

For immediate release

## Emirates NBD Announces 2011 Results

**Net Profit up 6% to AED 2.5 billion  
Dubai Bank Acquisition Closed on a Fair Value Basis**

**Dubai, 15 February 2012**

Emirates NBD (DFM: EmiratesNBD), the leading bank in the region, today announced its results for the year ended 31 December 2011.

### Results Highlights

- ❑ **Net profit for 2011 of AED 2.5 billion**, up 6% compared with the prior year
- ❑ **Earnings per Share for the year up 9%** to AED 0.41
- ❑ **Encouraging revenue trends during the year:**
  - Net interest income for 2011 up 7% versus 2010
  - Core fee income grew 7% compared with the prior year
- ❑ The year witnessed **significant pro-active and precautionary de-risking of the balance sheet:**
  - Portfolio impairment allowances increased by AED 1.6 billion taking the total allowance to AED 3.8 billion or 2.54% 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
  - Book value of investment in Union Properties reduced further by AED 750m
- ❑ **Customer loans at AED 203.1 billion**, up 4% compared with the end of 2010
- ❑ **Customer deposits at AED 193.3 billion** compared with AED 200.0 billion at the previous year-end
- ❑ **Capital adequacy ratio further strengthened** to an extremely healthy level of 20.5%
- ❑ The results **include the financial results for Dubai Bank** as from the effective date of takeover (11 October 2011); the **takeover did not 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 on course to realise its vision to be the leading and one of the largest and most successful banks in the region. The year also witnessed the acquisition of Dubai Bank by Emirates NBD which signals a new phase rich in opportunities for Emirates NBD and Dubai Bank while reflecting the Government's flexibility in dealing with economic variables."

**Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said:** "During 2011 we have delivered a robust set of financial results with net profits for the year up 6%, despite an extremely challenging and volatile external environment and after adopting a significantly more conservative approach to de-risking the balance sheet. While the economic backdrop remains challenging, our successful execution towards our strategic imperatives and strong levels of capitalisation and liquidity position the Bank strongly to take advantage of selected growth opportunities in the future."

**Emirates NBD's Chief Financial Officer, Mr. Surya Subramanian, said:** "The Bank has continued to deliver strong levels of operating profitability during 2011 and has demonstrated both resilience and flexibility in the face of rapidly changing market dynamics. This has importantly resulted in a return to top line revenue growth across both interest and core fee income categories."

## Financial Review

AED million	Year ended 31 Dec. 2011	Year ended 31 Dec. 2010	Change (%)	Quarter ended 31 Dec. 2011	Quarter ended 31 Dec. 2010	Change (%)
Net interest income	7,258	6,795	+7%	1,929	1,620	+19%
Non-interest income	2,672	2,926	-9%	562	642	-13%
<b>Total income</b>	<b>9,930</b>	<b>9,721</b>	<b>+2%</b>	<b>2,491</b>	<b>2,262</b>	<b>+10%</b>
Operating expenses	(3,508)	(3,053)	+15%	(1,025)	(762)	+35%
<b>Operating profit before impairment allowances</b>	<b>6,422</b>	<b>6,668</b>	<b>-4%</b>	<b>1,466</b>	<b>1,500</b>	<b>-2%</b>
Impairment allowances	(4,978)	(3,190)	+56%	(1,056)	(201)	+425%
<b>Operating profit</b>	<b>1,444</b>	<b>3,478</b>	<b>-58%</b>	<b>410</b>	<b>1,299</b>	<b>-68%</b>
Amortisation of intangibles	(94)	(94)	-	(23)	(23)	-
Associates	(654)	(1,024)	-36%	(228)	(869)	-74%
Gain on subsidiaries	1,813	-	n/a	-	-	-
Taxation charge	(26)	(21)	+24%	(7)	(4)	+49%
<b>Net profit</b>	<b>2,483</b>	<b>2,339</b>	<b>+6%</b>	<b>152</b>	<b>403</b>	<b>-62%</b>
Cost to income ratio (%)	35.3%	31.4%	+3.9%	41.1%	33.7%	+7.4%
Net interest margin (%)	2.68%	2.52%	+0.16%	2.85%	2.41%	+0.44%
EPS (AED)	0.41	0.37	+9%	0.02	0.06	-61%
Return on average shareholders' equity (%)	10.2%	10.3%	-0.1%	2.4%	6.9%	-4.5%

AED billion	As at 31 Dec. 2011	As at 31 Dec. 2010	Change (%)	As at 30 Sept. 2011	Change (%)
Total Assets	284.6	286.1	-1%	271.9	+5%
Loans	203.1	196.2	+4%	196.4	+3%
Deposits	193.3	200.0	-3%	183.6	+5%
Capital Adequacy Ratio (%)	20.5%	19.8%	+0.7%	21.1%	-0.6%
Tier 1 Ratio (%)	13.0%	12.6%	+0.4%	13.4%	-0.4%

### Total Income

*Total income* for the year ended 31 December 2011 amounted to AED 9,930 million, an increase of 2% compared with AED 9,721 million in 2010. Total income for Q4 2011 increased by 10% from Q4 2010 to AED 2,491 million.

*Net interest income* for the year ended 31 December 2011 improved by 7% to AED 7,258 million from AED 6,795 million in 2010. On a quarterly basis, Q4 2011 net interest income of AED 1,929 million increased by 19% from Q4 2010. The improving trends in net interest income were attributable to management balance sheet optimisation initiatives and lower deposit funding costs during the year which increased the net interest margin for 2011 to 2.68% from 2.52% in the previous year.

*Non-interest income* recorded a reduction of 9% to AED 2,672 million for 2011, driven principally by lower investment securities income and higher write-downs on investment properties. Excluding these impacts, core fee income improved by 7% resulting from increased banking fee income and a pickup in trade finance activity.

### Total Costs

Costs for the year ended 31 December 2011 amounted to AED 3,508 million, an increase of 15% over 2010 resulting from an acceleration of investment in future growth opportunities as well as the consolidation of Dubai

Bank costs from the date of acquisition and additional depreciation charged on buildings commissioned during Q4 2011.

### **Credit Quality and Impairments**

The impairment charge for 2011 increased to AED 4,978 million compared with AED 3,190 million for year ended 31 December 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 specific impairment charges on the Bank's credit portfolios of AED 3,187 million as well as the addition of AED 1,562 million to portfolio impairment allowances during the period, taking total portfolio impairment allowances to AED 3,752 million or 2.54% of unclassified credit risk weighted assets.

### **Associates and Joint Ventures**

The contribution of the Bank's investments in associates and joint ventures during 2011 amounted to negative AED 654 million compared with a negative contribution of AED 1,024 million for 2010. This was principally driven by a reduction of AED 750 million recorded in the Bank's investment in Union Properties in 2011, partly offset by a positive AED 96 million combined contribution from the Group's other associates and joint ventures.

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 1,813 million was recognised during Q1 2011.

### **Net Profit**

Net profit for the Group was AED 2,483 million for year ended 31 December 2011, 6% above the profit posted in the 2010 of AED 2,339 million. Net profit for Q4 2011 amounted to AED 152 million, lower than the AED 403 million reported in Q4 2010 due to the additional conservatism applied to provisioning during the current quarter.

### **Dividends**

The Board of Directors will recommend to shareholders at the Annual General Meeting a 20% cash dividend for the 2011 financial year.

### **Customer Loans and Deposits**

Customer Loans as at 31 December 2011 (including Islamic financing) amounted to AED 203.1 billion, an increase of 4% from end-2010.

Customer Deposits as at 31 December 2011 were AED 193.3 billion, a decline of 3% 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 20.5% and 13.0% as at 31 December 2011 from 19.8% and 12.6% respectively at the end of 2010. Capitalisation ratios have increased mainly due to profit generation during the period, partly offset by a 1% increase in risk weighted assets and the dividend paid in respect of the 2010 financial year. The consolidation of Dubai Bank's good book risk weighted assets in Q4 2011 reduced the total capital adequacy ratio and the Tier 1 ratio by 0.98% and 0.62% respectively.

### **Group Initiatives**

#### **Tanfeeth**

In May 2011, Emirates NBD launched the Centre of Operational Excellence, 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 processes and introducing global best-practice tools and technologies that will improve efficiency and enhance the quality of service offered to customers. This represents a unique opportunity to create the first Business Process Outsourcing (BPO) provider in the region, providing services to the bank as well as, in time, to external clients across industries. Tanfeeth is expected to deliver tangible benefits to the entire Emirates NBD Group through offering high quality services, with increased efficiency, consistently across all Group companies.

Since the establishment of Tanfeeth, Emirates NBD's Retail Credit and Collections (RCC) unit as well as its call centre have already been onboarded. In addition, a strategic partnership was signed with IBM providing Tanfeeth access to IBM's expertise, tools and human resources to support service delivery, training and technology.

In 2012, Emirates NBD will focus on gradually increasing the scope of Tanfeeth by migrating further banking support and back office processes.

#### **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 closed against a cash consideration equal to the fair value of the entity acquired. The financial results of Dubai Bank were consolidated as from 11 October 2011 without any impact to the Group's net profit or non-performing loans ratio on the date of the takeover.

## **Business Performance**

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

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

Income for the Division increased by 18% for year ended 31 December 2011 to AED 3,910 million from AED 3,322 million in 2010, driven by 22% growth in net interest income to AED 2,910 million from AED 2,382 million and a 6% improvement in fee income to AED 1,000 million from AED 940 million. During the year, 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 year continued to witness the improving trends evident throughout 2010.

CWM's sustained focus on deposit growth during 2011, particularly in current and savings account categories, resulted in growth of AED 9.2 billion in customer deposits from end-2010 levels to reach AED 75.4 billion.

Key highlights of 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', 'Auto-Loan Plus', 'New to UAE' package offering product bundles for new entrants to the UAE and the RTA co-branded credit card 'Go4it'. 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 7 branches during 2011, taking the total to 112. Its distribution capability was further complemented by growth in its ATM network with an addition of 9 new ATMs across the Emirates taking the total ATM and SDM network to 630.

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

In the light of the economic conditions and continued challenges that faced the banking sector globally and locally, Wholesale Banking delivered a resilient performance. In 2011 the division recorded total income of AED 4,580 million, which was 4% higher than 2010 primarily due to re-pricing of deposits and continued focus on fee generating business. Total income for Q4 2011 increased by 14% to AED 1,216 million relative to Q4 2010, resulting from improved deposit spreads and increased fee income.

The advances portfolio registered a net increase of 2% in 2011 resulting from a steady pickup in new underwriting. Customer deposits declined by 26% compared to 2010 to AED 69.8 billion due to balance sheet optimisation initiatives and increased competition for deposits in the sector witnessed during the second half of 2011.

During 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, 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 as well as for a syndicated term loan and advance payment guarantee facility with a transaction size of USD 1.8 billion for Saudi Oger. Wholesale Banking further executed a USD 850 million syndicated term loan facility for Ports & Free Zone World UAE in addition to 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 678 million for 2011 compared with AED 701 million for the prior year. The Trading business was adversely impacted during the year 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 the second half of 2011. Similarly, demand for investment products gradually improved during the course of the year. As a result of global currency volatility and the USD recovery against major other currencies, currency hedging volumes improved in Q3 and Q4 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 564 million for 2011, a decline of 26% from 2010. Income from Islamic financing and investment products declined by 8% to AED 650 million in 2011, while non financial income declined to a negative AED 86 million due to write-downs recorded on investment properties and lower investment securities income. During the year, EIB has focused on deleveraging its balance sheet which, while putting pressure on current year income, positions EIB rightfully for growth in 2012.

EIB's branch network was further expanded during 2011 through the addition of a branch each in Dubai, Abu Dhabi and in Sharjah, taking the total number of branches to 33.

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

During 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.

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. In the last quarter of the year, Group IT contributed to the launch of the 'Go4it' card and successfully implemented 'Smartdeal', an online foreign exchange platform, for the Global Markets & Treasury business

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.

During the year, Operations activities have continued to concentrate on increasing efficiency and throughput on banking transactions and the Bank is focusing on further centralising core banking operations under the Tanfeeth umbrella in 2012 for increased efficiency and quality.

## Outlook

While the UAE economy has proved relatively resilient to global and regional developments in 2011, the external environment remains challenging 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 and capital allocation; 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**

**"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 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**

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

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

**"Best Trade Finance Provider in the UAE"** by **Global Finance**

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 Foreign Exchange Provider in the UAE"** by **Global Finance**

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

**"Marketing Department of the Year"** at 2011 **International Business Awards**

Emirates NBD named **"Asia's Best Brand"** at 2011 **CMO Asia Awards for Excellence in Branding and Marketing**

Emirates NBD Asset Management awarded **"Equity Manager of the Year"** by **Global Investor**

Emirates NBD wins **Stevies Distinguished Honoree** for its international brand building strategy with "Truth and Reality" Campaign

Emirates NBD named region's **"Outstanding Private Bank"** at **Private Banker International Summit**

**Global Award for Brand Leadership in Banking and Financial Services**

**"Best Private Sector Customer Service Initiative"** 2011 **Customer Service Week STAR Awards**

**"Best Large Bank: Service Quality"** 2011 **Bank Benchmarking Index**

### **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 168 branches and over 780 ATMs and SDMs. It is a major player in the UAE corporate banking arena, and has 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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