Emirates NBD

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Emirates NBD Announces 2009 First Half Results

Solid first half and second quarter performance

Operating profit before impairment allowances up 26% versus H1 2008

First half 2009 total income increased by 18% to AED 5.5 billion

Dubai, 27 July 2009: Emirates NBD (DFM ticker: EmiratesNBD), the Middle East's largest banking group by assets, today announces its results for the half year ended 30 June 2009.

Results Highlights

- **Operating profit before impairment allowances up 26%** to AED 3.7 billion in H1 2009 versus H1 2008
- **Net profit for the First Half of 2009 of AED 2.1 billion** down 20% versus H1 2008 (AED 2.6 billion) due to prudent credit impairment allowances
- **H1 2009 total income up 18% to AED 5.5 billion** compared to AED 4.7 billion for H1 2008
- **Total assets stable** at 30 June 2009 of **AED 281.9 billion** compared to AED 282.4 billion at the end of 2008
- **Customer loans grew 4%** to **AED 216.6 billion** from AED 208.9 billion at the end of 2008
- **Customer deposits increased 5%** to **AED 170.5 billion** from AED 162.3 billion at the end of 2008
- **Capitalisation strengthened significantly** with Capital Adequacy Ratio of 19.0% (11.4% at 31 December 2008) and Tier 1 ratio of 12.1% (9.4% at 31 December 2008)
- **Core cost to income ratio improved to 34.6%** for H1 2009 through continued cost management (H1 2008: 36.7%)
- **NPL ratio increased in line with expectations to 1.56% from 1.19% in Q1 2009**
- **Integration fully on track for completion in 2009**; H1 2009 annualised merger synergies of AED 328 million, 33% ahead of FY 2009 target

Commenting on the Group's performance, His Excellency Ahmed Humaid Al Tayer, Chairman of Emirates NBD said: "Emirates NBD delivered a robust performance in the second quarter of 2009 reflecting the strength of our business model and cementing our position as the region's leading banking group. Whilst the first half of the year overall witnessed signs of improving market and economic conditions, we continue to move forward in our strategy and prudent approach. Emirates NBD's core business remains strong and the success of the merger is more pronounced than ever in the current climate, providing greater resilience and the ability to capitalise on value-adding opportunities for our shareholders. We are confident about the strength and capabilities of Emirates NBD to continue to realize more success."

Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said: "We have seen strong revenue growth this half driven primarily by the broad-based strength of our businesses, as well as cost efficiencies resulting from ongoing rationalisation and the integration process. In line with our focus on balance sheet optimisation, we have taken steps to bolster our capital base during the first half of the year and we will continue to build on and maximise the benefits of the merger to achieve sustainable growth in profitability. At the same time we are continuing to evaluate and invest in key growth areas and taking steps to ensure that we emerge strongly from the current economic environment."

Financial Review

AED million	Half year ended 30.06.09	Half year ended 30.06.08	Change (%)
Total income	5,500	4,679	+18%
Operating expenses	(1,807)	(1,751)	+3%
Operating profit before impairment allowances	**3,693**	**2,928**	**+26%**
Impairment allowances	(1,611)	(512)	+215%
Operating profit	**2,082**	**2,416**	**-14%**
Amortisation of intangibles	(47)	(41)	+15%
Associates	76	273	-72%
Net profit	**2,111**	**2,648**	**-20%**
Cost to income ratio (%)	32.9%	37.4%	-4.5%
Net interest margin (%)	2.58%	1.98%	+0.60%
EPS (AED)	0.38	0.48	-20%
Return on average shareholders' equity (%)	18.9%	26.9%	-8.0%

AED billion	As at 30.06.09	As at 31.12.08	Change (%)
Total assets	281.9	282.4	-0.2%
Loans	216.6	208.9	+3.7%
Deposits	170.5	162.3	+5.1%
Capital Adequacy Ratio (%)	19.0%	11.4%	+7.6%

Total Income

Total income for the first half rose by 18% to AED 5,500 million compared to AED 4,679 million in H1 2008 and grew by 46% compared to H2 2008 (AED 3,768 million). In the second quarter of 2009, total income grew by 16% to AED 2,888 million from AED 2,496 million in Q2 2008 and by 11% compared to Q1 2009 (AED 2,612 million).

Net interest income reached AED 3,643 million in the first half of 2009 and AED 1,716 for the second quarter of 2009, an increase of 33% and 26% respectively on the comparable periods in 2008, driven by controlled growth in lending and an improvement in the H1 2009 net interest margin (NIM) to 2.58% from 1.98% in H1 2008. The margin improvement resulted from increased asset yields across both corporate and retail businesses and the benefit of active balance sheet management which in combination more than offset increased funding costs.

Non-interest income recorded a year-on-year decline of 4% to AED 1,857 million in H1 2009. The decline was largely driven by lower fees relating to trade finance and new underwriting activities, partly offset by a positive mark to market gain on investment and other securities in the second quarter of 2009.

Total Costs

Costs in the second quarter of 2009 fell by 4% to AED 896 million from AED 931 million in Q2 2008 and by 2% compared to Q1 2009 (AED 911 million). In H1 2009 costs amounted to AED 1,807 million, with growth contained to 3% from H1 2008 compared to income growth of 18% over the same period. The H1 2009 cost to income ratio decreased to 32.9% from 37.4% in H1 2008, while the Q2 2009 ratio fell to 31.0% from 37.3% in Q2 2008. The positive, widening gap between income and expenses is due to proactive cost management and the accelerated realisation of integration synergies and has been achieved despite substantial investments in the bank's IT and infrastructure platforms as well as in the governance and control environment.

Asset Quality and Impairments

Emirates NBD's credit quality remains healthy across the Bank's corporate and retail portfolios, although an expected increase in delinquencies and non-performing loans has been witnessed. The NPL ratio, excluding impaired investment securities, increased to 1.56% in Q2 2009 from 1.19% reported in Q1 2009 and 0.95% reported in 2008.

The impairment allowance on financial assets in respect of H1 2009 grew to AED 1,611 million compared to AED 512 million in H1 2008, driven mainly by the addition of AED 731 million to portfolio impairment provisions as a measure of prudence in the current environment.

Customer Loans and Deposits

Customer Loans as at 30 June 2009 (including Islamic financing) reached AED 216.6 billion, growing 3.7% since the end of 2008.

Customer Deposits as at 30 June 2009 were AED 170.5 billion, an increase of 5.1% over the customer deposit base as at 31st December 2008.

Net Profits

Net profits for the Group were AED 2,111 million for H1 2009, 20% below the record H1 2008 net profits of AED 2,648 million. Net profits for Q2 2009 were AED 852 million, down 41% on Q2 2008 of AED 1,452 million, both principally due to the prudent credit impairment allowances taken by the Bank during 2009.

Capital

The Bank's total capital adequacy ratio has strengthened significantly to 19.0% from 11.4% at the end of 2008. The Bank's Tier 1 capital ratio also improved from 9.4% at 31st December 2008 to 12.1% at 30th June 2009. This increase in capitalisation was due in the main to the issuance of AED 4 billion Tier 1 perpetual securities in Q2 2009 to the Investment Corporation of Dubai and the conversion of Ministry of Finance deposits into Tier 2 capital in Q1 2009.

Integration Update

The integration continues to progress well and remains on track, with completion expected on target in the second half of 2009. Q2 2009 witnessed the successful migration of Emirates Bank International (EBI) to the new Finacle core banking platform, a state-of-the-art application that is robust, modular, easy to use and scaleable. This was a landmark achievement in the integration process which involved the migration of over a large number of customer accounts across EBI branches to the new core banking system without disruption to the customer base.

An important part in the integration process is the completion of the legal merger, which is expected to take place during H2 2009. This is a precursor to the final piece of the integration that will see migration of the remaining National Bank of Dubai customers onto the new technology platform and re-branding of the Emirates NBD branch network.

The H1 2009 annualised merger synergies achieved of AED 328 million from the integration of the two banks exceeded the full year 2009 target by 33%.

Business Performance

Consumer & Wealth Management (CWM)

The bank's CWM operation had a positive first half, achieving growth in the business and the customer base despite difficult economic conditions. The deposits portfolio grew 13% in the six months ended 30th June 2009 while remaining cautious on new underwriting. Total income grew by 10% in H1 2009 to AED 1,565 million from AED 1,425 million in H1 2008.

A key event in the first half of 2009 was the launch of the Emirates NBD Private Banking business. This is a vital future growth segment for Emirates NBD.

Emirates NBD's distribution reach, the largest in the country, grew further in H1 2009 with the addition of 5 new branches, taking the total to 99.

Wholesale Banking

Despite the Global economic downturn, Wholesale Banking recorded another successful quarter with financial and business growth over previous periods. With a combined market share of almost a fifth of corporate assets in the UAE the corporate banking team is well positioned.

In recent quarters the Bank has enhanced its product range through structured finance and syndication and a host of transaction banking products to add depth to client relationships. In line with this, the Bank has consolidated the activities of its existing Financial Institution and Syndication units to create the 'Institutional and International Banking' and 'Debt Capital Markets' divisions. Transaction Banking has also played a key role in opening up new revenue streams of risk free non funded products and services and is well placed to lead and support relationship teams in acquiring and deepening our wallet share with clients.

Global Markets & Treasury (GMT)

GMT continued its strong Q1 2009 performance into the second quarter of 2009, reflecting improved market conditions worldwide. The recovery in the equity markets, the tightening of credit spreads and the volatility of foreign exchange markets resulted in stronger client trading and execution activity. Revenues for the first half of 2009 were AED 1,251 million.

Network International

Revenues for Network International, our market leading card acquiring and processing business, improved in H1 2009 by 15% to AED 168 million compared to H1 2008. The primary drivers of this revenue growth comprised an 8% increase in acquiring income and a 28% increase in processing income.

As at 30 June 2009 Network International remains the region's largest payment and processing service provider of credit and debit cards, providing services to more than 10,000 merchants in the region and processing cards for 47 banks and financial institutions in the region.

Emirates Islamic Bank (EIB)

The key focus for EIB in H1 2009 was on balance sheet optimisation and risk management. The second quarter saw financing receivables reach AED 18.5 billion, reflecting a controlled growth of 5% from end-2008 levels and customer deposits climb to AED 20.2 billion, a 3% increase over end-2008.

Total income (net of depositors' share of profit) for H1 2009 was AED 395 million, a decline of 23% from H1 2008 levels.

EIB expanded its branch network by opening 4 new branches during H1 2009, taking the total number to 30.

IT and Operations (ITO)

The ITO division was an integral part of the successful migration of EBI customers to our new Finacle core banking system. Further to this achievement, during H1 2009 the Operations Processing Centre (OPC) centralised its servicing of the Branches and Corporate Banking Units (CBUs). This coincided with the launch of the new Oracle ERP environment and the Customer Relationship management (CRM) system, which supports the tracking and resolution of customer queries.

The Al Barsha Center, which serves as the central base of Emirates NBD's IT and Operations activities (both manpower and systems) was formally inaugurated on 26 May 2009. It has been established as a center of excellence that focuses on standard processes, higher efficiency and a common culture within the Bank. It is also intended to be a regional benchmark for technology efficient transaction processing.

Outlook

With economic conditions expected to remain challenging in the near term, Emirates NBD stands firm on its continued focus on maintaining and strengthening its leading market position and strong balance sheet by ensuring good customer service, a well-managed cost base and a prudent stance on credit.

The largest banking merger the region has ever witnessed will complete this year, on target and with synergies ahead of forecasts, which further serves in strengthening Emirates NBD's strong standing.

The Bank is well positioned to deal with the current economic climate and as a consolidator of choice; it is well placed to act upon any attractive opportunities that the current environment may present. The Bank remains confident about the strength, potential and resilience of the UAE's National Economy.

END

Notes to editors:

Awards

Best Retail Bank by **The Banker Magazine (June 2009)**

Mohamed bin Rashid Al Maktoum Business Award for Finance (April 2009)

Best Emerging Market Bank by **Global Finance** (March 2009)

Best Trade Finance Bank by **Global Finance** (February 2009)

The best **"Islamic Home Finance award"** by CPI Financial/Banker Middle East publication (February 2009)

About Emirates NBD

Emirates NBD (DFM: EmiratesNBD) is the biggest banking group in the Middle East in terms of assets. The Group has a leading retail banking franchise in the UAE, with 129 branches, 652 ATMs and SDMs across both conventional and Islamic banking franchises. It is a major player in the UAE corporate banking arena, with a combined market share of almost a fifth of corporate loans. It also has strong Islamic banking, investment banking, private banking, asset management and brokerage operations.

The Group has operations in the UAE, the Kingdom of Saudi Arabia, Qatar, the United Kingdom and Jersey (Channel Islands), and representative offices in India, Iran and Singapore.

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