

For immediate release

## **Emirates NBD Announces 2010 First Half Results**

### **Robust first half performance**

**Total Income of AED 4.9 billion; Net Profit of AED 1.5 billion**

**Dubai, 26 July 2010**

Emirates NBD (DFM: EmiratesNBD), the leading bank in the region, today announced its results for the six months ended 30 June 2010.

### **Results Highlights**

- ❑ **H1 2010 total income of AED 4.9 billion**, down 11% compared with H1 2009
  - Net interest income in H1 2010 of AED 3.5 billion, down 5% versus H1 2009
  - Core non-interest income down 7% compared with H1 2009
- ❑ **Cost rationalisation initiatives proving successful:**
  - Operating expenses of AED 1.6 billion in H1 2010, down 13% from H1 2009
  - Lower cost to income ratio of 32.4% (H1 2009: 32.8%)
- ❑ **Credit quality tightly managed and trends remain within expectation:**
  - NPL ratio of 2.88% at H1 2010 compared with 2.36% at the end of 2009
  - Prudent addition to portfolio impairment allowances of AED 745 million in H1 2010, taking total portfolio impairments to AED 2.6 billion and increasing provision coverage to 117% from 105% at the end of 2009
- ❑ **Continued progress on balance sheet optimisation initiatives:**
  - Customer deposits at AED 197.6 billion, up 9% from AED 181.2 billion at the previous year-end
  - Customer loans at AED 203.7 billion, down 5% from AED 214.6 billion at the end of 2009
  - Headline loan to deposit ratio of 103% as at 30 June 2010 compared with 118% at the end of 2009
  - Capital adequacy ratio on a Basel II basis further strengthened to 19.6% compared with 18.7% at the end of 2009
- ❑ **Net profit for H1 2010 down 28%** from the same period in 2009 to AED 1.5 billion
- ❑ **Earnings per Share down 28%** to AED 0.27 (H1 2009: 0.38)

**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 first half of 2010, reflecting the strength of our business model and cementing our position as the region's leading banking group. Whilst uncertainties and challenges remain in the global economic environment, we remain optimistic about the sustainability of the expected economic recovery both globally and regionally and our ability to capitalise on value-adding opportunities for our shareholders. We are confident about the strength and capabilities of Emirates NBD to continue to realise more success."

**Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said:** "During the first half of 2010 we have made significant progress toward the achievement of our strategic objectives. Balance sheet optimisation initiatives have yielded a significant improvement in our funding profile while capitalisation levels have further strengthened. In addition, we have continued to reduce operating expenses from ongoing rationalisation and our ability to leverage off the completion of the integration in 2009. Credit metrics remain in line with our expectations and profitability remains good despite having conservatively added to our portfolio impairments during the period. Finally, we have continued to invest in selected platforms for growth such as our Private Banking business and Abu Dhabi expansion and are well positioned to capitalise on expected improvements in economic activity."

## Financial Review

| AED million                                          | 6 months ended<br>30 June 2010 | 6 months ended<br>30 June 2009 | Change<br>(%) |
|------------------------------------------------------|--------------------------------|--------------------------------|---------------|
| Total income                                         | 4,870                          | 5,499                          | -11%          |
| Operating expenses                                   | (1,578)                        | (1,806)                        | -13%          |
| <b>Operating profit before impairment allowances</b> | <b>3,292</b>                   | <b>3,693</b>                   | <b>-11%</b>   |
| Impairment allowances                                | (1,747)                        | (1,611)                        | +8%           |
| <b>Operating profit</b>                              | <b>1,545</b>                   | <b>2,082</b>                   | <b>-26%</b>   |
| Amortisation of intangibles                          | (47)                           | (47)                           | -             |
| Associates                                           | 15                             | 76                             | -80%          |
| <b>Net profit</b>                                    | <b>1,513</b>                   | <b>2,111</b>                   | <b>-28%</b>   |
| Cost to income ratio (%)                             | 32.4%                          | 32.8%                          | -0.4%         |
| Net interest margin (%)                              | 2.57%                          | 2.81%                          | -0.24%        |
| EPS (AED)                                            | 0.27                           | 0.38                           | -28%          |
| Return on average shareholders' equity (%)           | 13.6%                          | 20.9%                          | -7.3%         |

| AED billion                           | As at<br>30 June 2010 | As at<br>31 Dec 2009 | Change<br>(%) |
|---------------------------------------|-----------------------|----------------------|---------------|
| Total assets                          | 282.3                 | 281.6                | +0%           |
| Loans                                 | 203.7                 | 214.6                | -5%           |
| Deposits                              | 197.6                 | 181.2                | +9%           |
| Capital Adequacy Ratio – Basel II (%) | 19.6%                 | 18.7%                | +0.9%         |
| Tier 1 Ratio – Basel II (%)           | 12.5%                 | 11.9%                | +0.6%         |

### **Total Income**

*Total income* for the first half of 2010 declined by 11% to AED 4,870 million compared with AED 5,499 million in H1 2009. In the second quarter of 2010, total income declined by 20% compared with Q2 2009 (AED 2,885 million).

*Net interest income* declined 5% to AED 3,452 million in the first half of 2010 compared with AED 3,643 million in the comparable period of 2009 due to a reduction in the net interest margin to 2.57% from 2.81%. The margin decline was attributable primarily to contraction of spreads generated from interbank funding. Net interest income for the second quarter of 2010 was however stable at AED 1,723 million compared with Q2 2009 of AED 1,716 million and Q1 2010 of AED 1,729 million.

*Non-interest income* recorded a year-on-year decline of 24% to AED 1,418 million in H1 2010. The decrease was largely driven by a lower income from investment and other securities as well as lower fees relating to trade finance and underwriting. Core non-interest income in H2 2010 declined by 7% and 5% compared with H1 2009 and H2 2009 respectively.

### **Total Costs**

Costs in H1 2010 and Q2 2010 amounted to AED 1,578 million and AED 711 million respectively, a reduction of 13% over H1 2009 and 20% over Q2 2009 levels. The cost to income ratio decreased to 32.4% in H1 2010 compared with 32.8% in H1 2009 which was achieved through proactive cost management and the continued realisation of integration synergies while maintaining substantial investment in the bank's distribution and technology infrastructure as well as in the governance and control environment.

### **Credit Quality and Impairments**

Emirates NBD's credit quality remains satisfactory across the Bank's corporate and retail portfolios, with delinquencies and non-performing loans increasing within expected levels. The NPL ratio, excluding impaired investment securities, increased to 2.88% in Q2 2010 from 2.36% reported in Q4 2009.

The impairment allowance on financial assets in respect of H1 2010 grew to AED 1,747 million compared with AED 1,611 million in H1 2009. This was driven by an expected increase in specific impairments across retail and corporate portfolios and the addition of AED 745 million to portfolio impairment provisions during H1 2010 as a measure of prudence in the current environment, partly offset by lower impairments on investment securities.

### **Net Profits**

Net profits for the Group were AED 1,513 million for H1 2010, 28% below the profits posted in H1 2009 of AED 2,111 million but 23% ahead of net profits in H2 2009 of AED 1,231 million.

### **Customer Loans and Deposits**

Customer Loans as at 30 June 2010 (including Islamic financing) declined by 5% from end-2009 levels to AED 203.7 billion.

Customer Deposits as at 30 June 2010 were AED 197.6 billion, an increase of 9% over the customer deposit base as at 31 December 2009.

### **Capital**

The Bank's total capital adequacy ratio on a Basel II basis continued to strengthen to 19.6% from 18.7% at the end of 2009. The Bank's Tier 1 capital ratio also improved from 11.9% at 31 December 2009 to 12.5% at 30 June 2010. This increase in capitalisation was mainly due to the strong retained earnings generated during the period and a reduction in risk weighted assets of 3%.

## **Business Performance**

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

The Consumer Banking and Wealth Management division of the bank continues to grow and strengthen its position in challenging market conditions.

Income for the division was broadly stable at AED 1,655 million for H1 2010 as compared with AED 1,676 million for H1 2009.

The deposit base grew by 4% during H1 2010, to reach AED 56.5 billion; in a market where the deposit base continues to shrink. On the other hand the asset growth was cautious and targeted towards high quality assets.

Interest Margins continue to be under pressure which has been off-set by a strong focus on reducing operational costs, growing our fee income and also increased contribution from our International businesses. Launching innovative products which are relevant to our customers, for example Flexible Deposits which allow partial withdrawals while keeping the rest of the fixed deposit intact, have helped us maintain our strong leadership position in the market.

The Private Banking business continues to be a success story for the Bank; the business now has strength of nearly 60 relationship managers and a rapidly growing customer base. Current recognition as the “Best Private Bank in the UAE” by the 2010 Euro Money Private Banking survey is a strong testimonial of the success of the PB business.

We continue our focus on optimizing the branch and ATM network to better serve our customers. Abu Dhabi is a key component of our distribution expansion and we opened 2 new branches during H1 2010 with others in the pipeline.

### **Corporate Banking**

The Corporate Banking arm of the bank witnessed a positive first half of 2010 with financial and business growth over previous periods despite continued subdued economic conditions. Its dedicated focus on liquidity management has resulted in an additional AED 12 billion of customer deposits during H1 2010 to reach AED 95.2 billion. The loan portfolio decreased by 4% to AED 165.1 billion from the end of 2009.

Corporate Banking continued to enhance its customer service aspects and product range through a host of banking products to add depth to client relationships. Due to incentives offered for online banking to enhance efficiency, an increased number of customers are expected to shift from bank counters to alternative delivery channels like ‘Smart BUSINESS’ and ‘Trade Online’.

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

GMT reported total income of AED 334 million for the first half of 2010 driven by good returns in equities and capital markets. With a return to normalisation of markets, there was a contraction in the spreads generated from interbank funding during H1 2010 compared with the same period in 2009 and this resulted in a drop in net interest income for Treasury. The stabilisation of the equity and financial markets in the latter half of 2009 resulted in an improvement in fees, commissions and other income in the first half of 2010 compared with the same period of 2009. The Trading business had an excellent first half, capitalising on favourable opportunities in the Middle East equity and credit markets.

### **Network International**

Operating revenues for Network International, the Bank’s market leading card acquiring and processing business, grew from H1 2009 to reach AED 192 million in H1 2010. The primary driver of revenue growth was a 14% increase in processing revenues.

2010 saw Network International announce the launch of key services in offering “pay in your currency” and “e-Top up” capability on the merchant acquiring end. The company has achieved an expansion of its service

offering on the processing business side to offering processing for prepaid and gift cards through a strategic technology partnership with M2 Financials Limited.

As at 30 June 2010 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 and processing cards for 49 banks and financial institutions in the region.

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

Total income (net of customers' share of profit) for EIB was AED 322 million for H1 2010, a decline of 18% from H1 2009. Customer accounts grew by 8% at AED 22.1 billion during the first half of 2010 while financing receivables declined 3% to AED 17.4 billion from end-2009.

As at 30 June 2010, EIB's branch network totaled 31 with an ATM and SDM network of 74 and 27 respectively.

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

Emirates NBD is continuing to realise the benefit of the synergies created by the integration of the systems and IT resources. The successful integration of IT Systems and Operations has brought Emirates NBD local and international accolades. During the first half of 2010, Emirates NBD was the winner of the Financial Sector Technology (FST) "System Integration Project of The Year" award and the Al Barsha Data Center project received the "Best Banking and Finance Technology Implementation" award from Arabian Computer News (ACN). Further, Emirates NBD was awarded the Banker Middle East Award for Best Use of Technology during Q2, 2010.

The IT infrastructure has been consolidated at Barsha Data Center resulting in reduction in IT operations costs. The IT teams have been restructured and collocated to improve their efficiency. Post the stabilization of integrated systems, new IT initiatives are being taken up for UAE as well as international branches.

## **Outlook**

While the first quarter of 2010 witnessed early signs of stability and increased economic activity and confidence in the UAE, economic activity and credit expansion in the second quarter remained relatively subdued as a result of renewed global uncertainties. Nevertheless, Emirates NBD remains optimistic about the sustainability of the expected economic recovery both globally and regionally. In the UAE banking sector, good progress is being made in resolving key debt restructurings and expected resolution during the next half year is expected to improve confidence and activity. In addition, the financial sector is now showing signs of emerging from the deleveraging process which commenced at the end of 2008.

Emirates NBD will continue to focus its strategic efforts on balance sheet optimisation, improving profitability and enhancing risk management. At the same time, the Bank continues to invest selectively in platforms for growth and is well-placed to take advantage of the expected improving economic fundamentals.

**END**

**Notes to editors:**

**Awards**

|                                                                                    |               |
|------------------------------------------------------------------------------------|---------------|
| <b>Banker Middle East Award 2010 in the Best Use of Technology</b>                 | June 2010     |
| <b>Banker Middle East Products Award for Best Personal Loan</b>                    | April 2010    |
| <b>Sh. Mohammed bin Rashid Al Maktoum "Supporters of the Arts Award"</b>           | March 2010    |
| <b>2010 FST London award for "Systems Integration Project of the Year"</b>         | March 2010    |
| <b>"Best Private Bank in the UAE" by the 2010 Euromoney Private Banking Survey</b> | February 2010 |
| <b>The number one banking brand in the Middle East by The Banker</b>               | February 2010 |

**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 133 branches, 584 ATMs and 156 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, the United Kingdom and Jersey (Channel Islands), and representative offices in India, Iran and Singapore. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

**For more information**

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