

For immediate release

Emirates NBD Announces First Half 2011 Results

Strong Financial Performance

First Half 2011 Net Profit up 43% to AED 2.2 billion

Dubai, 25 July 2011

Emirates NBD (DFM: Emirates NBD), the leading bank in the region, today announced its results for the half year ended 30 June 2011.

Results Highlights

- ❑ **H1 2011 net profit of AED 2.2 billion**, up 43% compared with H1 2010
- ❑ **Q2 2011 net profit of AED 0.7 billion**, up 85% compared with Q2 2010
- ❑ **Earnings per Share for H1 2011 up 47%** to AED 0.36 (H1 2010: 0.25)
- ❑ **Encouraging revenue trends during H1 2011:**
 - Net interest income for Q2 2011 stable compared with Q2 2010 and up 5% from Q1 2011 resulting from improving net interest margins during Q2 2011
 - Growth in H1 2011 non-interest income of 3% compared with H1 2010
- ❑ H1 2011 witnessed **further pro-active de-risking of the balance sheet:**
 - Portfolio impairment allowances increased by AED 1.6 billion, substantially to cover future contingencies, taking the total allowance to AED 3.8 billion or 2.4% of credit Risk Weighted Assets
 - Book value of investment in Union Properties reduced by AED 500 million in Q1 2011
- ❑ **Network International** strategic partnership transaction completed during Q1 2011, resulting in a **gain of AED 1.8 billion**
- ❑ **Total assets up 1%** at **AED 288.1 billion** compared with AED 286.2 billion at the end of 2010
- ❑ **Customer loans at AED 193.2 billion, down 2%** from AED 197.1 billion at the end of 2010
- ❑ **Customer deposits at AED 200.5 billion** compared with AED 200.0 billion at the previous year-end
- ❑ Improved headline **loan to deposit ratio of 96%** compared with 99% at the end of 2010
- ❑ **Capital adequacy ratio further strengthened** to extremely healthy level of 21.2%

Commenting on the Group's performance, His Highness Sheikh Ahmed bin Saeed Al Maktoum, Chairman of Emirates NBD said: "These strong results for the first half of 2011 highlight the strength and success of Emirates NBD. We will move forward to achieve the ambitious vision of Dubai as a financial, commercial and international tourism hub, where Emirates NBD holds a leading position. This will provide many investment opportunities whether in the UAE or in the region and realise our vision to be the leading and one of the largest and most successful banks in the region. I would like to take this opportunity to extend my sincere thanks and gratitude to His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai for his valuable confidence and insightful vision. I would also like to extend my thanks and appreciation to members of the senior management and to all staff at Emirates NBD for their dedicated efforts which contributed to the achievement of these results".

Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said: "During the first half of 2011 we have delivered a strong set of financial results with net profits for the period up 43% compared with the first half of 2010. 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 improved economic conditions and to deliver on a clear strategic course. The Bank is well-placed to take advantage of future improvements in local and regional economic activity and to capitalise on value-adding opportunities for our shareholders."

Emirates NBD's Chief Financial Officer, Mr. Surya Subramanian, said: "The first half of 2011 has demonstrated our ability to consistently deliver in line with the guidance we have communicated and to adjust rapidly to changing market dynamics through alignment of the various operating levers we have at our disposal. As a result, the Bank has continued to deliver strong levels of operating profitability even as we maintain our conservative approach to de-risking the balance sheet."

Financial Review

AED million	Half Year ended 30 June 2011	Half Year ended 30 June 2010	Change (%)	Quarter ended 30 June 2011	Quarter ended 30 June 2010	Change (%)
Net interest income	3,379	3,452	-2%	1,731	1,723	+0%
Non-interest income	1,455	1,418	+3%	843	591	+43%
Total income	4,834	4,870	-1%	2,574	2,314	+11%
Operating expenses	(1,634)	(1,567)	+4%	(826)	(704)	+17%
Operating profit before impairment allowances	3,200	3,303	-3%	1,748	1,610	+9%
Impairment allowances	(2,350)	(1,749)	+34%	(981)	(1,193)	-18%
Operating profit	850	1,556	-45%	767	417	+84%
Amortisation of intangibles	(47)	(47)	-	(23)	(23)	-
Associates	(445)	15	n/a	32	17	+93%
Gain on subsidiaries	1,813	-	n/a	(22)	-	n/a
Taxation charge	(14)	(11)	+24%	(9)	(7)	+29%
Net profit	2,157	1,513	+43%	744	403	+85%
Cost to income ratio (%)	33.8%	32.2%	+1.6%	32.1%	30.4%	+1.7%
Net interest margin (%)	2.48%	2.58%	-0.10%	2.53%	2.57%	-0.04%
EPS (AED)	0.36	0.25	+47%	0.12	0.06	+104%
Return on average shareholders' equity (%)	17.7%	13.6%	+4.1%	12.1%	7.0%	+5.1%

AED billion	As at 30 June 2011	As at 31 Dec 2010	Change (%)	As at 31 Mar 2011	Change (%)
Total Assets	288.1	286.2	+1%	300.3	-4%
Loans	193.2	197.1	-2%	194.4	-1%
Deposits	200.5	200.0	+0%	212.0	-5%
Capital Adequacy Ratio (%)	21.2%	20.1%	+1.1%	20.1%	+1.1%
Tier 1 Ratio (%)	13.4%	12.8%	+0.6%	12.7%	+0.7%

Total Income

Total income for the first half of 2011 amounted to AED 4,834 million, broadly stable compared with AED 4,870 million in H1 2010 and AED 4,851 million in H2 2010.

Net interest income for the 6 months ended 30 June 2011 declined by 2% to AED 3,379 million from AED 3,452 million in H1 2010 but improved by 1% compared with AED 3,343 million in H2 2010. On a quarterly basis, Q2 2011 net interest income of AED 1,731 million increased by 5% from Q1 2011 levels and was stable compared with Q2 2010. The improving trends in net interest income were primarily attributable to management balance sheet optimisation initiatives which increased the net interest margin during Q2 2011 to 2.53% from 2.41% in the previous quarter.

Non-interest income recorded a year-on-year increase of 3% to AED 1,455 million in H1 2011, driven by increased banking fee income and a pickup in trade finance activity. Q2 2011 non-interest income increased by 43% and 38% compared with Q2 2010 and Q1 2011 respectively, principally due to improved income from investment securities.

Total Costs

Costs in H1 2011 amounted to AED 1,634 million, an increase of 4% over H1 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 H1 2011 increased by 1.6% from H1 2010 to 33.8% but improved on a quarterly basis to 32.1% in Q2 2011 from 35.7% in the previous quarter due to improving top-line momentum.

Credit Quality and Impairments

The first half of 2011 witnessed improving trends in credit quality as the rate of new impaired loan formation and required specific provisioning continued to decline. In addition, the impaired loans ratio improved by 1.1% during the period resulting primarily from the de-recognition of a previously impaired corporate account due to the finalisation of the facility's restructuring on commercial terms.

While the impairment charge in respect of H1 2011 increased to AED 2,350 million compared with AED 1,749 million in H1 2010, this was primarily driven by a conservative addition of AED 1,609 million to portfolio impairment allowances during the first half of 2011, substantially to cover future contingencies. This takes total portfolio impairment allowances to AED 3.8 billion or 2.4% of unclassified credit risk weighted assets, in excess of the UAE Central Bank requirement of 1.5% by over AED 1.4 billion.

Associates and Joint Ventures

The contribution of the Bank's investments in associates and joint ventures during H1 2011 amounted to negative AED 445 million compared with a positive contribution of AED 15 million in H1 2010. This was principally driven by a reduction of AED 500 million recorded in the Bank's investment Union Properties in Q1 2011. The Bank remains comfortable with the current book value of its investment in Union Properties of AED 782 million.

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 2,157 million for H1 2011, 43% above the profit posted in H1 2010 of AED 1,513 million. Net profit for Q2 2011 amounted to AED 744 million, up 85% from the comparable quarter in 2010.

Customer Loans and Deposits

Customer Loans as at 30 June 2011 (including Islamic financing) declined by 2% from end-2010 levels to AED 193.2 billion.

Customer Deposits as at 30 June 2011 were AED 200.5 billion, stable relative to the customer deposit base as at 31 December 2010.

The loan to deposit ratio improved further in H1 2011 to 96% from 99% at the end of 2010.

Capital

The Bank's total capital adequacy ratio and Tier 1 capital ratio have continued to strengthen to 21.2% and 13.4% at the end of the first half of 2011 from 20.1% and 12.8% respectively at the end of 2010. Capitalisation ratios have increased mainly due to strong profit generation during the first half of 2011 and a 2% reduction in risk weighted assets over the period, partly offset by the dividend paid in respect of the 2010 financial year.

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 12% in H1 2011 to AED 1,848 million from AED 1,655 million in the same period of 2010, driven by 13% growth in net interest income to AED 1,349 million from AED 1,192 million and an 8% improvement in fee income to AED 498 million from AED 464 million. During the first half of 2011, CWM continued its focus on increasing productivity and revenue, with several initiatives being launched to improve processes and customer service. CWM costs increased 11% from AED 613 million in H1 2010 to AED 680 million in H1 2011 as a result of acceleration of investment in growth opportunities. Nevertheless, the division's cost to income ratio improved by 0.2% relative to the first half of 2010 resulting from increased top-line growth.

Credit quality remained tightly managed and retail loan portfolio delinquencies during H1 2011 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 8.1 billion in customer deposits from end-2010 levels to reach AED 74.2 billion.

Key highlights of the first half include the launch of new products which include 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, Dewa online, Guaranteed Residual Value Program for auto loans, and lastly 5% Cash back on international spend program. 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 4 branches during the first half of 2011, taking the total to 109. Its distribution capability was further complemented by growth in its ATM network with an addition of 12 new ATMs across the Emirates taking the total ATM and SDM network to 633.

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 half of 2011 the division recorded total income of AED 2,101 million which is 5% lower than the comparable period of 2010. Income for Q2 2011 however improved by 5% to AED 1,077 million relative to Q1 2011 resulting predominantly from higher underwriting fee and foreign exchange income.

Customer deposits declined by 6% since the end of 2010 to AED 89.0 billion due to management balance sheet optimisation initiatives conducted during period. The advances portfolio registered a net increase of 1% during the first six months of the year resulting from a modest pickup in new underwriting.

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)

Driven mainly by gains on investments and proactive balance sheet management, GMT reported total income of AED 328 million for the first half of 2011 compared with AED 334 million in H1 2010. The Trading business was adversely impacted by excessive volatility and uncertainty arising from political tensions in the Middle East, the European financial crisis and the natural disaster in Japan.

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.

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 towards the end of the half year. Similarly, there was a greater demand for investment products during Q2 2011. As regional trade flows picked up, the foreign exchange flow business showed signs of improvement across both corporate and retail customers.

Emirates Islamic Bank (EIB)

Total income (net of customers' share of profit) for EIB was AED 387 million for H1 2011, an improvement of 20% from the comparable period in 2010. Customer accounts declined by 14% to AED 21.8 billion during the first half of 2011 while financing receivables declined 12% to AED 14.1 billion from end-2010.

During the first half of 2011, significant enhancements were made to EIB's internet banking platform while new retail mortgage and personal loan products were also introduced. 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 6 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 and the successful implementation of server virtualisation. Both initiatives are new to Emirates NBD and will reduce costs but 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.

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

During the first half of 2011, conditions in the local economy have continued to improve. In particular, underlying economic activity in traditional trade, logistics, manufacturing and hospitality sectors have witnessed signs of recovery while the oil and gas industry continued to benefit from strong oil prices and increased production relative to 2010. While regional geopolitical unrest impacted local markets during the first quarter as global investors reduced risk exposure across the region, conditions have improved considerably during the second quarter and have highlighted the UAE and Dubai as relative "safe havens". In addition, domestic liquidity conditions have improved considerably during the first half of 2011 as banking system deposits have grown strongly and interbank rates have declined. These improving fundamentals have been reflected in a narrowing of CDS spreads for both Abu Dhabi and Dubai and will help support credit growth during the remainder of the year.

Emirates NBD has a clear strategy in place to further enhance shareholder returns and take advantage of the expected further improvements in local economic activity. 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

Emirates NBD Asset Management named **'Best Fund Management Company'** at **Arab Achievement Awards 2011** (June 2011)

Emirates NBD awarded **"The Leading PR/Marketing Company"** by **Arab Achievement Award 2011** (May 2011)

e-Banking Excellence Award by the **Middle East Excellence Awards Institute** (May 2011)

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

Emirates NBD Capital named **"Best investment bank in the UAE"** by **Global Finance** (February 2011)

"Human Resources Development in Banking and Financial sector" Award for 2010 at the **Sharjah Career Fair 2011** (February 2011)

"Best Private Banking Services Overall in UAE" Award in 2011 by **Euromoney** (February 2011)

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 141 branches and over 730 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

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