

For immediate release

## Emirates NBD Announces Q3 2011 Results

**Robust Operating Performance with Pre-Impairment Operating Profit of AED 5.0 billion**  
**Q3 2011 Operating Performance Highest this Year**

Dubai, 24 October 2011

Emirates NBD (DFM: EmiratesNBD), the leading bank in the region, today announced its results for the nine months ended 30 September 2011.

### Results Highlights

- ❑ **Positive and resilient operating performance** with pre-impairment operating profit of AED 5.0 billion for the 9 months ended 30 September 2011 and AED 1.8 billion for Q3 2011, the highest quarterly level this year
- ❑ **Net profit for the 9 months ended 30 September 2011 of AED 2.3 billion**, up 20% compared with the same period in 2010
- ❑ **Earnings per Share for the period up 23%** to AED 0.38
- ❑ **Encouraging revenue trends during the period:**
  - Net interest income for 9 months ended 30 September 2011 up 3% versus the comparable period in 2010
  - Core fee income grew 3% compared with the same period in 2010
- ❑ The year to date witnessed **significant pro-active and precautionary de-risking of the balance sheet:**
  - Portfolio impairment allowances increased by AED 1.5 billion taking the total allowance to AED 3.7 billion or 2.45% of credit Risk Weighted Assets
  - More conservative stance on recognition of impaired loans and provisioning to ensure Emirates NBD is strongly positioned for the future
- ❑ **Customer loans at AED 196.4 billion**, held stable compared with the end of 2010
- ❑ **Customer deposits at AED 183.6 billion** compared with AED 200.0 billion at the previous year-end
- ❑ **Capital adequacy ratio further strengthened** to an extremely healthy level of 21.1%
- ❑ The results **do not include the financial results for Dubai Bank** as the effective date of takeover occurred after the balance sheet date. The **takeover is not expected to impact Emirates NBD's net profit or non-performing loans ratio** as on the date of acquisition

**Commenting on the Group's performance, His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman of Emirates NBD said:** "These financial results reflect a positive and strong operational performance and demonstrate the strength and resilience of Emirates NBD. We have taken a more conservative approach to strengthen the Bank's position to meet the challenges reflected in the broader global financial markets and Emirates NBD is well-placed to realise its vision to be the leading and one of the largest and most successful banks in the region."

**Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said:** "During the first 9 months of 2011 we have delivered a robust set of financial results with net profits for the period up 20%, despite adopting a significantly more conservative approach to de-risking the balance sheet. This not only reflects the progress made by the Bank in addressing the challenges posed during the last few years but also demonstrates our ability to take advantage of gradually improving economic conditions and to deliver on a clear strategic course. While the outlook has become more cautious and uncertain, our strong levels of capitalisation and liquidity offer both resilience and flexibility for the future and an ability to take advantage of selected growth opportunities."

**Emirates NBD's Chief Financial Officer, Mr. Surya Subramanian, said:** "In the first 9 months of 2011, the Bank has continued to deliver strong levels of operating profitability, adjusting rapidly to changing market dynamics through alignment of the various operating levers we have at our disposal. In fact, in Q3 2011 we have achieved the highest level of operating profit over the last four quarters."

## Financial Review

AED million	9 Months ended 30 Sept. 2011	9 Months ended 30 Sept. 2010	Change (%)	Quarter ended 30 Sept. 2011	Quarter ended 30 Sept. 2010	Change (%)
Net interest income	5,329	5,175	+3%	1,950	1,723	+13%
Non-interest income	2,110	2,284	-8%	655	866	-24%
<b>Total income</b>	<b>7,439</b>	<b>7,459</b>	<b>-0%</b>	<b>2,605</b>	<b>2,589</b>	<b>+1%</b>
Operating expenses	(2,483)	(2,291)	+8%	(850)	(725)	+17%
<b>Operating profit before impairment allowances</b>	<b>4,956</b>	<b>5,168</b>	<b>-4%</b>	<b>1,755</b>	<b>1,864</b>	<b>-6%</b>
Impairment allowances	(3,921)	(2,989)	+31%	(1,571)	(1,241)	+27%
<b>Operating profit</b>	<b>1,035</b>	<b>2,179</b>	<b>-53%</b>	<b>184</b>	<b>623</b>	<b>-70%</b>
Amortisation of intangibles	(70)	(70)	-	(23)	(23)	-
Associates	(427)	(156)	+174%	19	(171)	-111%
Gain on subsidiaries	1,813	-	n/a	-	-	-
Taxation charge	(19)	(16)	+17%	(5)	(5)	-2%
<b>Net profit</b>	<b>2,332</b>	<b>1,937</b>	<b>+20%</b>	<b>175</b>	<b>424</b>	<b>-59%</b>
Cost to income ratio (%)	33.4%	30.7%	+2.7%	32.6%	28.0%	+4.6%
Net interest margin (%)	2.63%	2.56%	+0.07%	2.96%	2.51%	+0.45%
EPS (AED)	0.38	0.31	+23%	0.02	0.06	-70%
Return on average shareholders' equity (%)	12.7%	11.6%	+1.1%	2.8%	7.5%	-4.7%

AED billion	As at 30 Sept. 2011	As at 31 Dec 2010	Change (%)	As at 30 June 2011	Change (%)
Total Assets	271.9	286.2	-5%	288.1	-6%
Loans	196.4	196.4	+0%	193.2	+2%
Deposits	183.6	200.0	-8%	200.5	-8%
Capital Adequacy Ratio (%)	21.1%	20.1%	+1.0%	21.2%	-0.1%
Tier 1 Ratio (%)	13.4%	12.8%	+0.6%	13.4%	-0.0%

### Total Income

*Total income* for the 9 months ended 30 September 2011 amounted to AED 7,439 million, broadly stable compared with AED 7,459 million in the same period of 2010. Total income for Q3 2011 increased by 1% from both Q3 2010 and Q2 2011 levels to AED 2,605 million.

*Net interest income* for the 9 months ended 30 September 2011 improved by 3% to AED 5,329 million from AED 5,175 million in 2010. On a quarterly basis, Q3 2011 net interest income of AED 1,950 million increased by 13% from both Q3 2010 and Q2 2011 levels. The improving trends in net interest income were attributable to management balance sheet optimisation initiatives and higher loan spreads during the quarter which increased the net interest margin during Q3 2011 to 2.96% from 2.53% in the previous quarter.

*Non-interest income* recorded a year-on-year reduction of 8% to AED 2,110 million for the first 9 months of 2011, driven by lower investment securities income and the deconsolidation of Network International from the beginning of 2010. Excluding these impacts, core fee income improved by 3% driven by increased banking fee income and a pickup in trade finance activity.

### **Total Costs**

Costs in the first 9 months of 2011 amounted to AED 2,483 million, an increase of 8% over the comparable period in 2010 resulting from an acceleration of investment in future growth opportunities during the period, partly offset by the deconsolidation of Network International from the beginning of 2011. The cost to income ratio for the period increased by 2.7% to 33.4% but improved on a quarterly basis to 32.6% in Q3 2011 from 33.8% in H1 2011 due to improving top-line momentum.

### **Credit Quality and Impairments**

The impairment charge for the period under review increased to AED 3,921 million compared with AED 2,989 million for the 9 months ended 30 September 2010. This was primarily driven by additional conservatism applied to the Bank's recognition of impaired loans and the levels of provisions made in respect of those. This resulted in the addition of AED 1,485 million to portfolio impairment allowances during the period, taking total portfolio impairment allowances to AED 3.7 billion or 2.45% of unclassified credit risk weighted assets. During Q3 2011 the Group has included in its impaired loans and impairment allowances the full estimated impact of the Dubai Holdings restructurings, while the impact of the Dubai World restructuring was already accounted for in 2010.

### **Associates and Joint Ventures**

The contribution of the Bank's investments in associates and joint ventures during 2011 to date amounted to negative AED 427 million compared with a negative contribution of AED 156 million for first 9 months of 2010. This was principally driven by a reduction of AED 500 million recorded in the Bank's investment in Union Properties in Q1 2011, partly offset by a positive AED 73 million combined contribution from Network International and National General Insurance during the period.

During Q1 2011, Network International and Abraaj Capital formalised their partnership agreement to enhance Network International's ongoing growth and accelerate the geographical expansion of the company's market leading electronic payments platform. Under the terms of the partnership agreement, which has been approved by the relevant regulatory authorities, Abraaj Capital, through Abraaj Financial Technologies Holdings Limited, has acquired a 49 per cent stake in Network International, a previously wholly owned subsidiary of Emirates NBD. As a result of this transaction, Network International was accounted for as a jointly controlled entity from the start of 2011 and a gain on the transaction of AED 1.8 billion was recognised during Q1 2011.

### **Net Profit**

Net profit for the Group was AED 2,332 million for the 9 months ended 30 September 2011, 20% above the profit posted in the comparable period of 2010 of AED 1,937 million. Net profit for Q3 2011 amounted to AED 175 million, lower than the AED 424 million reported in Q3 2010 due to the additional conservatism applied to provisioning during the current quarter.

### **Customer Loans and Deposits**

Customer Loans as at 30 September 2011 (including Islamic financing) amounted to AED 196.4 billion and were maintained at similar levels to end-2010.

Customer Deposits as at 30 September 2011 were AED 183.6 billion, a decline of 8% relative to the customer deposit base as at 31 December 2010.

### **Capital**

The Bank's total capital adequacy ratio and Tier 1 capital ratio have continued to strengthen to 21.1% and 13.4% as at 30 September 2011 from 20.1% and 12.8% respectively at the end of 2010. Capitalisation ratios have increased mainly due to profit generation during the period and a 1% reduction in risk weighted assets over the period, partly offset by the dividend paid in respect of the 2010 financial year.

## **Group Initiatives**

### **Tanfeeth**

In May 2011, Emirates NBD launched the Centre of Operational Excellence (COE), a new transformation initiative within the Group aimed at taking its service delivery capabilities to the standards of international best practice. During Q3 2011, this initiative led to the establishment of "Tanfeeth", a fully owned subsidiary that aims at consolidating the Group's various back-office and operational teams under one management, re-engineering our processes and introducing global best-practice tools and technologies that will improve efficiency and enhance the quality of service we offer customers. This represents a unique opportunity to create the first COE in the region, providing services to the bank as well as, in time, to external clients across industries.

### **Takeover of Dubai Bank**

On 11 October 2011, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, in his capacity as the Ruler of Dubai ordered that Emirates NBD takes over Dubai Bank. This is in line with Dubai Government's efforts to enhance the banking sector in the Emirate and their dedication to take the necessary measures to empower financial institutions to fully operate in a way that serves the national economy and consolidate the country's position as a first class international hub.

This acquisition signals a new phase rich in opportunities for Emirates NBD and Dubai Bank while reflecting the Government's flexibility in dealing with economic variables. The transaction is expected to complete in Q4 2011 and is against a cash consideration at fair value of the entity acquired. Upon acquisition, Emirates NBD's balance sheet footing is expected to grow by approximately 6% without any impact to its net profit or non-performing loans ratio as on the date of the takeover. As the effective date of the Dubai Bank takeover occurred after the balance sheet date, the financial results for the 9 months ended 31 September 2011 are unaffected by this transaction.

## Business Performance

### **Consumer & Wealth Management (CWM)**

The Bank's Consumer Banking and Wealth Management division recorded a good performance during first half of 2011, achieving growth in their business and customer base.

Income for the Division increased by 16% for the 9 months ended 30 September 2011 to AED 2,862 million from AED 2,464 million in the same period of 2010, driven by 21% growth in net interest income to AED 2,129 million from AED 1,765 million and a 5% improvement in fee income to AED 733 million from AED 699 million. During the period, CWM continued its focus on increasing productivity and revenue, with several initiatives being launched to improve processes and customer service.

Credit quality remained tightly managed and retail loan portfolio delinquencies during the first 9 months of the year continued to witness the improving trends evident throughout 2010.

CWM's sustained focus on deposit growth during H1 2011, particularly in current and savings account categories, resulted in growth of AED 6.9 billion in customer deposits from end-2010 levels to reach AED 73.0 billion.

Key highlights of the 9 months ended 30 September 2011 include the launch of a number of new products which include, inter alia, Smart Saver, Double Secure for the total card member base, Certificate of Deposits (CD) combining vanilla CD offerings with structured product links, Bon Appétit dining program, launch of ladies banking, Youth Package, Emirates NBD MasterCard Titanium credit card and pilot launch of Emirates NBD Money Mobile. In addition, the Division continued to gain market share in the credit cards and the liabilities businesses, driven by the launch of innovative products and services.

Emirates NBD's branch network, the largest in the country, has continued to expand with the addition of 5 branches during the first 9 months of 2011, taking the total to 110. Its distribution capability was further complemented by growth in its ATM network with an addition of 20 new ATMs across the Emirates taking the total ATM and SDM network to 641.

### **Wholesale Banking (WB)**

In the light of the economic conditions and continued challenges that faced the banking sector globally and locally, Wholesale Banking continued to deliver a consistent performance. For the first 9 months of 2011 the division recorded total income of AED 3,364 million which is 1% higher than the comparable period of 2010. Total income for Q3 2011 improved by 17% to AED 1,263 million relative to Q2 2011 resulting predominantly from improved loan spreads and increased underwriting.

The advances portfolio registered a net increase of 4% during the first 9 months of the year resulting from a steady pickup in new underwriting. Customer deposits declined by 19% since the end of 2010 to AED 76.6 billion due to balance sheet optimisation initiatives and increased competition for deposits in the sector witnessed during Q3 2011.

During Q3 2011 Wholesale Banking executed several notable transactions, which included a mandated lead arranger and book runner role for a syndicated term loan facility with a transaction size of USD 1.25 billion for Olam International Limited and acting as mandated lead arranger, underwriter and book runner for a multi tranche aircraft financing with a transaction size of USD 650 million for Emirates Airlines. Wholesale Banking further executed syndicated term loan and murhaba financing facilities for banks based in Turkey and Russia with a combined transaction size of approximately USD 1 billion.

With a combined market share of almost a fifth of corporate assets in the UAE, the Wholesale Banking team is well positioned to capitalise on expected improvements in economic activity. Wholesale Banking continued to enhance its customer service aspects and product range through a host of banking products to add depth to client relationships. This included incentivising customers to migrate to alternative delivery channels such as online banking, 'Smart BUSINESS' and 'Trade Online' to enhance efficiency and customer service.

#### **Global Markets & Treasury (GMT)**

GMT reported total income of AED 483 million for 9 months ended 30 September 2011 compared with AED 490 million for the same period in 2010. The Trading business was adversely impacted during the period by excessive volatility and uncertainty arising from political tensions in the Middle East, the natural disaster in Japan, the US debt ceiling issues and the European financial crisis.

The persistent low interest rate environment continued to limit clients' propensity to hedge their interest rate exposure, although Treasury Sales recorded a moderate pickup in demand for balance sheet hedging products during Q3 2011. Similarly, there was a greater demand for investment products during Q3 2011. As a result of global currency volatility, currency hedging volumes improved in Q3 2011 resulting in increased foreign exchange flow business.

Global Funding undertook a successful liability management exercise during Q2 2011 through the par-for-par exchange of USD 332 million subordinated step-up floating rate notes due to mature in 2016 for new senior notes maturing in 2018. This coupled with ongoing issuance of medium term debt obligations extended the duration of the Bank's liability structure.

#### **Emirates Islamic Bank (EIB)**

Total income (net of customers' share of profit) for EIB was AED 562 million for the first 9 months of 2011, a decline of 24% from the comparable period in 2010. Customer accounts declined by 24% to AED 19.3 billion during the period while financing receivables declined 13% to AED 13.9 billion from end-2010.

During the period, EIB has focused on deleveraging its balance sheet which, while putting pressure on current year income, positions EIB rightfully for growth in 2012. In addition, EIB's branch network was further expanded through the addition of a branch in Abu Dhabi and in Sharjah, taking the total number of branches to 32.

### **IT and Operations (ITO)**

During the first 9 months of the 2011, Group IT continued to contribute to the delivery of both innovative and cost savings initiatives, with the launch of electronic statements to its customers across both conventional and Islamic franchises and the successful implementation of server virtualisation. Both initiatives are new to Emirates NBD and will reduce costs, enhance customer experience and most importantly reduce the Bank's impact on the environment.

During the period, Group IT successfully implemented a number of key solutions across the Group. In the first quarter of the year, a Prepaid Payroll Card system was launched which provides companies with a secure, safe and easy to manage electronic wage management solution to address their payroll servicing needs in accordance with the Government mandate. During Q2 2011, the implementation of Finacle, the Bank's core banking platform, was successfully completed for the London Branch while FinnOne, the Bank's retail loan management system, was implemented for the Saudi Arabia operations. Further, the Private Banking and Asset Management businesses were further strengthened through the implementation of a portfolio management system, Advent. Lastly, a profit distribution system was developed and implemented for Emirates Islamic Bank. In Q3 2011, a key delivery for enhancing the Bank's customer experience was the re-launch of Emirates NBD Internet Banking to reflect the Bank's brand as well as to provide new products and improved functionality.

Group IT successfully maintained the ISO 9001: 2008 Quality Management certification in March 2011. This is issued from BSI and is an external validation of the continuous improvement initiatives for both quality and governance within the department. Group IT continued to focus service level management with the introduction of reporting to monitor the Bank's customer facing applications.

Operations activities have continued to concentrate on increasing our efficiency and throughput on banking transactions and the Bank is focusing on further centralising core banking operations for increased efficiency and quality.

### **Outlook**

While conditions in the local economy improved during the first half of the year, global economic developments during Q3 2011 are starting to have an impact on local and regional activity resulting in a more cautious and uncertain outlook. Nevertheless, Emirates NBD's capitalisation, liquidity and operating profitability remain extremely strong offering both resilience and flexibility for the future. In addition, the Bank has a clear strategy in

place to further enhance shareholder returns and take advantage of the selected growth opportunities. This strategy is built around further optimisation of the balance sheet; driving income growth and profitability through key account planning, cross-selling and customer service enhancement initiatives; enhancement of platforms; and measured investment in key growth areas.

**END**

#### **Notes to editors:**

##### **Awards**

**“Marketing Department of the Year”** at 2011 **International Business Awards**

Emirates NNBD named **“Asia’s Best Brand”** at 2011 **CMO Asia Awards for Excellence in Branding and Marketing**

Awarded **“Best Corporate Account”** and **“Best Business Banking Promotion”** at **Banker Middle East Product Awards 2011**

**“The largest financial services contributor to foreign direct investment (FDI) in Saudi Arabia in 2010”** by the **Saudi Arabian General Investment Authority (SAGIA)**

Emirates NBD Asset Management named **“Best Fund Management Company”** at **Arab Achievement Awards 2011**

Emirates NBD awarded **“The Leading PR/Marketing Company”** by **Arab Achievement Award 2011**

**“e-Banking Excellence”** award by the **Middle East Excellence Awards Institute**

**“Best bank in the UAE” for the year 2011** by **Global Finance**

Emirates NBD Capital named **“Best investment bank in the UAE”** by **Global Finance**

**“Human Resources Development in Banking and Financial sector”** award for 2010 at the **Sharjah Career Fair 2011**

**“Best Private Banking Services Overall in UAE”** award in 2011 by **Euromoney**

##### **About Emirates NBD**

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

Emirates NBD has a leading retail banking franchise in the UAE, with 142 branches and over 740 ATMs and SDMs. It is a major player in the UAE corporate banking arena, and has a strong Islamic banking, investment banking, private banking, asset management and brokerage operations.

The bank has operations in the UAE, the Kingdom of Saudi Arabia, Qatar, Singapore, the United Kingdom and Jersey (Channel Islands), and representative offices in India and Iran. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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