



## Maturity Profile : EMTNs



# Outlook

## UAE Economic Environment

### Comments

- ❑ UAE hit by global credit squeeze, caused by events largely outside its control
- ❑ UAE economy and banking system relatively well placed in comparison to many economies outside of the GCC
- ❑ Dubai's textbook model of diversification is being challenged, but remains strong enough to withstand the turmoil
- ❑ UAE's accumulated surpluses over recent years enable it to engage in counter-cyclical policies, providing a powerful fiscal stimulus
- ❑ Monetary policy is also responding to the crisis, with rates being cut and liquidity provided
- ❑ Correction provides potential to put growth back on a more sustainable long-term path

### Dubai's Strategic Location



### Real GDP Growth Forecasts\*

	2008	2009	2010
<b>UAE</b>	<b>6.0%</b>	<b>1.5%</b>	<b>2.9%</b>
UK	0.8%	-2.9%	0.0%
Eurozone	1.0%	-1.9%	0.2%
Germany	1.2%	-2.2%	0.3%
US	1.2%	-2.5%	2.2%
China	9.2%	6.3%	8.3%
Singapore	1.4%	-1.8%	2.9%

### UAE Economic Metrics\*

- ❑ High per capita GDP approx. \$43,000
- ❑ Oil contributes c.1/3<sup>rd</sup> to GDP with budget breakeven oil price at c.\$30-40 per barrel
- ❑ UAE's 2009 budget is largest in history and though balanced is likely to provide substantial fiscal stimulus. Dubai to move into small budget deficit
- ❑ Government, SWF and HNWI wealth funds still contain considerable resources
- ❑ Inflation is last year's problem, projected to fall to low single digits in 2009

# Outlook

## Comments

- ❑ The current environment is presenting challenges in terms of liquidity, funding, profitability and asset quality
- ❑ The fundamentals of Emirates NBD's core business remains strong
- ❑ Emirates NBD is taking pro-active steps to ensure we are well positioned to navigate the current environment. We are focusing on strengthening the balance sheet, profitability and risk management enhancement
- ❑ Our long-term growth strategy remains in tact although has been modified to embrace new realities
- ❑ The success of the merger is even more pronounced in the current climate as the Bank is more resilient due to its scale and is seen as a stronger counterparty
- ❑ We are a consolidator of choice in the region and are well placed to take advantage of any attractive opportunities that may arise

## 7 Strategic Pillars

- 1 Pursue profitable growth in **Retail Banking**
- 2 Establish a distinctive **Wealth Management** offering
- 3 Consolidate and enhance market position in **Corporate Banking**
- 4 Develop a leading regional **Investment Banking** franchise
- 5 Expand **Islamic Banking**
- 6 **Integrate** organizational resources to build a scalable platform
- 7 Pursue **expansion** in the GCC and other key strategic markets

## Strategic Imperatives

### Strengthen balance sheet

#### Cautious lending growth

- Support growth of important Group relationships

#### Focus on funding

- Renewed focus on key market segments (Private Banking / Affluent / SME)
- Leverage distribution network
- Continue to maintain and develop wholesale sources of medium to long term funding
- Continued government action / support

### Drive profitability

#### Improve product/customer profitability

- Re-price and maximize product yields
- Increase fee based income

#### Improve overall cost position

- Drive performance improvement program
- Increase process efficiency
- Migrate customers to lower cost channels

### Enhance risk management

- Implementation of Basel II IRB and AMA approaches
- Advancement of Liquidity Risk Control and Management
- Alignment and integration of Economic Capital and Stress testing Framework
- Strengthen credit management and improve collection processes

## Summary

- The **integration is fully on track**
  - 2008 full year **synergy targets were exceeded** by 90%
- The **core business continues to perform strongly**
  - **2008 core net profit up 49%** from 2007
- **Impacted by write-downs and impairments** on investment and other securities of **AED 2.26b** in 2008
  - **2008 statutory net profit down 7%** from 2007
  - Write-downs and impairments reflect a **market-wide downturn** and **underlying quality** of the portfolios is **good**
- **Credit quality is strong** and underlying credit metrics remain stable
  - We remain comfortable with our overall **real estate exposure**
- The **UAE economy is expected to slow down**
  - Our **strategic priorities** in 2009 are balance sheet optimization, focus on profitability and costs and continuing improvements in risk management.
  - Emirates NBD is **well positioned** to navigate the current environment and **take advantage of opportunities** that it may present.

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12 February 2009

