# Emirates NBD Investor Presentation

August / September 2011

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# UAE Economic Update

## Highlights

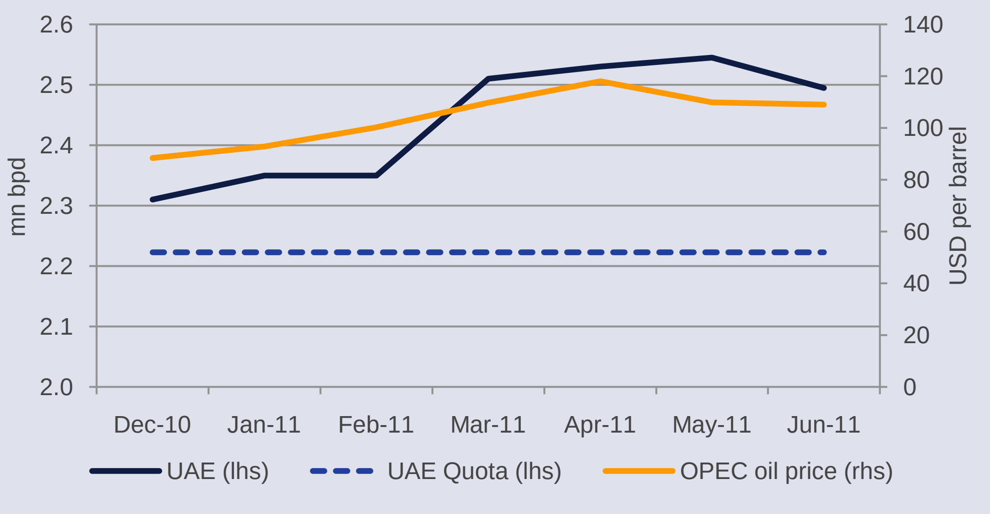
- We have upgraded our **UAE growth forecast to 4.6% in 2011** from 4% previously on the back of higher than expected oil production in H1 2011, which is expected to be maintained for the rest of the year
- **UAE Purchasing Managers' Index shows that the private sector is expanding,** albeit at a slower rate in June; higher costs due to rising commodities, however, are beginning to squeeze corporate profit margins slightly
- **Local inflation has remain subdued at 1.4% YoY in May**, despite rising food costs; declining housing costs are expected to continue to contain headline CPI and average forecasted inflation this year of 2% is one of the lowest inflation rates in the region

## Real GDP Growth Forecasts

| | 2008 | 2009 | 2010 | 2011F | 2012F |
|---|---|---|---|---|---|
| **UAE** | **7.4%** | **(1.6%)** | **(1.4%)** | **4.6%** | **4.2%** |
| UK | (0.1%) | (4.9%) | 0.5% | 1.0% | 1.5% |
| Eurozone | 0.3% | (4.1%) | 1.0% | 1.5% | 2.0% |
| Germany | 0.7% | (4.7%) | 3.5% | 3.5% | 2.0% |
| US | 0.0% | (2.4%) | 3.0% | 3.0% | 3.5% |
| China | 9.6% | 8.7% | 10.0% | 9.5% | 8.5% |
| Japan | (1.2%) | (5.2%) | (2.0%) | 1.5% | 1.5% |
| Singapore | 1.8% | (0.8%) | 14.5% | 5.6% | 4.5% |
| Hong Kong | 2.2% | (2.7%) | 7.0% | 5.3% | 5.5% |

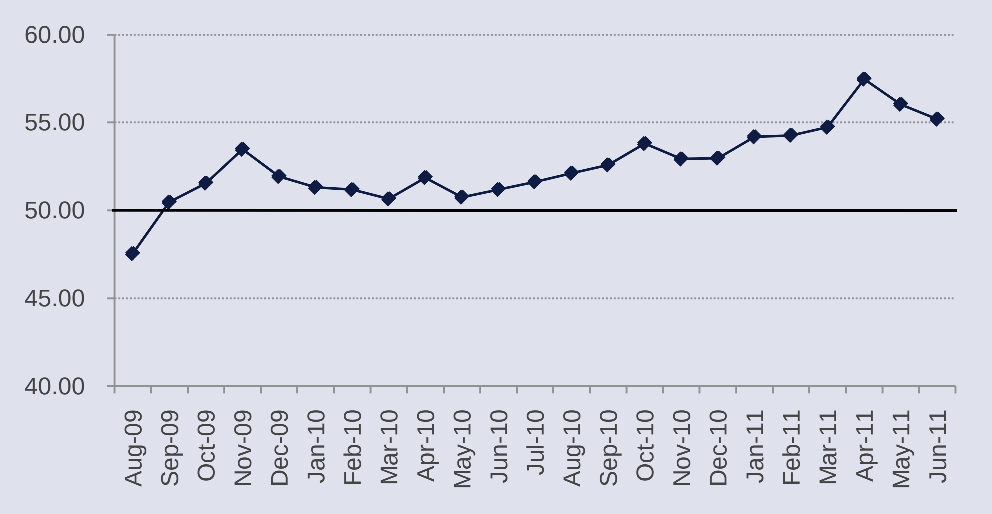
*Source: Global Insight, Emirates NBD forecasts*

## Oil production rises in H1




*Source: Bloomberg, Emirates NBD Research*

## UAE PMI – private sector expansion slows in Q2



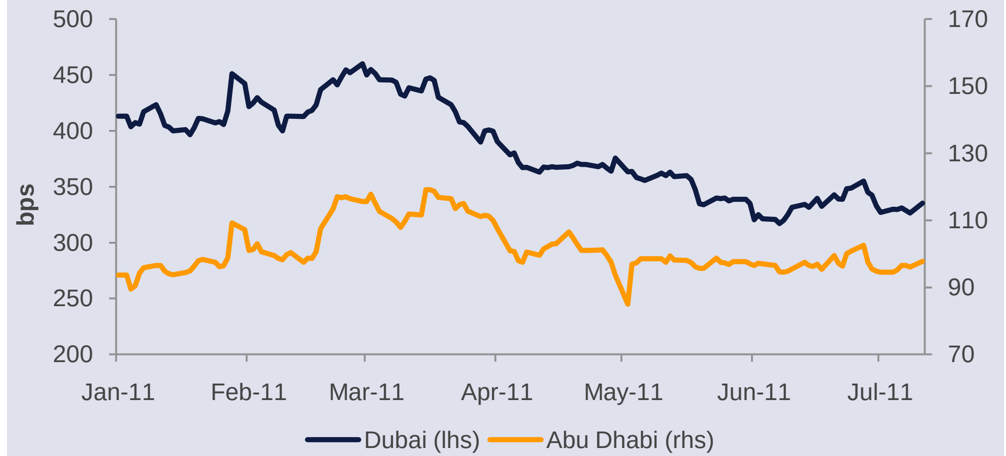

*Source: HSBC, Markit*

# UAE Economic Update (cont'd)

## Highlights

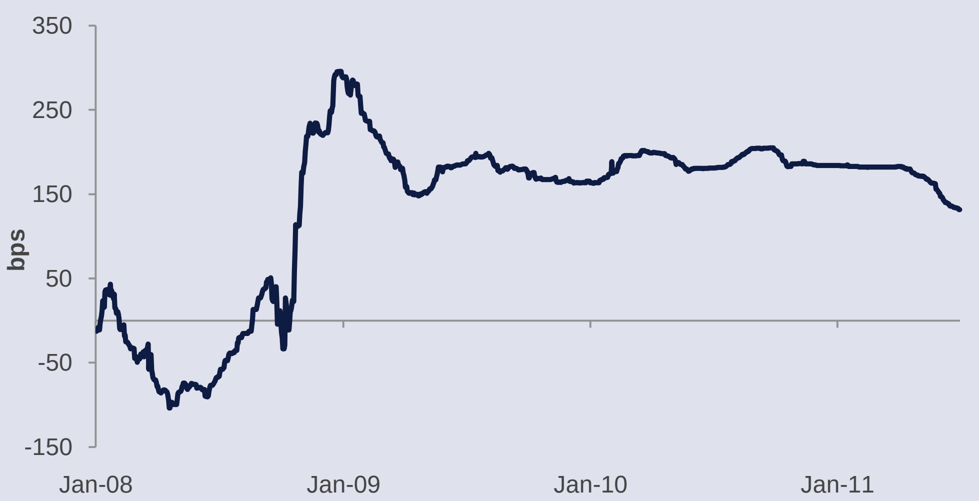
- **CDS spreads** for Abu Dhabi and Dubai have **narrowed in Q2**, reflecting improved investor sentiment, and allowing UAE entities to tap the debt market at better rates; USD 6.3 billion of paper was issued in Q2, including USD 500 million of Dubai sovereign bonds in June
- **EIBOR rates have continued to ease**, and the spread over US rates has narrowed in Q2
- **Increased liquidity in the banking system** is also reflected in the strong deposit growth since November 2010; the pace of deposit growth accelerated in February – April 2011, at the height of regional political uncertainty, before easing slightly in May and June
- **Bank lending remains relatively weak** however, with YoY growth averaging 3.8% in H1 2011

## CDS spreads have narrowed in Q2 2011



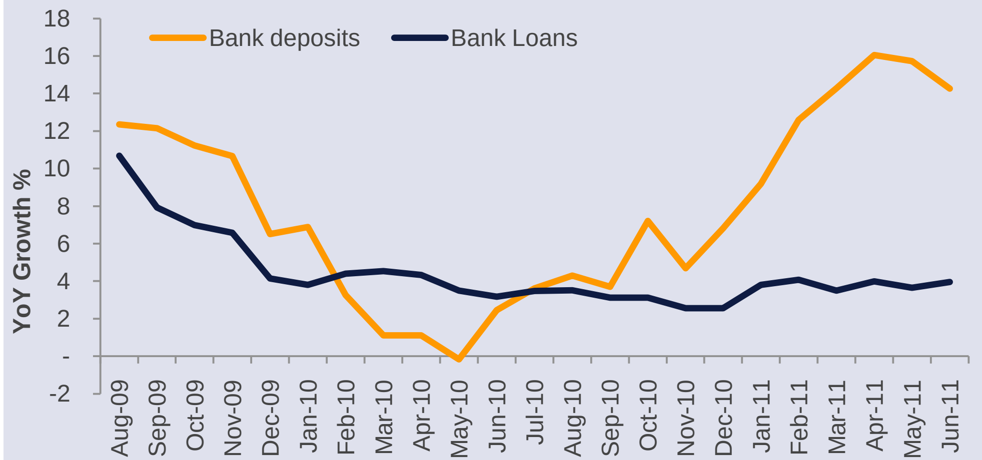

*Source: Bloomberg, Emirates NBD Research*

## 3M EIBOR – LIBOR spread tightens in Q2




*Source: Bloomberg*

## Bank deposit and loan growth



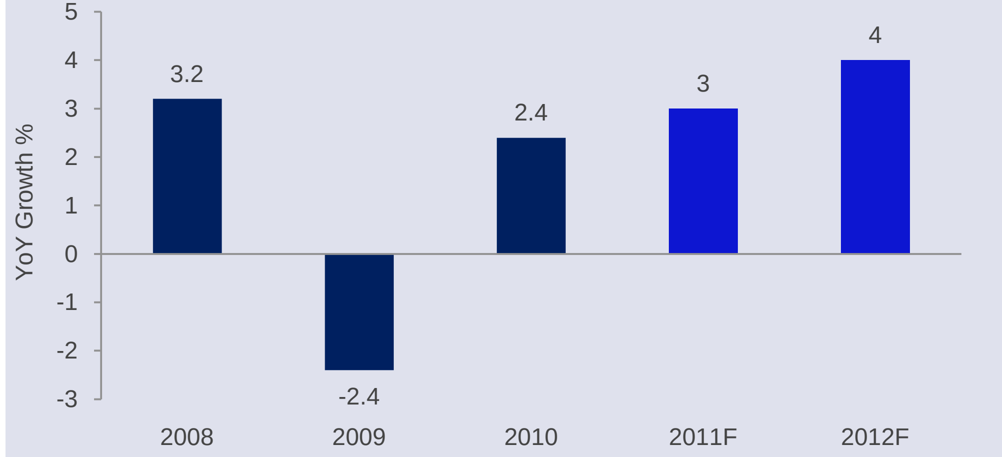

*Source: UAE Central Bank*

# Dubai Economic Update

## Highlights

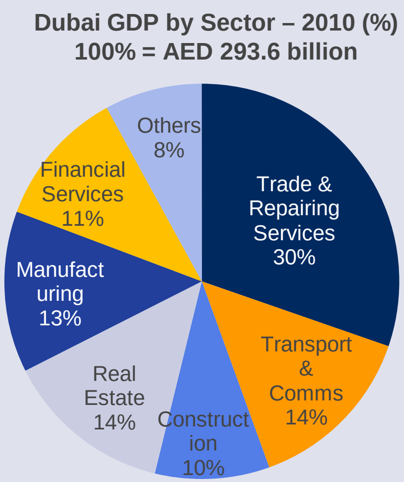
- **Dubai's economy grew 2.4% in 2010** according to the latest official statistics; the emirate's GDP growth is expected to accelerate to 3% in 2011 and 4% in 2012
- **Dubai has developed a competitive edge** in trade & logistics, tourism and business services; these sectors are set to be engines of growth for the emirate going forward
- **Inflation will likely remain contained** as housing costs continue to ease, enhancing Dubai's cost-competitiveness

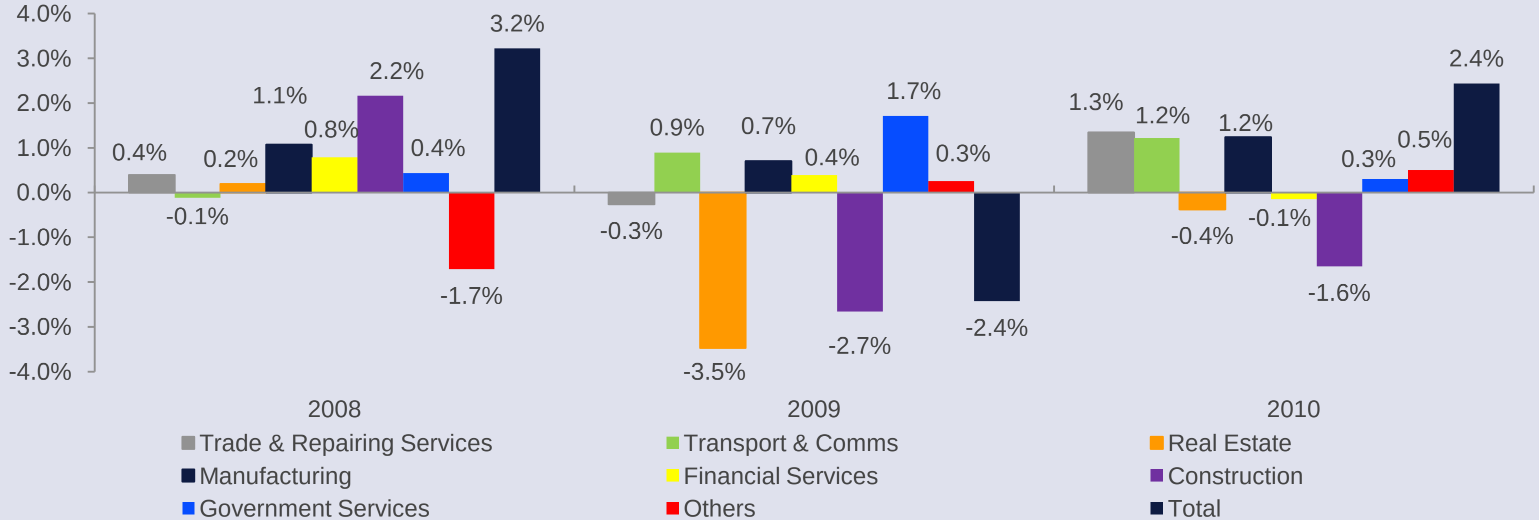
## Dubai: GDP growth set to accelerate




*Source: Dubai Statistics Centre, Emirates NBD Research*

## Contribution by sector to GDP growth




*Source: Dubai Statistics Centre, NBS*

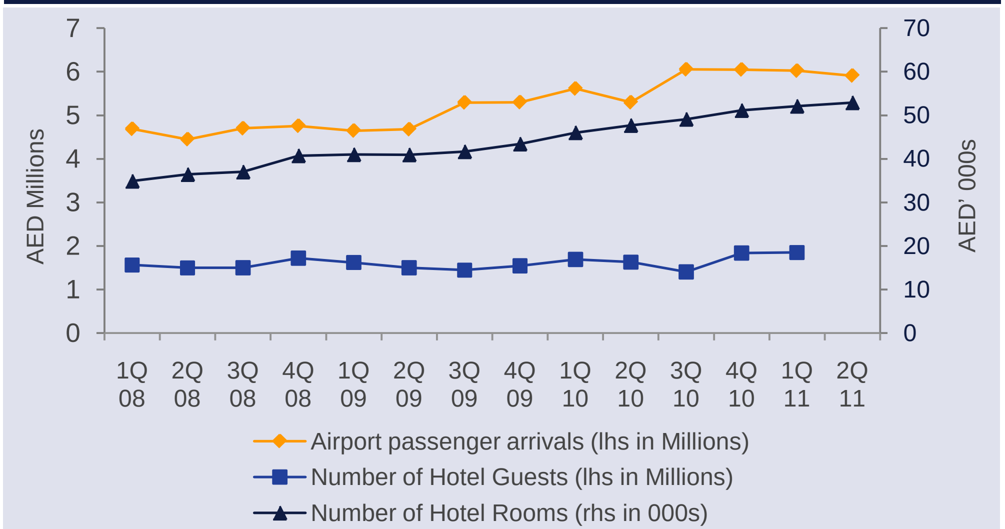
# Dubai Economic Update (cont'd)

## Highlights

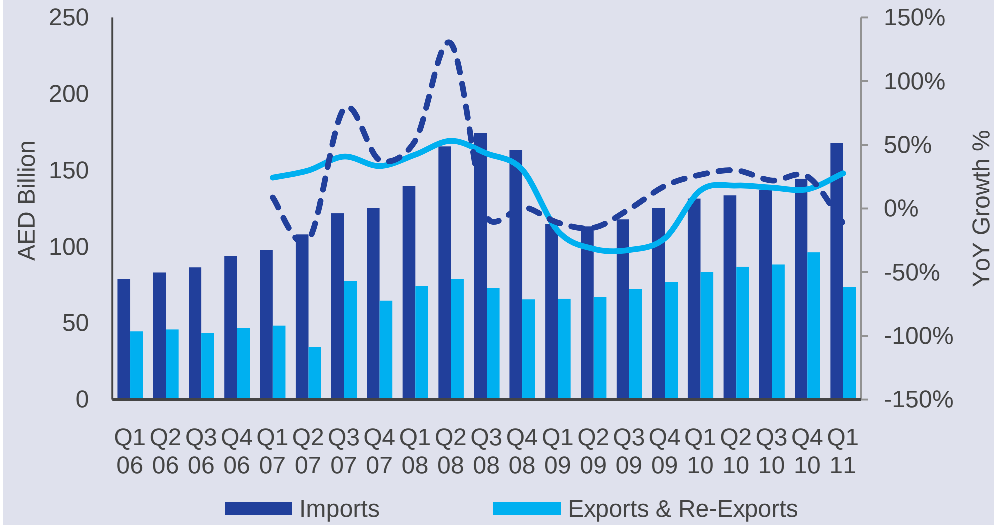
- **Dubai is the 3rd largest centre for re-exports** in the world which itself represents almost 50% of GDP
- **Dubai is a strategically located international trading hub** with some of the world's best air and sea ports serving over 205 destinations
- **Dubai has developed a competitive edge** in trade & logistics, tourism and business services; these sectors are set to be engines of growth for the emirate going forward
- **Very large investments in infrastructure** will have highly positive effects on the long-run development and productivity of the emirate

## Dubai's Strategic Location

## Dubai: Air passenger arrivals & hotel occupancy increase in H1




## Dubai: External trade growth remains strong

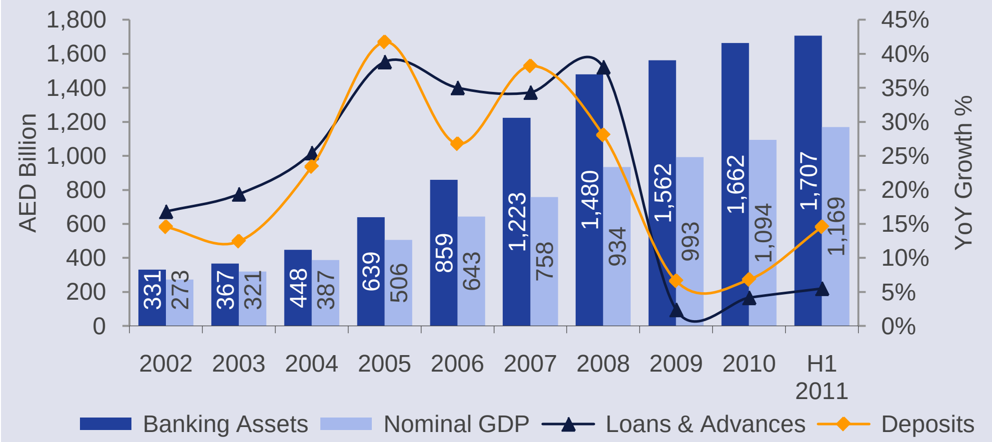


# UAE Banking Market Update

## Highlights

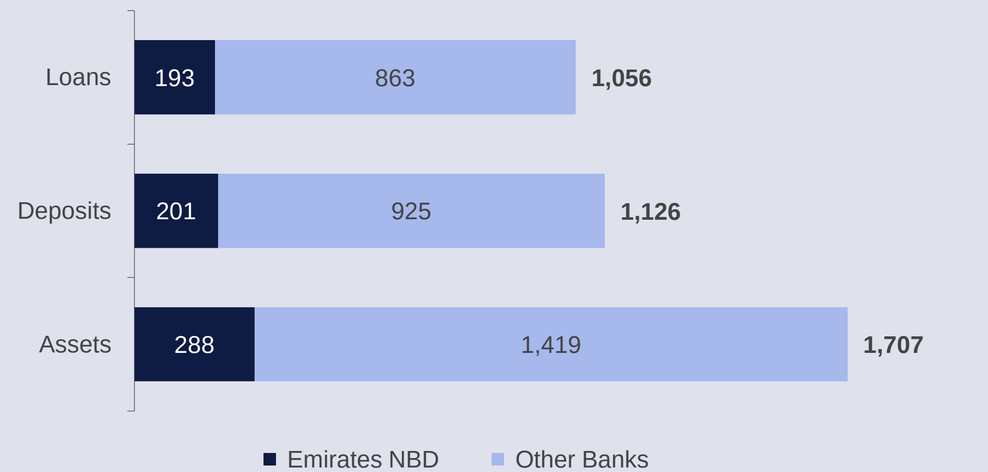
- **UAE Banking sector is the largest by assets in the GCC;** sector is dominated by 23 local banks which account for more than 75% of banking assets; 28 foreign banks account for the remainder
- **UAE Banking system liquidity tightened in 2008** due to outflow of c. AED 180 billion of speculative capital and the Global credit/liquidity crisis in Q3 2008
- **Government intervention during H2 2008 and 2009 helped improve liquidity and capitalisation:**
  - Additional liquidity facilities from UAE Central Bank
  - AED 50 billion deposited into local banks; option to convert to LT2 capital
  - Deposit & capital market guarantees announced
  - Tier 1 injections by Abu Dhabi (AED 15 billion) and Dubai Governments (AED 4 billion)

## UAE Banking Sector Growth (AED billion)

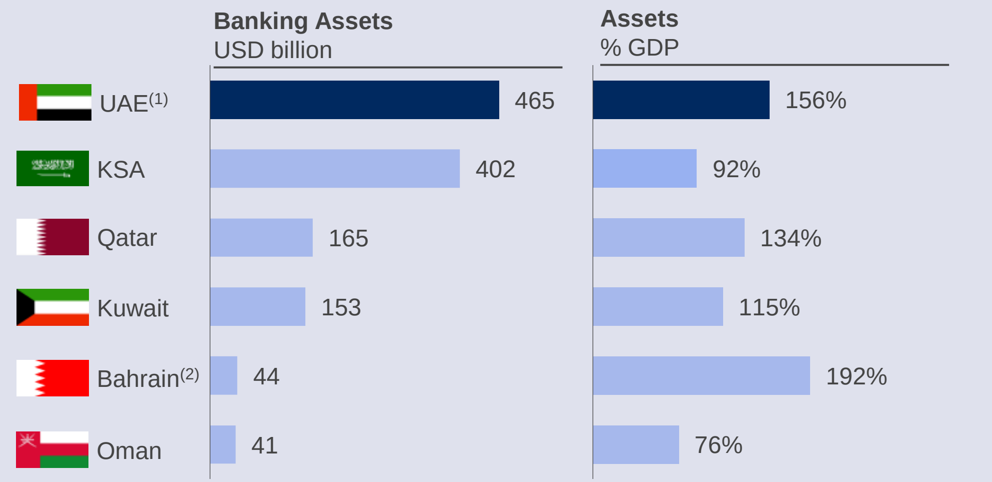



*Source: UAE Central Bank, EIU, Emirates NBD estimates*

## Composition of UAE Banking Market (AED billion)




*Source: UAE Central Bank, 30 June 2011*
*Loans and Assets presented gross of impairment allowances*




*1) Includes Foreign Banks ; 2) Excludes Foreign Banks*
*UAE, KSA & Kuwait as at 30 June 2011; Qatar & Bahrain as at 31 May 2011; Oman as at 30 Apr 2011*
*Source: UAE Central Bank; National Central Banks and Emirates NBD forecasts*

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# Summary

Emirates NBD

- Largest financial institution (by asset size) in the GCC
- Flagship bank for Dubai and the UAE Governments
- 56% owned by Dubai government
- Consistently profitable; despite significant headwinds during the last two years
- Fully fledged, diversified financial services offering
- Ever increasing presence in the UAE, the GCC and globally
- Well positioned to grow and deliver outstanding value to its shareholders, customers, and employees

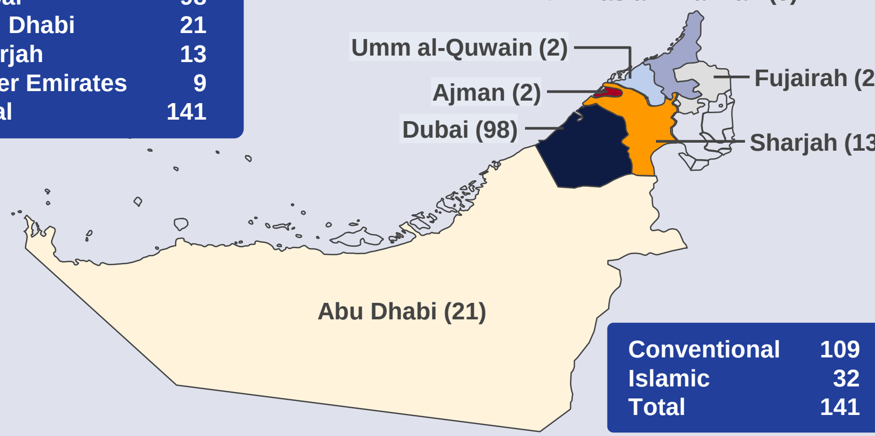
# Emirates NBD at a Glance

## Largest Bank in UAE

- **No.1 Market share in UAE** (at 30 June 2011):
  - Assets c.17%; Loans c.18%
  - Deposits c.18%
- **Retail market shares** (at end 2010):
  - Personal loans c.22%
  - Home loans c.7%
  - Auto loans c.11%
  - Credit cards c.9%
  - Debit cards c.17%
- **Fully fledged financial services offerings** across retail banking, wholesale banking, global markets & trading, investment banking, brokerage, asset management, merchant acquiring and cards processing

## Largest Branch Network in the UAE

| | |
|---|---|
| Dubai | 98 |
| Abu Dhabi | 21 |
| Sharjah | 13 |
| Other Emirates | 9 |
| Total | 141 |

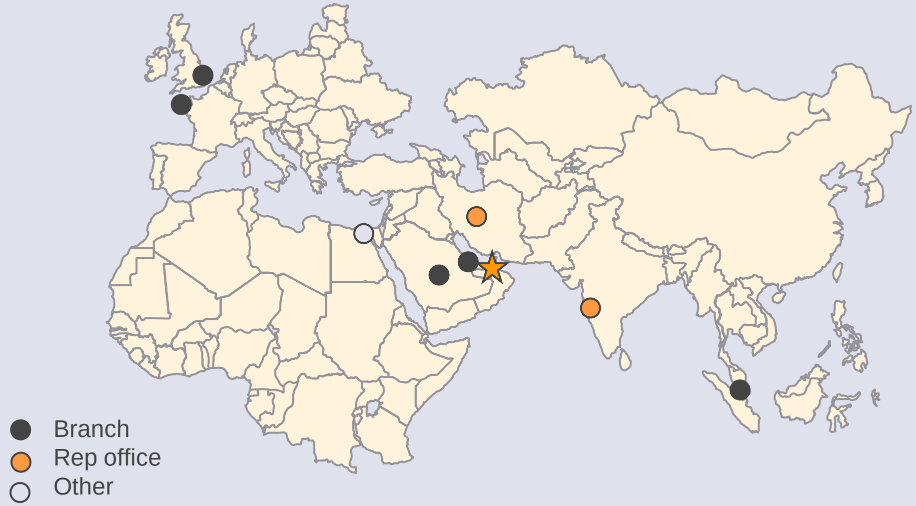



| | |
|---|---|
| Conventional | 109 |
| Islamic | 32 |
| Total | 141 |

## Credit Ratings

| | Long Term | Short Term | Outlook |
|---|---|---|---|
| Moody's | A3 | P-2 | Negative |
| Fitch Ratings | A+ | F1 | Stable |
| Capital Intelligence | A+ | A1 | Stable |

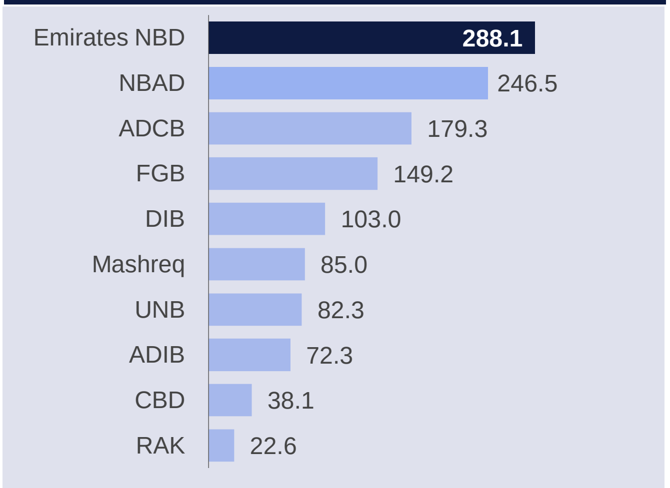
## International Presence



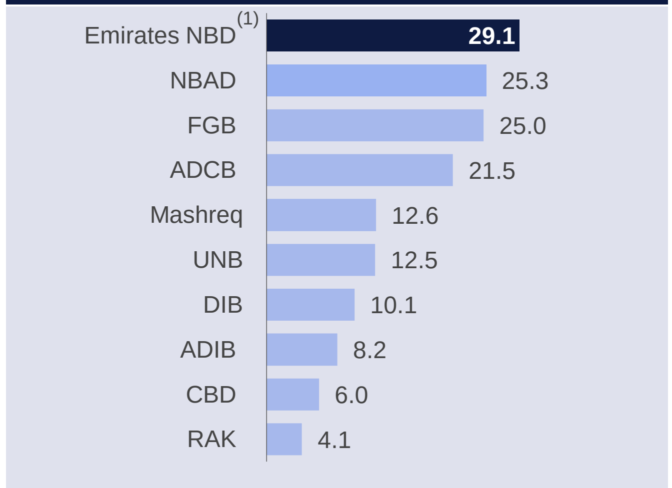
# Emirates NBD is the Largest Bank in the UAE and GCC by Assets

## as at 30 June 2011

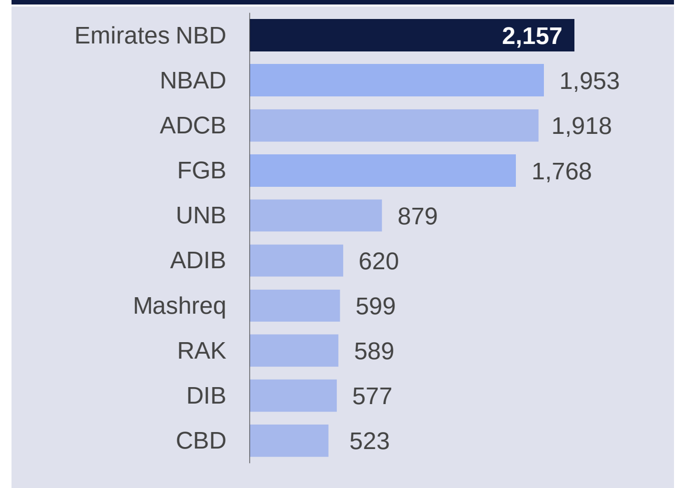
### UAE Ranking by Assets (AED billion)



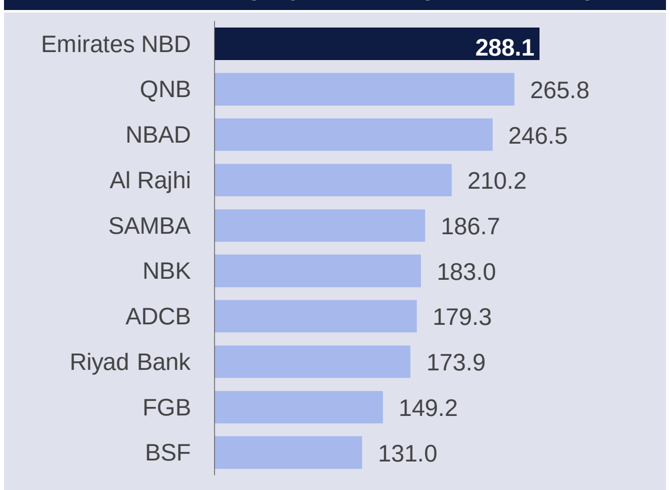

### UAE Ranking by Equity (AED billion)



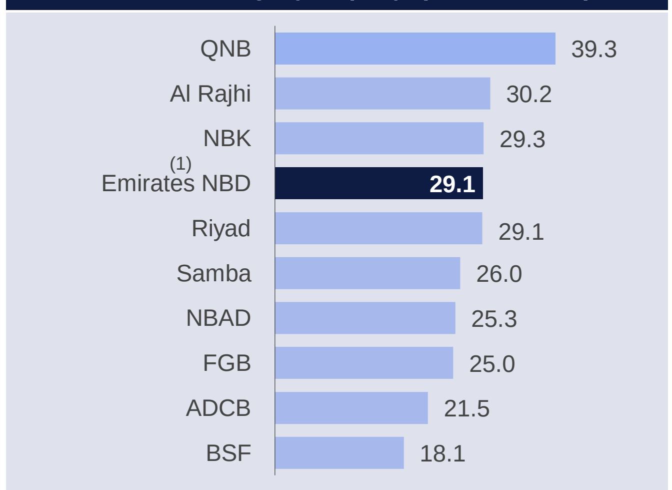

### UAE Ranking by Profits (AED million)




### GCC Ranking by Assets (AED billion)




### GCC Ranking by Equity (AED billion)




### GCC Ranking by Profits (AED million)


*1) Shareholders' Equity for Emirates NBD is AED 35 billion. The number shown is Tangible Shareholder's Equity which excludes goodwill and intangibles*

*Source: Bank Financial Statements and Press Releases for 30 June 2011, Bloomberg*

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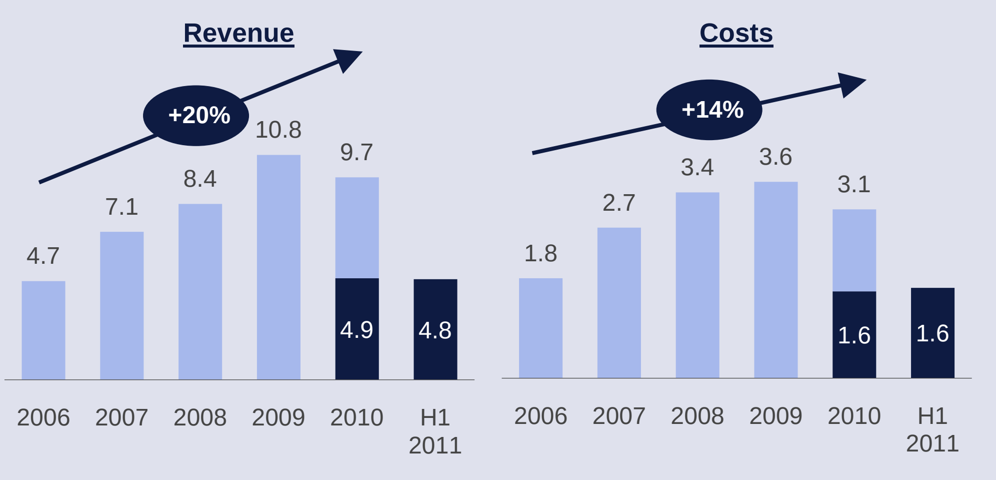
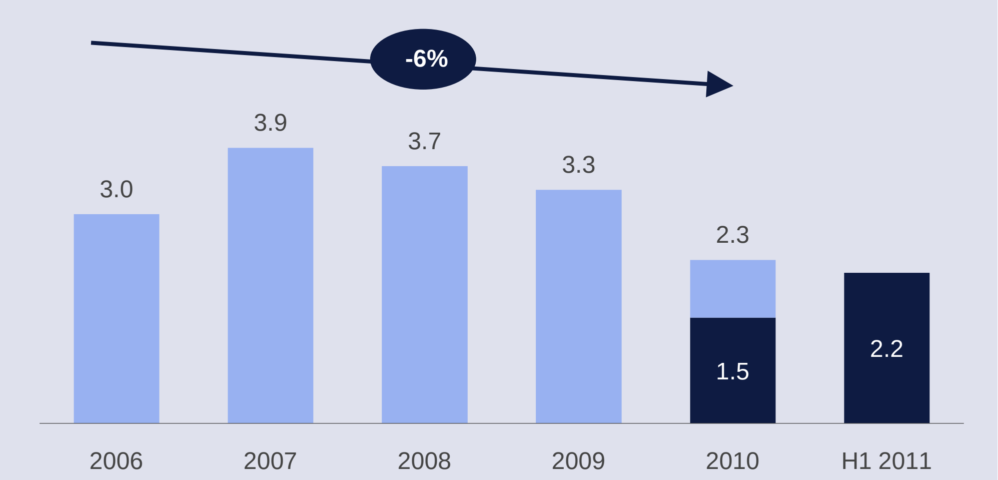
# Profit and Balance Sheet Growth in Recent Years

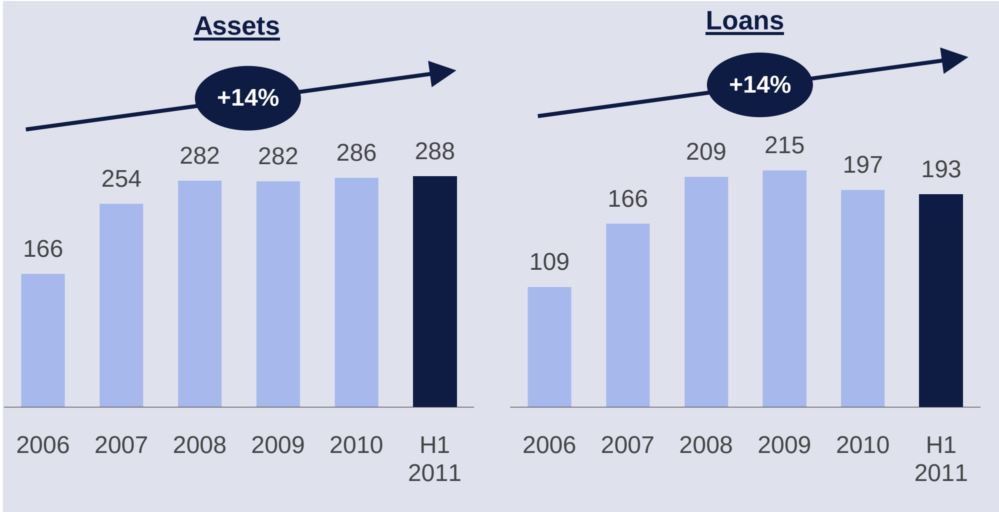
## Revenues and Costs (AED billion)



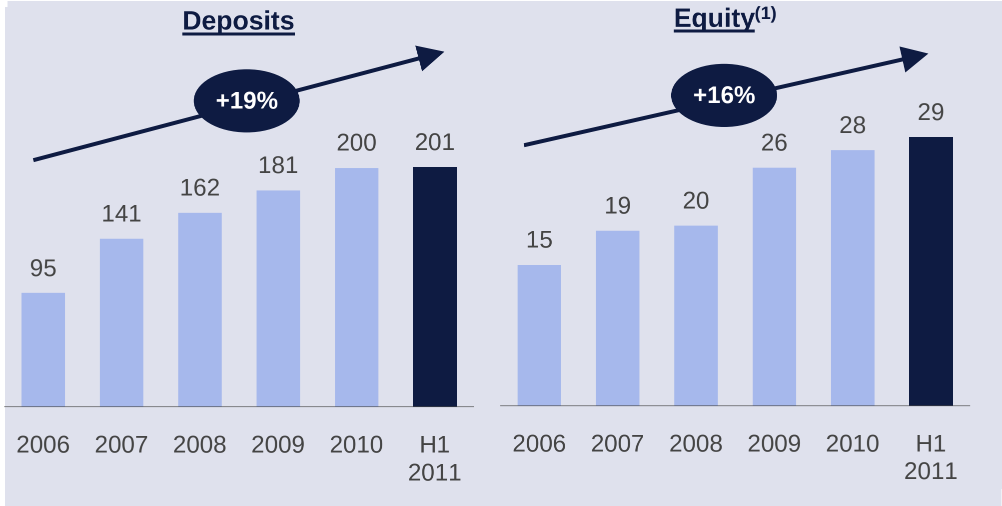

## Net Profits (AED billion)




## Assets and Loans (AED billion)




## Deposits and Equity (AED billion)




*1) Equity is Tangible Shareholder's Equity excluding Goodwill and Intangibles.*
*Source: Financial Statements, Aggregation of Emirates Bank International and NBD results*

# Financial Highlights

## 2010 and H1 2011

### H1 2011 Financial Results Highlights

- **Net profit of AED 2,157 million**, +43% vs. H1 2010
- **Gain on Network International transaction** of **AED 1.8 billion**
- Continued balance sheet **de-risking:**
  - increased **Portfolio Impairment Allowances of AED 1.6 billion,** substantially to cover future contingencies
  - further **reduction** in book value of investment in **Union Properties of AED 500 million**
- **Net interest income declined 2% YoY** to **AED 3,379 million** due to a modest decline in net interest margin to 2.48% in H1 2011 from 2.54% in H1 2010
- **Non-interest income improved** by 3% YoY due to **core fee income growth**
- **Costs increased by 4% YoY** to AED 1,634 million in H1 2011 resulting from accelerated **investment in future growth; cost to income ratio rose** 1.6% YoY to 33.8%
- Signs of modest **pickup in new underwriting**
- **Deposits remained flat vs. end-2010** due to balance sheet optimisation initiatives

### 2010 Financial Results Highlights

- **Net profit of AED 2.3 billion**; -30% from AED 3.3 billion in 2009
- **Total income of AED 9.7 billion;** -10% from AED 10.8 billion in 2009
- **Improvement of 14% in operating expenses** from 2009 to AED 3.1 billion in 2010; cost to income ratio improved by 1.5% to 31.4%
- **Operating profit before impairment allowances of AED 6.7 billion**; -8% from AED 7.2 billion in 2009
- **Impairment allowances of AED 3.2 billion**; 4% lower than 2009
- **Union Properties investment reduced by AED 1.0 billion** in 2010 through recognition of share of losses and impairment
- **Deposits grew by 10%** from end-2009 levels while **loans declined 8%,** improving the loan to deposit ratio to 99% from 118% at end-2009

### Key Performance Indicators

| Income Statement AED million | H1 2011 | H1 2010 | Change (%) | 2010 | 2009 | Change (%) |
|---|---|---|---|---|---|---|
| Net interest income | 3,379 | 3,452 | -2% | 6,795 | 7,412 | -8% |
| Fee & other income | 1,455 | 1,418 | +3% | 2,926 | 3,382 | -13% |
| **Total income** | **4,834** | **4,870** | **-1%** | **9,721** | **10,794** | **-10%** |
| Operating expenses | (1,634) | (1,567) | +4% | (3,051) | (3,551) | -14% |
| **Operating profit before impairment allowances** | **3,200** | **3,303** | **-3%** | **6,670** | **7,243** | **-8%** |
| Impairment allowances: | (2,350) | (1,749) | +34% | (3,190) | (3,319) | -4% |
| *Credit* | *(2,257)* | *(1,670)* | *+35%* | *(2,930)* | *(2,971)* | *-1%* |
| *Investment securities* | *(93)* | *(79)* | *+17%* | *(260)* | *(348)* | *-25%* |
| **Operating profit** | **850** | **1,556** | **-45%** | **3,480** | **3,924** | **-11%** |
| Amortisation of intangibles | (47) | (47) | - | (94) | (94) | - |
| Associates | (445) | 15 | n/a | (1,024) | (477) | +114% |
| Gain on subsidiaries | 1,813 | - | n/a | - | - | n/a |
| Taxation charge | (14) | (11) | +24% | (23) | (10) | +130% |
| **Net profit** | **2,157** | **1,513** | **+43%** | **2,339** | **3,343** | **-30%** |
| Cost to income ratio (%) | 33.8% | 32.2% | +1.6% | 31.4% | 32.9% | -1.5% |
| Net interest margin (%) | 2.48% | 2.58% | -0.11% | 2.52% | 2.81% | -0.29% |
| EPS (AED) | 0.36 | 0.25 | +47% | 0.37 | 0.58 | -35% |
| ROE (%) | 17.7% | 13.6% | +4.1% | 10.3% | 16.2% | -5.9% |
| ROA (%) | 1.5% | 1.1% | +0.4% | 0.8% | 1.2% | -0.4% |

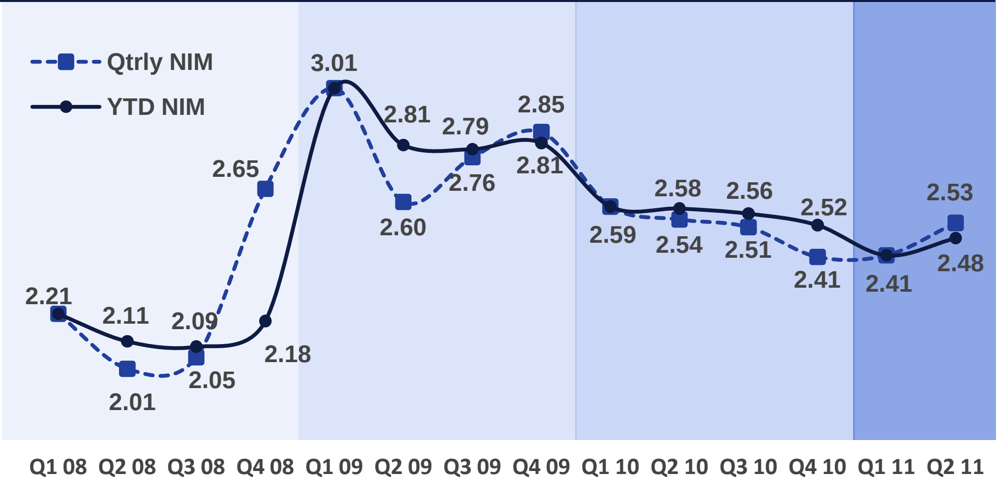
| Balance Sheet AED billion | 30 Jun 2011 | 31 Dec 2010 | Change (%) | 31 Dec 2010 | 31 Dec 2009 | Change (%) |
|---|---|---|---|---|---|---|
| Total assets | 288.1 | 286.2 | 1% | 286.2 | 281.6 | 2% |
| Loans | 193.2 | 197.1 | -2% | 197.1 | 214.6 | -8% |
| Deposits | 200.5 | 200.0 | 0% | 200.0 | 181.2 | 10% |
| Capital Adequacy Ratio (%) | 21.2% | 20.1% | 1.1% | 20.1% | 18.7% | 1.4% |
| Tier 1 Ratio (%) | 13.4% | 12.8% | 0.6% | 12.8% | 11.9% | 0.9% |

# Net Interest Income

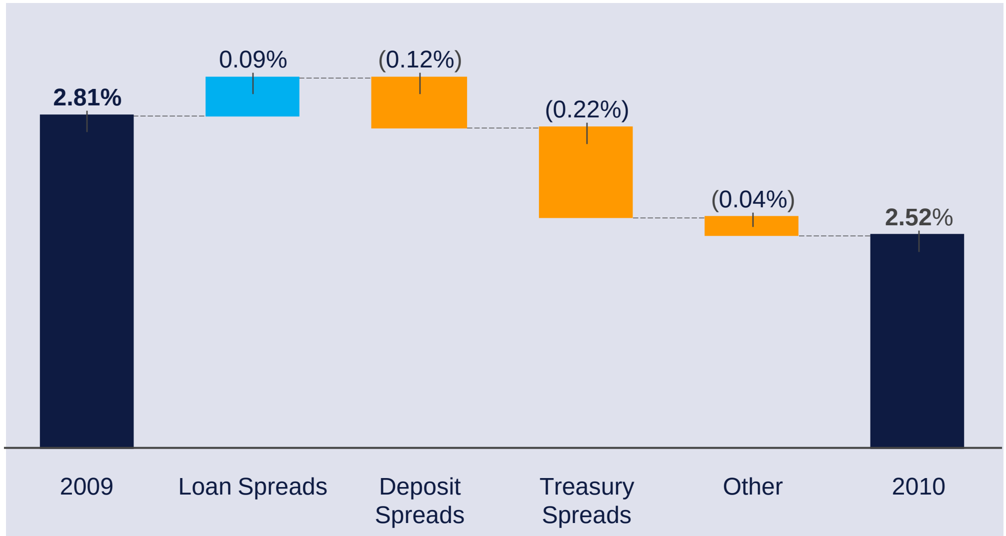
## Highlights

- NIM of 2.52% in 2010; declined by 29 bps from 2.81% in 2009:
  - negative mix impact of deployment of increased liquidity in lower yielding interbank and cash-equivalent assets
  - increase in deposit funding costs given strong competition for deposits in the UAE
  - partly offset by continued selective re-pricing of loans
- **NIM of 2.48%** in H1 2011 **declined by 4bps** from 2.52% in 2010:
  - negative mix impact of deployment of increased liquidity in lower yielding interbank and cash-equivalent assets and moderate loan spread compression
  - offset by direct positive impact of downward re-pricing on deposits
- **Net interest income declined by 2% YoY** to **AED 3,379 million** but **rose 1% HoH** due to balance sheet optimisation initiatives conducted in H1 2011

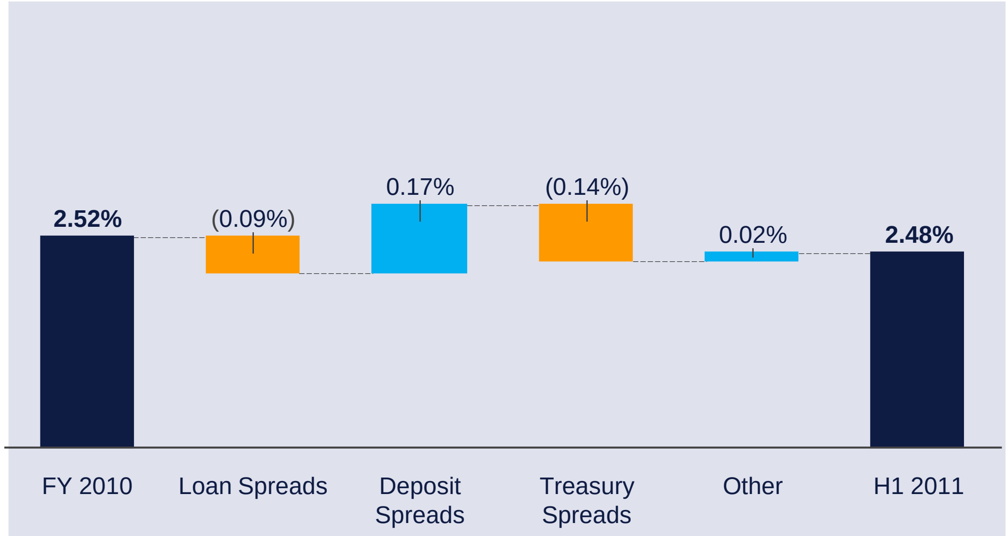
## Net Interest Margin Trends (%)




## Net Interest Margin Drivers: 2010 (%)




## Net Interest Margin Drivers: H1 2011 (%)



# Non Interest Income

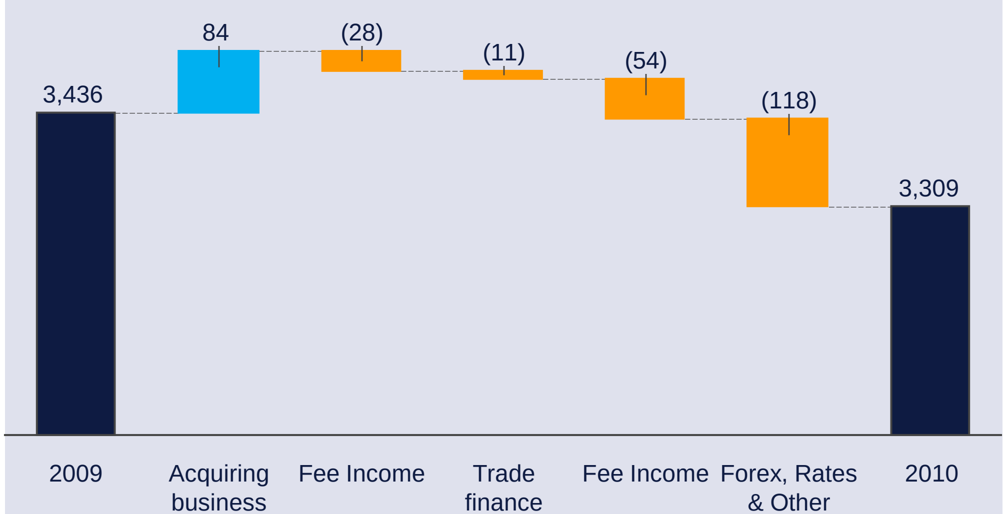
## Highlights

- **2010 non-interest income declined by 13% from 2009**, impacted by:
  - AED 214m write-downs of investment properties
  - lower positive investment securities income
  - 8% decline in core fee income
- **H1 2011 non-interest income improved** by 3% YoY due to growth in banking fee income and trade finance
- **Core fee income improved** by 10% compared with H2 2010, key trends being:
  - pickup in trade finance income (+5% HoH)
  - strong growth in banking fee income (+28% HoH)
  - modest reduction in Forex, Rates & Other income (-4% HoH)

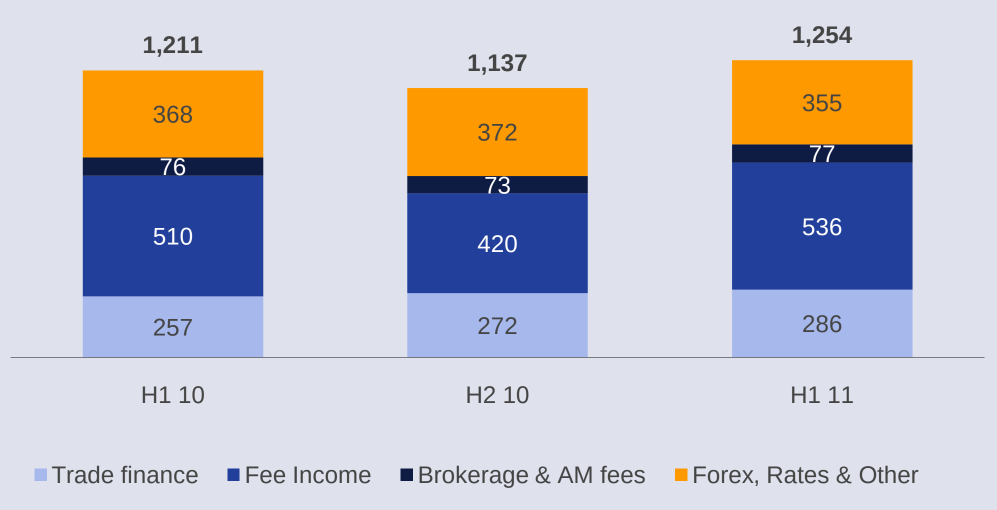
## Composition of Non Interest Income (AED million)

| AED million | H1 2011 | H1 2010 | Change (%) | 2010 | 2009 | Change (%) |
|---|---|---|---|---|---|---|
| Core gross fee income | 1,254 | 1,211 | +4% | 2,348 | 2,572 | -10% |
| Fees & commission expense | (70) | (65) | +7% | (107) | (149) | -39% |
| **Core fee income** | **1,185** | **1,146** | **+3%** | **2,241** | **2,423** | **-8%** |
| Investment properties | (3) | (152) | -98% | (195) | (50) | +75% |
| Investment securities | 113 | 237 | -52% | 531 | 641 | -20% |
| Network International | - | 188 | -100% | 349 | 368 | -5% |
| Gain on Debt Exchange | 160 | - | n/a | - | - | n/a |
| **Total Non Interest Income** | **1,455** | **1,418** | **+3%** | **2,926** | **3,382** | **-13%** |

## Core Gross Fee Income Trends in 2010 (AED million)




## Core Gross Fee Income Components (AED million)

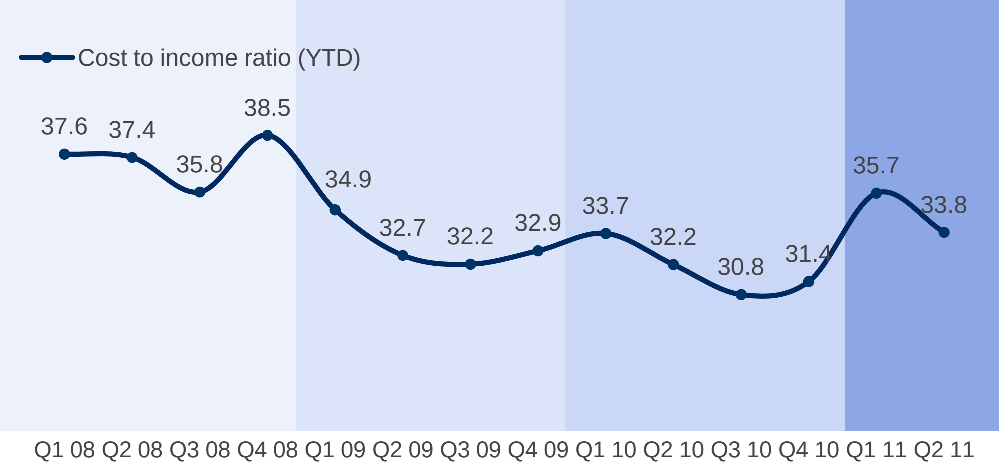


# Operating Costs and Efficiency

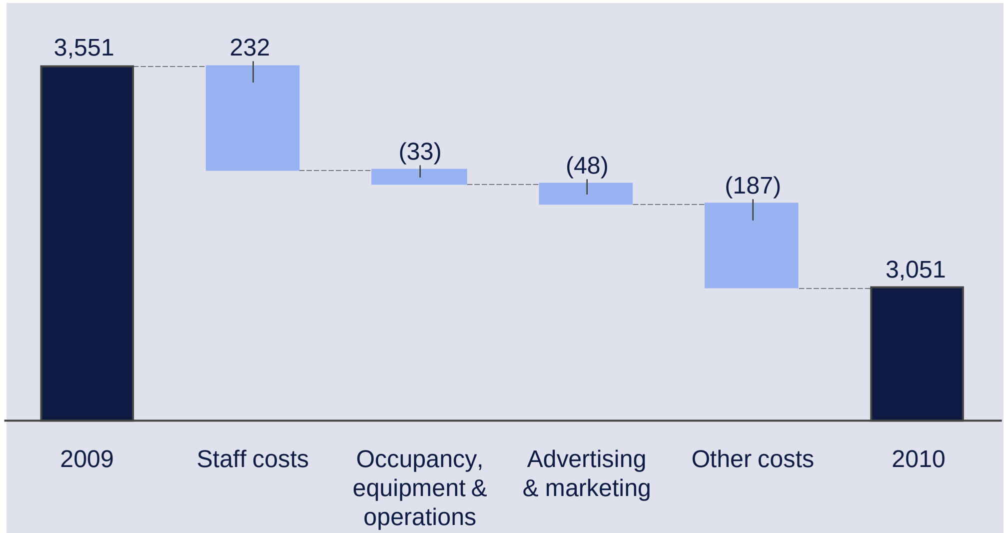
## Highlights

- **Costs declined by 14% to AED 3.1 billion in 2010** due to management focus on cost optimisation and operating efficiency; the cost to income ratio improved by 1.5% from 32.9% in 2009 to 31.3% in 2010
- **In H1 2011, costs increased by 4% YoY** to AED 1,633 million from H1 2011 resulting from accelerated **investment in future growth** across advertising and marketing costs, and expansion of retail distribution and sales force
- The **cost to Income ratio increased by 1.6%** to 33.8% in H1 2011 from 32.2% in H1 2010 but **improved by 0.9% from Q1 2011** due to improved top-line growth
- The **cost to Income ratio is expected to be managed** during the remainder of 2011 **to the target range of c.32%-33%**

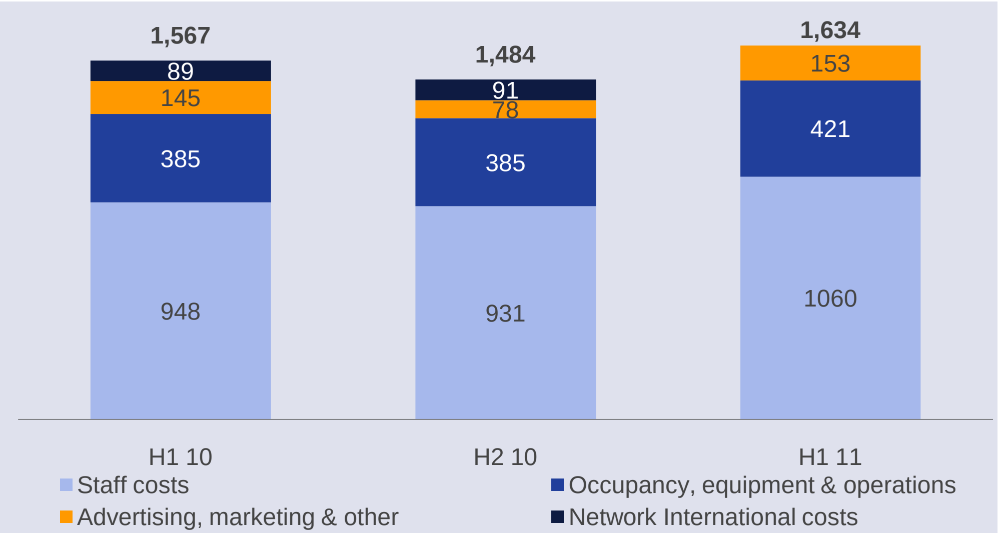
## Cost to Income Ratio Trends




## Operating Cost Trends in 2010 (AED million)




## Quarterly Operating Cost Components (AED million)



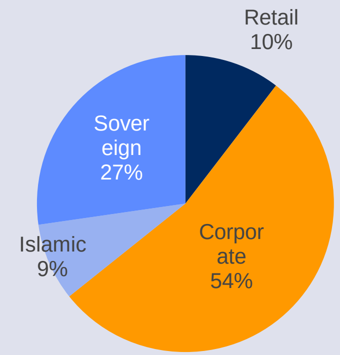
# Credit Quality
## Group

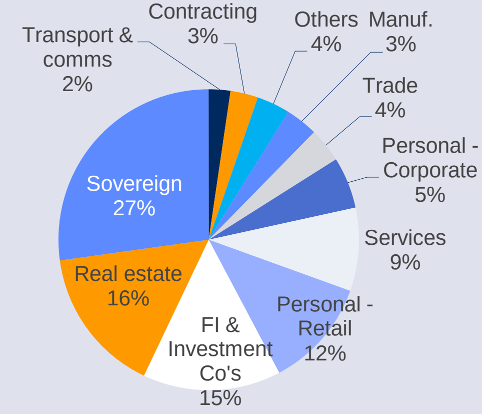
### Highlights

- The **impaired loans ratio improved** by 1.1% in Q2 2011 to 9.3%
- **Full required provision for Dubai World** made in Q3 2010
- Pro-actively **provided for a portion of Dubai Holdings exposure** in Q4 2010; subsequently derecognised in Q2 2011 due to finalisation of restructuring on commercial terms
- **80% of Saad and Al Gosaibi** exposure **provided** at end-2010
- **Portfolio impairment allowances increased by AED 1.6 billion** in H1 2011, substantially to cover future contingencies
- Total Portfolio Allowances of AED 3.8 billion or **2.4% of credit Risk Weighted Assets**
- **Provision coverage** of impaired loans **improved to 55%** from 45% at the end of Q1 2011

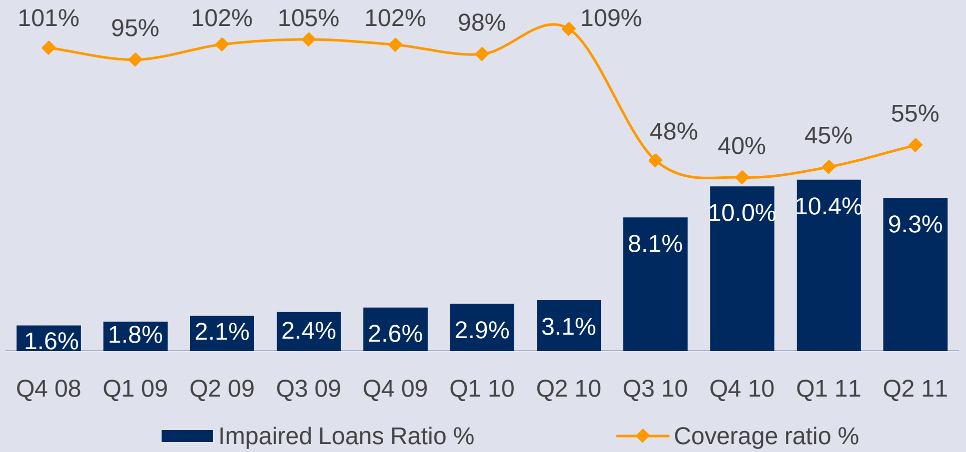
### Loan Portfolio by Type – H1 2011[1]

**100% = AED 204.3b**



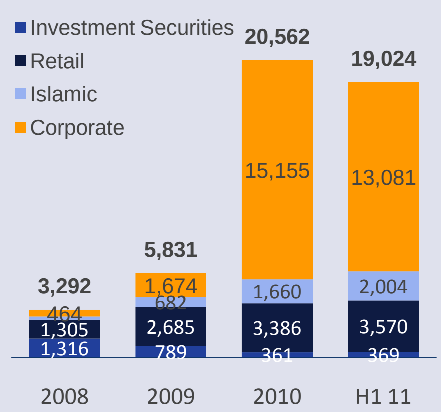




### Impaired Loans & Coverage Ratios[2]

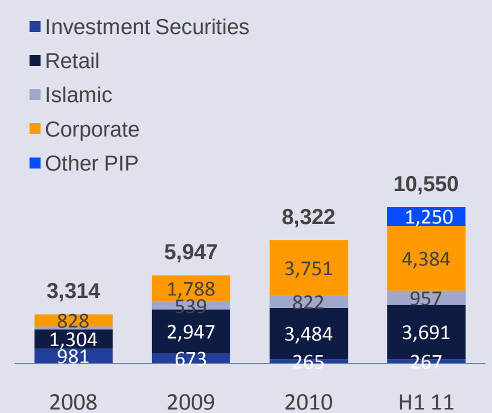



### Impaired Loans & Impairment Allowance Composition (AED million)

Impaired Loans Composition




Impairment Allowance Composition




*1) Gross Loans and receivables before provisions and deferred income*
*2) Impaired Loans ratio is calculated on gross loans and receivables before provisions*

# Credit Quality
## Retail and Corporate Loans & Receivables

### Corporate & Sovereign Lending Portfolio

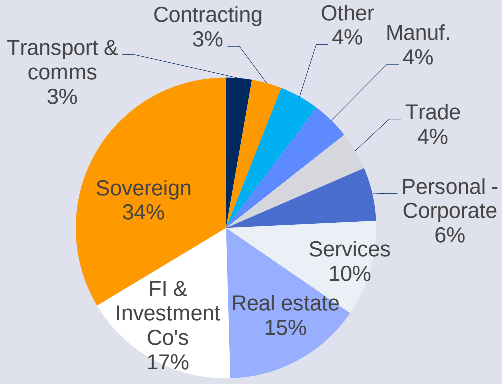
**Corporate Credit Quality**

- **Impaired loan ratio 8.0%** at Q2 2011 vs. 9.4% at Q1 2011
- **97%** of the portfolio is to **UAE customers** where the Bank has **long-standing relationships**
- Exposure is mainly to **top tier names** with **diversified business interests** and **multiple sources of repayment**
- Environment necessitates **renegotiation** of certain customer accounts; amounting to AED 11.7b at Q2 2011 vs. AED 8.1b at Q1 2011 (AED 7.3b at Q4 2010):
  - these reflect renegotiated repayment terms in line with underlying cash flows; and
  - without sacrificing interest or principal

**Real Estate & Contracting**

- Exposures to **Real Estate** and **Contracting Sector** are AED 24.8b (15%) and AED 5.3b (3%) respectively
- **Selectively financing real estate** sector;
  - extent of finance is generally limited to 70% of construction cost excluding land (land and cost overruns to be financed by the owner)
  - restricted to Emirates of Dubai & Abu Dhabi
- Exposures are mainly to **diversified businesses** having multiple repayment sources of repayment and repayment experience is satisfactory
- Approximately 54% of the Real Estate portfolio has a repayment maturity of < 3 years

**By Sector(1)**
**100% = AED 165.3 billion**




### Retail Lending Portfolio

**Personal loans**

- Portfolio **AED 6.4 billion** (30%)
- **55%** of value is to **UAE nationals; >60%** of value is to **government employees**
- Personal loans are only granted subject to **salary assignment**
- 2010 and H1 2011 **delinquency trends improving**

**Credit Cards**

- Portfolio **AED 2.8 billion** (13%)
- Product with **highest yield** in Retail Portfolio
- 90+ delinquencies better than industry benchmarks
- **Measures taken to control exposures** on unutilised limits
- 2010 and H1 2011 **delinquency trends improving**

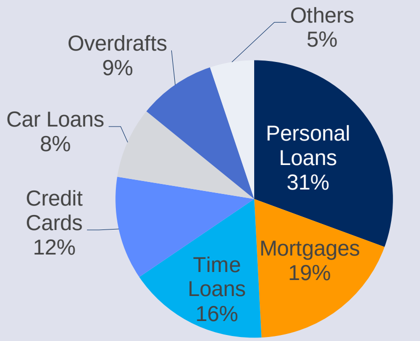
**Car loans**

- Portfolio **AED 1.8 billion** (9%)
- Portfolio balance has declined from end-2009 due to changes in credit policy
- Minimum **income threshold** has been **raised**
- Down payment of 10-20% mandatory based on customer profiles
- 2010 and H1 2011 **delinquency trends improving**

**Mortgages**

- Portfolio **AED 3.8 billion** (18%)
- Only offered for **premium developers**
- **Completed properties** account for **86%** of the portfolio
- Average **LTV is 75%** on original value
- 2010 and H1 2011 **delinquency trends improving**

**By Sector(1)**
**100% = AED 21.4 billion**



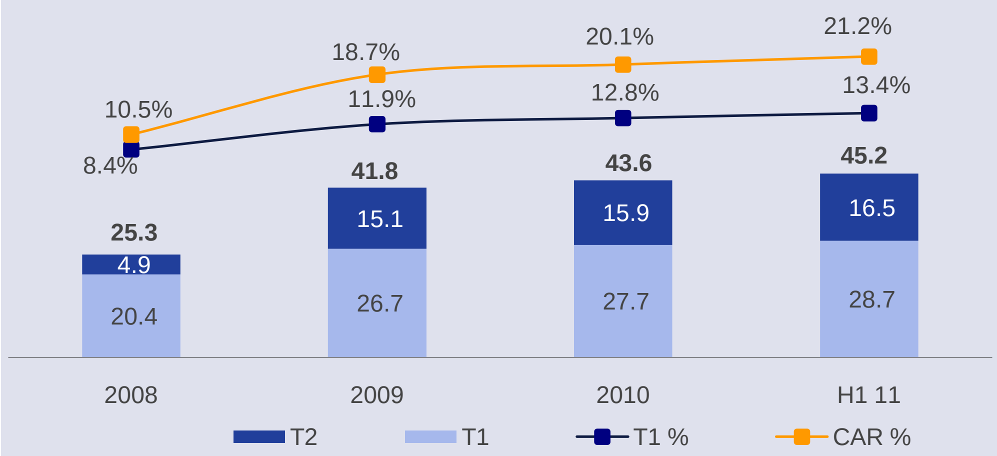

*1) Loans and advances before provisions; Corporate & Sovereign Lending sectoral breakdown as per "Analysis by Economic Activity for Assets" in note 5, page 10 of the Q2 2011 Financial statements*

# Capital Adequacy

## Highlights

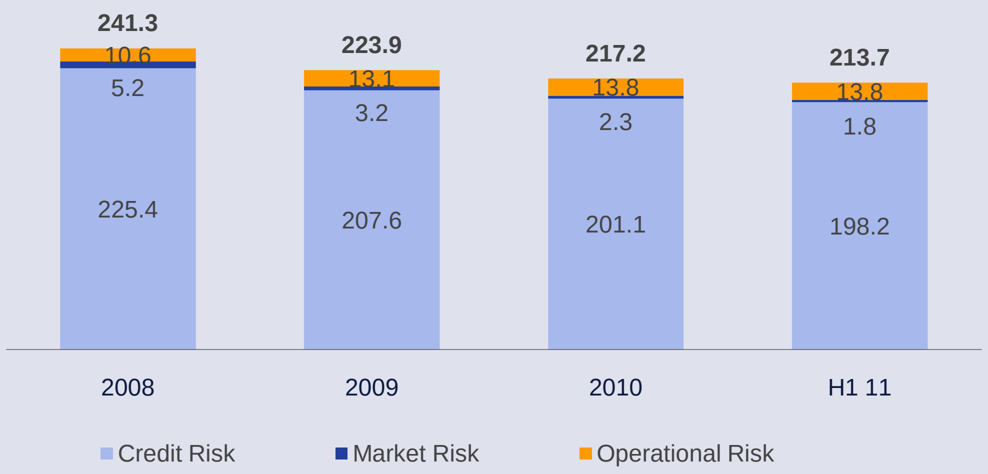
- **Capital adequacy strengthened further to** CAR 21.2% and T1 13.4%
- **Tier 1 capital increased by AED 1.0 billion** in H1 2011 due to strong net profit generation partly offset by dividend paid in respect of 2010 financial year
- **Risk Weighted Assets declined by 2%** from AED 217.2 billion at Q4 2010 to AED 213.7 billion at Q2 2011

## Capital Ratios - Basel II (AED billion)




*Note: Core Tier 1 Ratio as at Q2 2011 is 11.5%*

## Risk Weighted Assets – Basel II (AED billion)




## Capital Movement Schedule – Basel II (AED billion)

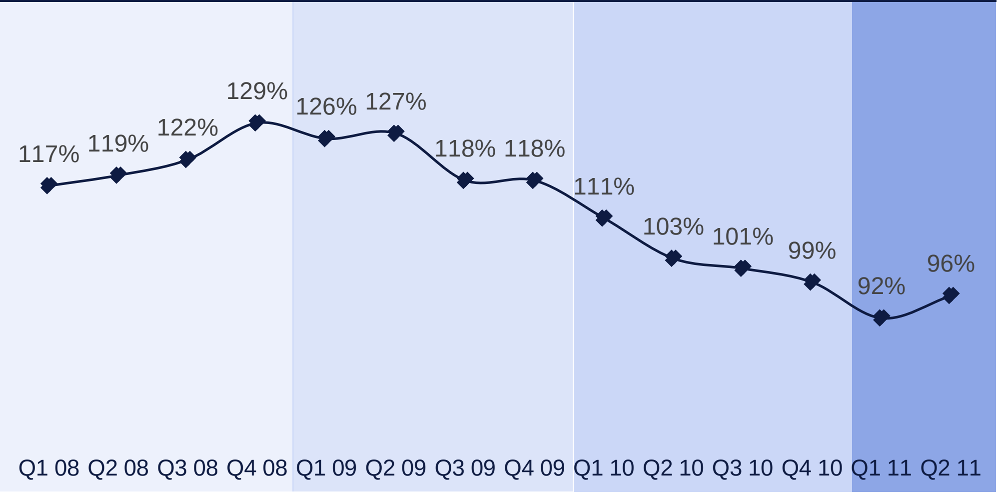
| 31 Dec 2010 to 30 Jun 2011 | Tier 1 | Tier 2 | Total |
|---|---|---|---|
| **Capital as at 31 Dec 2010** | **27.7** | **15.9** | **43.6** |
| Net profits generated | 2.2 | - | 2.2 |
| FY 2010 dividend paid | (1.1) | - | (1.1) |
| Interest on T1 securities | (0.1) | - | (0.1) |
| Redemption of T2 securities | - | (1.2) | (1.2) |
| Change in general provisions | - | 1.7 | 1.7 |
| Other | 0.0 | 0.1 | 0.1 |
| **Capital as at 30 Jun 2011** | **28.7** | **16.5** | **45.2** |

# Funding and Liquidity

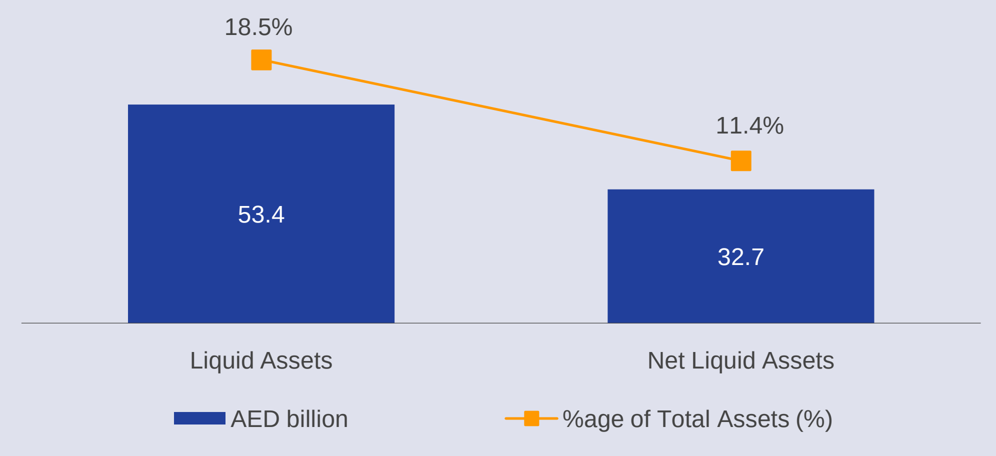
## Highlights

- Headline **LTD ratio of 96%** at Q2 2011 due to pro-active management action to target range of 95%-100%
- **Liquid assets of AED 53.4 billion** as at 30 June 2011 (18.5% of total assets); AED 32.7 billion (11.3% of total assets) after netting of interbank liabilities
- **Backstop facilities** of AED 36.2 billion **unused**
- **Debt maturity profile** well **within** existing **funding capacity**
  - total wholesale debt represents 8% of liabilities
  - net reduction in debt outstanding of AED 7.5 billion in 2010 and H1 2011
  - raised over AED 3 billion from securitisation structures in 2010
  - LT2 exchange offer conducted during Q2 2011
  - gathered AED 14.8 billion CASA and AED 4.6 billion time deposits in 2010 and H1 2011

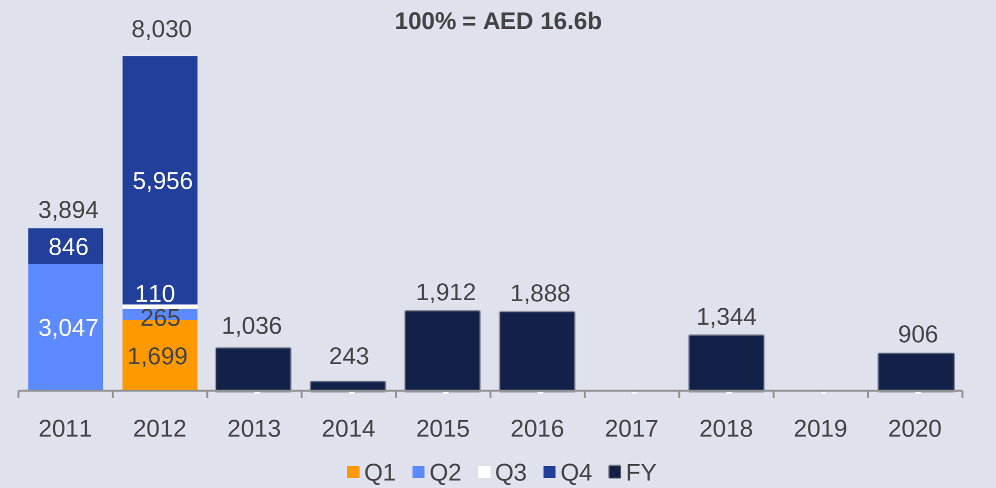
## Headline Loan to Deposit Ratio (%)




## Liquid Assets: H1 2011




## Maturity Profile: Debt Issued (AED million)




*Note: Debt Issued includes EMTNs of AED 8.7 billion, syndicated borrowings from banks of AED 5.5 billion and borrowings raised from loan securitisations of AED 2.3 billion*

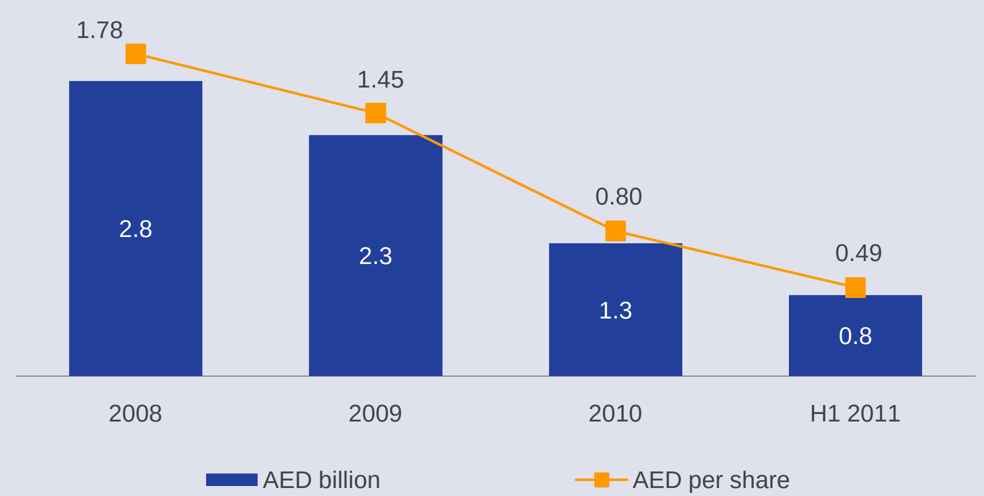
# Associates and Joint Ventures

## Composition of Balances

### Highlights

- **Significant de-risking** of investment in **Union Properties (UP) since 2009:**
  - **UP investment reduced by AED 0.5 billion and AED 1.0 billion in 2009 and 2010** respectively through recognition of share of losses and impairment
  - **additional reduction** in book value of UP of **AED 0.5 billion in Q1 2011**
  - further downside risk on UP limited as carrying value is now close to market value
- **Network International** accounted for as a **jointly controlled entity** from the start of 2011 with a carrying value of AED 1.3 billion at the end of Q2 2011

### Investment in Union Properties




### Composition of Associates & Joint Ventures (AED million)

| Income Statement AED million | H1 2011 | H1 2010 | Change (%) | 2010 | 2009 | Change (%) |
|---|---|---|---|---|---|---|
| Union Properties | (500) | 2 | n/a | (1,043) | (517) | +102% |
| - Share of losses* | (74) | - | n/a | (683) | (201) | +240% |
| - Impairment of investment | (426) | - | n/a | (360) | (316) | +14% |
| National General Insurance | 15 | 13 | +15% | 19 | 39 | -51% |
| Network International | 40 | - | n/a | 0 | 0 | n/a |
| **Total** | **(445)** | **15** | n/a | **(1,024)** | **(478)** | **+114%** |

| Balance Sheet AED million | 30 June 2011 | 31 Dec 2010 | Change (%) | 31 Dec 2010 | 31 Dec 2009 | Change (%) |
|---|---|---|---|---|---|---|
| Union Properties | 782 | 1,282 | -39% | 1,282 | 2,326 | -45% |
| National General Insurance | 131 | 130 | +1% | 130 | 116 | +12% |
| Network International | 1,322 | 3 | n/a | 3 | 3 | 0% |
| **Total** | **2,235** | **1,415** | **+58%** | **1,415** | **2,445** | **-42%** |

** Emirates NBD share of losses for Union Properties for Q1 2011 includes an amount of AED 74 million loss pertaining to the 2010 financial year*

# Network International

## Strategic Partnership with Abraaj Capital

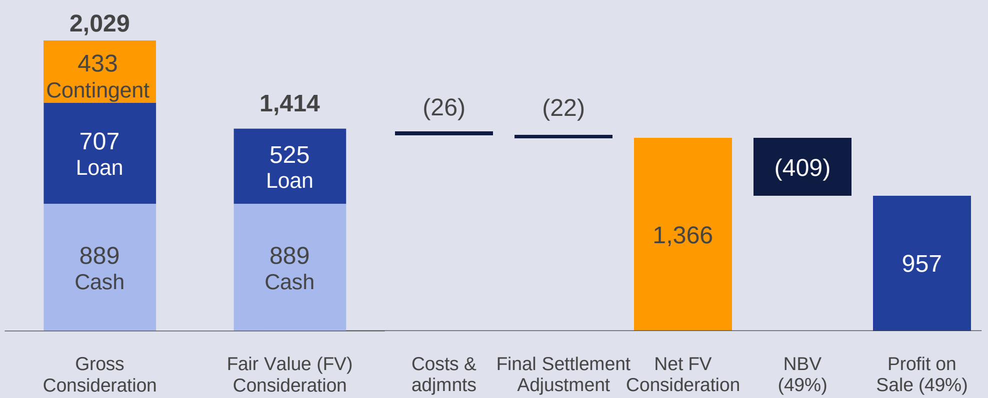
### Transaction Summary & Strategic Rational

- On 22 December 2010, **Network International** (NI) entered into a **strategic partnership with Abraaj Capital (Abraaj)** to accelerate expansion of the company
- **Abraaj acquired a 49% stake** in NI for a price of around **AED 2 billion** which included a sum contingent upon attainment of profitability targets and a portion financed by Emirates NBD
- All **relevant regulatory approvals were obtained** during Q1 2011 and the **transaction closed on 31 March 2011**
- NI is at a **strategic junction** where **significant growth opportunities** are available both organically and inorganically and has developed a focused strategy to expand into other high-growth geographies in the Middle East and Africa and the Indian Subcontinent
- In this context, the strategic partnership with **Abraaj will bring significant expertise and value** to the business
  - Accelerate the growth trajectory of NI through leveraging Abraaj's industry expertise and access to their portfolio companies
  - Extend NI's geographic presence (e.g. Pakistan, India, Turkey and Levant )
  - Develop global distribution and strategic alliances
  - Advance and execute successful acquisition strategies
  - Work with CEOs and CTOs to optimise technology strategy and processes

### Financial Impact on Emirates NBD

- In **2010**, the assets and liabilities were disclosed as **assets held for sale**
- **In H1 2011**:
  - **Profit of AED 957 million on sale** of 49% stake recognised
  - Due to effective **joint control post-closing** NI ceased to be a subsidiary of the Group and was **accounted for as a jointly controlled entity**
  - The **remaining 51%** retained was **fair valued** at 31 March 2011, resulting in an **unrealised profit of AED 856 million**
  - **Contingent earn-out** will be **recognised as income once receipt is virtually certain**

### Calculation of Initial Profit on the Transaction (AED million)

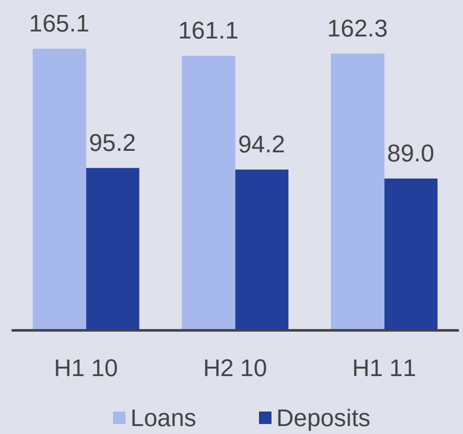


# Divisional Performance

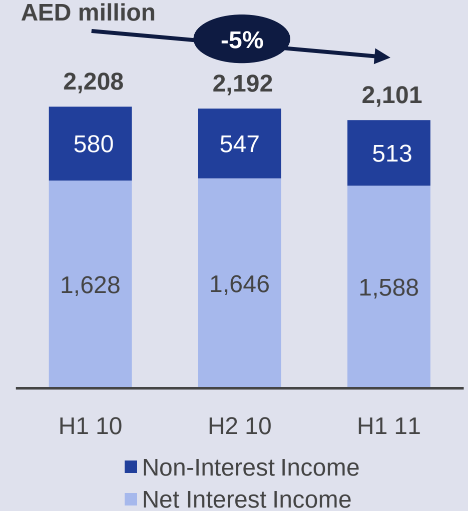
## Wholesale Banking

- **Key focus** during the period was on balance sheet optimisation, continued proactive management of credit quality, building non-risk based and fee generating businesses and selective growth in new underwriting
- **Revenue declined 5% YoY** due to a decline in fee income
- **Loans** rose by 1% from end-2010 evidencing a pickup in new underwriting during the first half
- **Deposits** declined 6% from end-2010 resulting from pro-active balance sheet optimisation initiatives

Balance Sheet Trends
AED billion



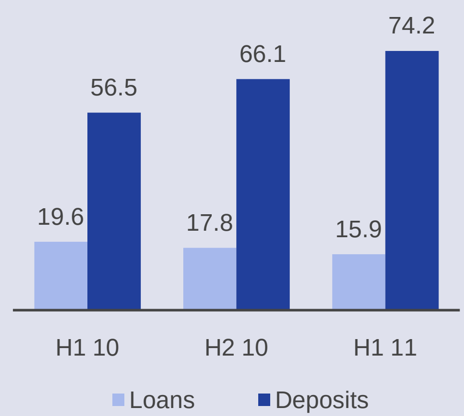

Revenue Trends
AED million



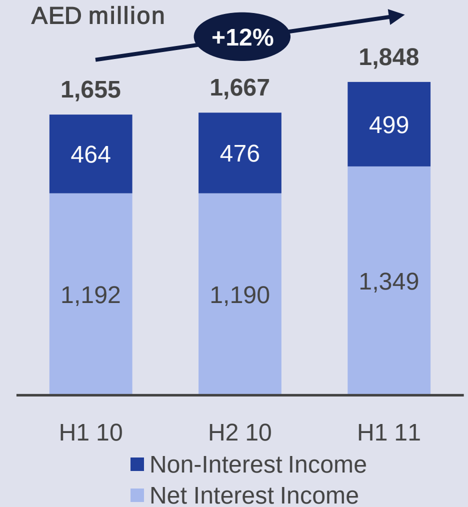

## Consumer Banking & Wealth Management

- CWM **maintained its position** in challenging market conditions
- **Continued expansion in Private Banking** business; now 64 RMs; Combined Assets & Liabilities (CAL) increased by 18% during H1 2011 to reach AED 33.7 billion
- **Revenue** improved 12% year-on-year due to strong growth in both net interest and non-interest income
- **Deposits** grew 12% from end-2010 despite downward re-pricing; loans declined 10% from end-2010 as new underwriting opportunities remain limited
- Total number of **branches** now 109 through the addition of 2 branches in Dubai and 2 branches in Abu Dhabi during H1 2010; the ATM & SDM network totals 633

Balance Sheet Trends
AED billion




Revenue Trends
AED million

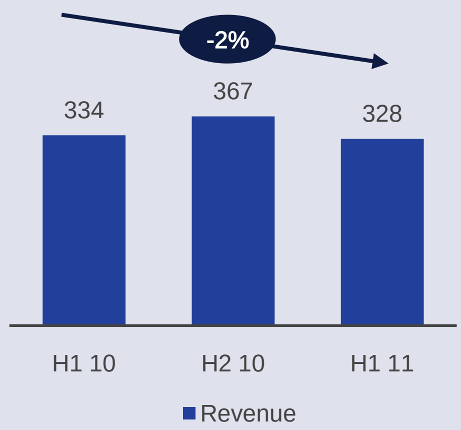


# Divisional Performance

## Global Markets & Treasury

- **Revenue declined marginally by 2%** in H1 2011 to AED 328 million driven mainly by lower sales and trading income and lower gains on principal investments
- **Trading business** revenue in H1 2011 was **impacted by** the **regional geopolitical tensions**, financial **crisis in some European countries** and the **natural disaster in Japan** resulting in increased volatility in global equity markets and lower foreign institutional interest in Regional markets
- During H1 2011, **Treasury sales** saw **reduced income from sales of balance sheet hedging products** as the low interest rate environment continued to affect clients' decisions to hedge their interest rate exposure although a moderate pickup in activity occurred towards the end of Q2 2011
- The **foreign exchange flow business** is showing signs of **improvement** with both corporate and retail clients in line with increased regional trade

Revenue Trends
AED million

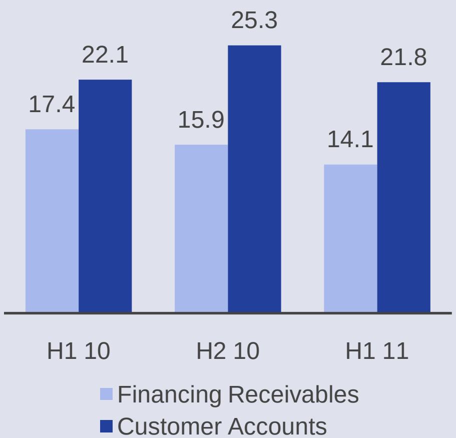



## Emirates Islamic Bank

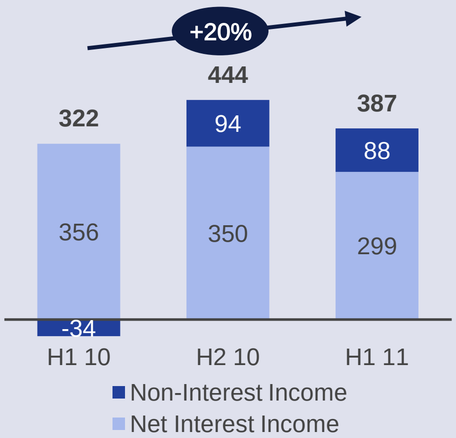
- **EIB revenue increased by 20%** YoY to AED 387 million in H1 2011 (net of customers' share of profit), aided by a reduction in negative revaluations on investment properties
- **Financing receivables declined 12%** to AED 14.1 billion from end-2010
- **Customer accounts declined by 14**% to AED 21.8 billion from end-2010 due to balance sheet optimisation initiatives
- Total number of EIB **branches** is now 32 through the addition of 1 branch in Dubai and 1 branch in Sharjah during H1 2011; the ATM & SDM network totals 98

*Note: Stand-alone Financial Statements for Emirates Islamic Bank may differ from these results due to consolidation adjustments*

Balance Sheet Trends
AED billion




Revenue Trends
AED million



# Contents


Operating Environment

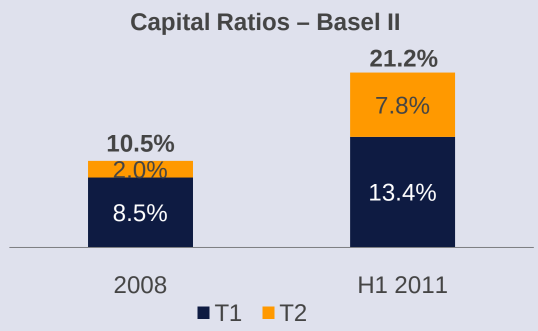
Emirates NBD Profile

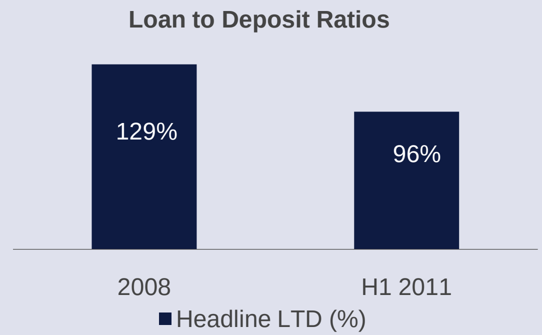
Financial and Operating Performance

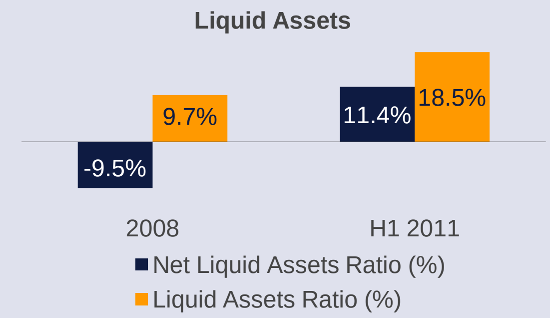
**Strategy and Outlook**

# More than two years on from the crisis, the Bank is better positioned for the future

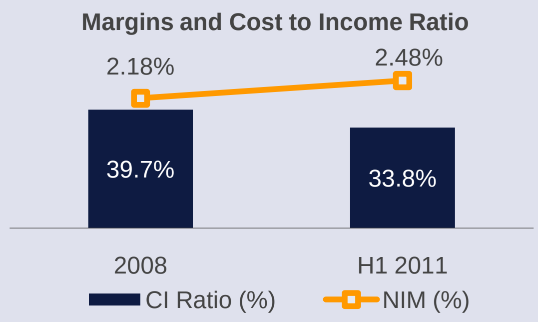
**Stronger capital base and liquidity**

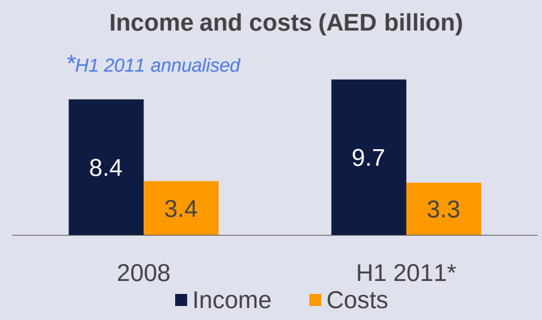


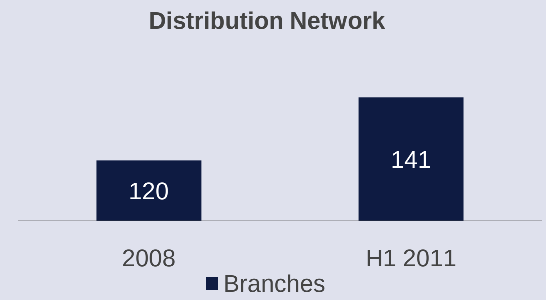



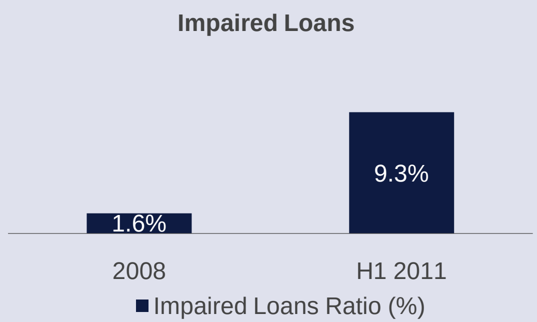

**Stronger income generating ability and improved efficiency**

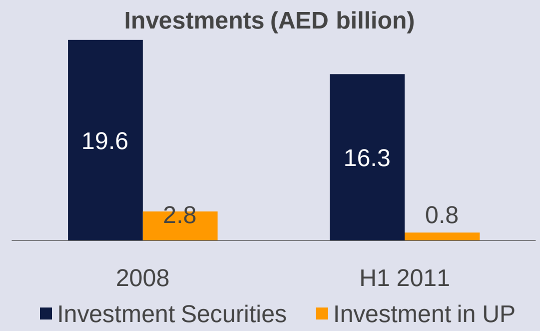


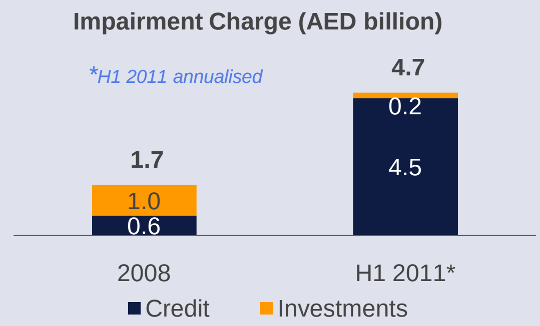




**Significantly de-risked the balance sheet**




Completed largest Financial Services Merger in the Region, with scalable new-generation platforms and strong brand, culture and franchise

# Emirates NBD's strong brand, culture and franchise




The Banker

GLOBAL FINANCE

middle east
investor relations
society
*award winner 2010*

EUROMONEY


# Strategic Imperatives are Evolving

**Gradual Shift in Focus from Strengthening the Bank to Growth Acceleration**

2008 | 2009 | 2010 | 2011 | 2012

Crisis Management | Strengthening the Bank | Growth Acceleration

1. **Optimise Balance Sheet**
   - Capitalisation
   - Liquidity
2. **Enhance Profitability**
   - Operating efficiency
   - Margins and fee generation
3. **Enhance Risk Management**
4. **Selective Investment in Growth Areas**

1. **Optimise Balance Sheet**
   - Capital allocation
   - Funding Efficiency
2. **Drive Profitability**
   - Key account planning
   - Customer service/retention
3. **Enhance Platforms**
4. **Measured Investment in Growth Areas**

# Strategic Imperatives for 2011

<table>
<tr><th></th><th>Objectives</th><th>Evidence of Success in H1 2011</th></tr>
<tr><td>Optimise Balance Sheet and Capital allocation</td><td>
<ul>
<li>Increase lending activities in identified pockets of growth, e.g. SME lending, cards, …</li>
<li>Further diversifying funding sources with a focus on reducing cost of funding</li>
<li>Review all Group companies (subsidiaries and associate companies) and decide on divestment opportunities, increasing stakes or complementary acquisitions</li>
</ul></td><td>
<ul>
<li>Successfully managed Headline LTD ratio within 95%-100% target range ; grew CASA balances by AED 9.7 billion, improving CASA % of total deposits to 35% from 31% at end-2010</li>
<li>Completed bank-wide economic profit framework</li>
<li>Conducted LT2 exchange offer to extend maturity of liabilities at attractive rates</li>
<li>Closed sale of 49% stake in Network International at lucrative PE multiple of 21 and recognised gain of AED 1.8 billion</li>
</ul></td></tr>
<tr><td>Drive Profitability</td><td>
<ul>
<li>Management focus on yield optimisation</li>
<li>Extending Key account planning capturing a larger share of wallet of existing broad customer base through cross-sell Treasury and Investment Banking services to corporate clients</li>
<li>Increasing fee income through enhanced sales efficiency for FX, investment and banc-assurance products</li>
<li>Improve customer retention and deliver distinctive customer service</li>
<li>Continue implementation of revised spend control processes</li>
<li>Capturing significant efficiency and process improvements through Outsourcing</li>
</ul></td><td>
<ul>
<li>Reduced deposit funding costs by 27 bps from Q4 2010</li>
<li>Used Key account planning to capture larger share of trade finance business of existing customers; pilot being rolled out across the Corporate network</li>
<li>Increasing fee income in CWM by 8% YoY through enhanced sales efficiency (i.e. cards acquisition increased by 80%) and build-up of wealth management and bancassurance team for Retail and Priority banking</li>
<li>Progressing well on evaluating outsourcing options to increase process efficiency and reduce cost</li>
</ul></td></tr>
</table>

# Strategic Imperatives for 2011

| | Objectives | Evidence of Success in H1 2011 |
|---|---|---|
| **Enhance Platforms** | ▪ **Further enhance employee proposition** through talent/leadership development as well as performance and retention management<br>▪ Continued **enhancement of the Group wide Risk strategy** and alignment of policies to defined risk appetite<br>▪ **Roll-out of Group wide service Excellence effort** as part of a change management program along all customer touch points<br>▪ Continuously **upgrading and enhancing IT platforms** | ▪ **Launched Managerial Leadership Program** in partnership with HULT International Business School<br>▪ **Risk Strategy revised ;** bank-wide roll-out and integration with economic profit framework planned in H2<br>▪ **Service improvements** through rigorous analysis of findings from customer surveys and mystery shopping; front-line program designed and being rolled-out over next quarters<br>▪ **Further strengthen IT platforms for international locations**: FinnOne roll-out in KSA and Finacle roll-out in London |
| **Measured Investment in Platforms for Growth** | ▪ **Exploit domestic opportunities**<br>– Implementation of Private Banking growth plan and strengthening SME segment<br>– Continued distribution network expansion / optimisation<br>– Continued roll-out of Abu Dhabi growth plan<br>▪ **Exploit international opportunities**<br>– Implementation of organic growth plan for KSA and detailing growth strategies for all other existing locations<br>– Proactively pursuing inorganic regional expansion opportunities | ▪ **Exploit domestic opportunities**<br>– Further increase of Private Banking RMs and build-up of SME team (increase of around 30 RMs across these businesses)<br>– 6 new branches, 2 in Dubai, 3 in Abu Dhabi and 1 in Sharjah taking total number of branches to 141, plan to open at least 10 more branches in 2011 across the UAE<br>– Direct sales force team almost doubled to 690 FTE<br>▪ **Exploit international opportunities**<br>– Establishing KSA onshore wealth management platform for PB and Retail Business, further build-up of alternate channels including increase of DSF from around 60 to 200 |

# Outlook

- Conditions in the **local economy** have **continued to improve** in H1 2011 and UAE GDP growth for 2011 is expected to reach 4.6% compared with our previous expectation of 4.0%
  - Economic signals offer evidence of take-off in non-oil economy, particularly in trade, logistics and hospitality
  - Average oil prices remain 40% higher in H1 2011 than in 2010 while UAE oil production rose in H1 2011
  - PMI data indicates strong private sector growth in H1, although the pace of expansion has slowed in Q2 2011
  - Domestic liquidity conditions have improved as bank deposits have grown strongly (+16% YoY in May 2011) and interbank rates have declined, particularly in Q2 2011
  - The improving fundamentals are reflected in a narrowing of CDS spreads for both Abu Dhabi and Dubai
- **Regional unrest** temporarily took a toll on local markets in **Q1 2011** as global investors cut risk across MENA, although conditions have **improved considerably since**
- Q2 2011 witnessed **renewed concern** over some **European** and more recently the **US economy and debt burdens**; while this has impacted local and regional investment markets, the economic impact has to date not been significant
- **Emirates NBD is well placed** to take advantage of the expected improved economic conditions
  - The Bank has a clear strategy in place to invest in and take advantage of growth opportunities
  - Liquidity is strong and greater visibility of and comfort with asset quality allows selective risk-taking

# Summary

- Strong financial performance with **net profit for H1 2011** of AED 2.2 billion, **up 43% from H1 2010**
- **Top-line trends encouraging** with pickup in HoH net interest income and non-interest income of 1% and 10% respectively
- **Improvement** of 1% **in impaired loans ratio** and reduced provisioning/NPL formation trends in H1
  Significant further addition to portfolio impairment allowances, offering future absorption capacity
- **Capitalisation and liquidity** continue to be **extremely strong**, offering flexibility to take advantage of growth opportunities
- Emirates NBD has a **clear strategy** in place to take advantage of the **expected improved economic conditions and growth**

# APPENDIX A

Awards

# 2011 Awards

February 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

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

# 2011 Awards

May 2011 – “E-Banking Excellence” Award for  2011 the Middle East Excellence Awards Institute 2011


May 2011- “The Leading PR/Marketing Company” by Arab Achievement Award 2011


June 2011 – “Best Fund Management Company” at Arab Achievement Awards 2011

# APPENDIX B

## Asset Quality Disclosures

# Additional Asset Quality Disclosures

## Investment /CDS Income and Impairments

| AED million | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2008 | Q1 09 | Q2 09 | Q3 09 | Q4 09 | 2009 | Q1 10 | Q2 10 | Q3 10 | Q4 10 | 2010 | Q1 11 | Q2 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income:** | | | | | | | | | | | | | | | | | |
| Investment Securities | 31 | 49 | (265) | (504) | (689) | 6 | 241 | 120 | 54 | 421 | 172 | (7) | 143 | 48 | 356 | (12) | 72 |
| CDS | (111) | 21 | (107) | (258) | (455) | (70) | 248 | 157 | (105) | 230 | 71 | 1 | 42 | 61 | 175 | 24 | 29 |
| **Total Income Impact** | (80) | 70 | (372) | (762) | (1,144) | (64) | 489 | 277 | (51) | 651 | 243 | (6) | 185 | 109 | 531 | 12 | 101 |
| **Impairments:** | | | | | | | | | | | | | | | | | |
| Investment Securities | (193) | (140) | (207) | (471) | (1,011) | (144) | (58) | (64) | (82) | (348) | (35) | (44) | (76) | (105) | (260) | (35) | (57) |
| **Total P&L Impact** | (273) | (70) | (579) | (1,233) | (2,155) | (208) | 431 | 213 | (133) | 303 | 208 | (50) | 109 | 4 | 271 | (23) | 44 |
| | | | | | | | | | | | | | | | | | |
| **Balance Sheet:** | | | | | | | | | | | | | | | | | |
| Fair Value Reserves | (225) | 359 | (465) | (1,479) | (1,810) | (128) | 523 | 197 | 324 | 916 | 307 | 35 | (329) | 751 | 764 | 127 | 121 |
| **Total Balance Sheet Impact** | (225) | 359 | (465) | (1,479) | (1,810) | (128) | 523 | 197 | 324 | 916 | 307 | 35 | (329) | 751 | 764 | 127 | 121 |
| | | | | | | | | | | | | | | | | | |
| **Overall Impact:** | | | | | | | | | | | | | | | | | |
| Total Investment Securities | (387) | 268 | (937) | (2,454) | (3,510) | (266) | 706 | 253 | 296 | 989 | 444 | (16) | (262) | 694 | 860 | 80 | 136 |
| CDS | (111) | 21 | (107) | (258) | (455) | (70) | 248 | 157 | (105) | 230 | 71 | 1 | 42 | 61 | 175 | 24 | 29 |
| **Total Impact** | (498) | 289 | (1,044) | (2,712) | (3,965) | (336) | 954 | 410 | 191 | 1,219 | 515 | (15) | (220) | 755 | 1,035 | 104 | 165 |

*Note: Investments/CDS income includes dividend income and realised /unrealised gains/(losses) on investment, trading and CDS securities*

# Additional Asset Quality Disclosures (cont'd)

## Credit Metrics

| AED million | Q1 08 | Q2 08 | Q3 08 | Q4 08 | 2008 | Q1 09 | Q2 09 | Q3 09 | Q4 09 | 2009 | Q1 10 | Q2 10 | Q3 10 | Q4 10 | 2010 | Q1 11 | Q2 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **P&L Impairment Allowances:** | | | | | | | | | | | | | | | | | |
| Credit – Specific | 32 | 99 | 58 | 242 | 431 | 94 | 584 | 473 | 533 | 1,684 | 442 | 481 | 1,203 | 469 | 2,595 | 706 | (57) |
| Credit – PIP | 38 | 10 | 33 | 130 | 211 | 224 | 507 | 226 | 330 | 1,287 | 78 | 468 | (338) | 127 | 335 | 16 | 343 |
| Other - PIP | - | - | - | - | - | - | - | - | - | - | - | 200 | 300 | (500) | - | 612 | 638 |
| Investment Securities | 193 | 140 | 207 | 471 | 1,011 | 144 | 58 | 64 | 82 | 348 | 35 | 44 | 76 | 105 | 260 | 35 | 57 |
| **Total Impairment Allowances** | 263 | 249 | 298 | 843 | 1,653 | 462 | 1,149 | 763 | 945 | 3,319 | 555 | 1,193 | 1,241 | 201 | 3,190 | 1,369 | 981 |
| **Balance Sheet Impairment Allowances:** | | | | | | | | | | | | | | | | | |
| Credit – Specific | 1,452 | 1,472 | 1,523 | 1,762 | 1,762 | 1,864 | 2,428 | 2,903 | 3,417 | 3,417 | 3,756 | 4,205 | 5,404 | 5,864 | 5,864 | 6,554 | 6,481 |
| Credit – PIP | 317 | 418 | 441 | 571 | 571 | 795 | 1,301 | 1,528 | 1,858 | 1,858 | 1,936 | 2,403 | 2,066 | 2,193 | 2,193 | 2,209 | 2,552 |
| Other - PIP | - | - | - | - | - | - | - | - | - | - | - | 200 | 500 | - | - | 612 | 1,250 |
| Investment Securities | 0 | 0 | 10 | 981 | 981 | 1,016 | 1,073 | 1,068 | 673 | 673 | 411 | 326 | 268 | 265 | 265 | 270 | 267 |
| **Total Impairment Allowances** | 1,769 | 1,890 | 1,973 | 3,314 | 3,314 | 3,675 | 4,802 | 5,499 | 5,947 | 5,947 | 6,103 | 7,133 | 8,238 | 8,322 | 8,322 | 9,645 | 10,550 |
| **Impaired Loans:** | | | | | | | | | | | | | | | | | |
| Credit | 1,723 | 1,816 | 1,847 | 1,976 | 1,976 | 2,548 | 3,382 | 4,060 | 5,041 | 5,041 | 5,717 | 6,087 | 16,671 | 20,201 | 20,201 | 20,913 | 18,655 |
| Investment Securities | 262 | 220 | 233 | 1,316 | 1,316 | 1,316 | 1,316 | 1,201 | 789 | 789 | 526 | 435 | 363 | 361 | 361 | 371 | 369 |
| **Total Impaired Loans** | 1,984 | 2,035 | 2,081 | 3,292 | 3,292 | 3,864 | 4,698 | 5,261 | 5,830 | 5,830 | 6,243 | 6,522 | 17,034 | 20,562 | 20,562 | 21,284 | 19,024 |
| **Loans & Receivables, gross of impairment allowances:** | | | | | | | | | | | | | | | | | |
| Credit | 174,508 | 187,115 | 202,267 | 209,870 | 209,870 | 215,729 | 219,102 | 220,427 | 218,994 | 218,994 | 216,936 | 210,089 | 208,608 | 204,758 | 204,758 | 203,418 | 203,140 |
| Investment Securities | 3,145 | 2,720 | 2,587 | 2,374 | 2,374 | 2,344 | 2,332 | 2,183 | 1,569 | 1,569 | 1,122 | 791 | 775 | 660 | 660 | 671 | 567 |
| **Total Loans & Receivables** | 177,653 | 189,835 | 204,854 | 212,244 | 212,244 | 218,073 | 221,434 | 222,610 | 220,563 | 220,563 | 218,058 | 210,880 | 209,383 | 205,418 | 205,418 | 204,089 | 203,707 |

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