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Emirates NBD Announces First Quarter 2009 Results

Solid first quarter performance

Net profit reached AED 1.3 billion, an increase of 5% versus Q1 2008

Total income grew 20% year on year to AED 2.6 billion

Dubai, United Arab Emirates, 29 April 2009: Emirates NBD (DFM ticker: EmiratesNBD), the Middle East's largest banking group by assets, today announces its results for the quarter ended 31 March 2009.

Results Highlights

- **Net profit for the first quarter of 2009 up 5%** from the same period in 2008 to AED 1.3 billion
- **1st Quarter total income of AED 2.6 billion**, up 20% over the 1st quarter of 2008 and 47% from the 4th quarter of 2008
- **Earnings per Share up 5%** to AED 0.25 (Q1 2008: 0.24)
- **Total assets stable** at **AED 281.4 billion** compared to AED 282.4 billion at the end of 2008
- **Customer loans** at **AED 214.4 billion**, **up 3%** from AED 208.9 billion at the end of 2008
- **Customer deposits** at **AED 170.5 billion, up 5%** from AED 162.3 billion at the previous year-end
- **Return on average shareholders' equity of 25.6% (Q1 2008: 25.5%)**
- **Lower cost to income ratio of 34.9% due to ongoing cost rationalisation** (Q1 2008: 37.6%, Q4 2008: 46.6%)
- **Capital adequacy ratio strengthened to 16.2%** from 11.4% at end of 2008 primarily due to conversion of AED 9.3 billion of AED12.6 billion Ministry of Finance deposits to Tier 2 Capital
- **Integration** fully on track for targeted completion in the 3rd quarter of 2009

Commenting on the Group's performance, His Excellency Ahmed Humaid Al Tayer, Chairman of Emirates NBD said: "This is a strong set of quarterly results that reflect healthy performance within a challenging environment. The robust Emirates NBD model focuses on balanced growth across all business divisions and combined with our scale and market leading status, positions the Bank to deliver a strong performance in 2009. Current economic conditions and our healthy capital position provide the foundation to further solidify our standing in the region."

Emirates NBD's Chief Executive Officer, Mr. Rick Pudner, said: "We have seen robust revenue and profit growth this quarter driven primarily by the broad-based strength of our businesses, as well as cost efficiencies resulting from ongoing rationalisation and the integration process. In these challenging times the relationship with all our customers and the service we provide to them is of paramount importance and we will continue to ensure excellence is at the heart of everything we do. During the current downturn we continue to focus on effective management of our balance sheet, capital and risk to further fortify our position and deliver value to our clients and shareholders over the long-term."

Financial Review

AED m	Quarter ending 31.03.09	Quarter ending 31.03.08	Change (%)
Total income	2,612	2,183	+20%
Operating expenses	(911)	(820)	+11%
Impairment allowances	(462)	(263)	+76%
Operating profit	**1,239**	**1,100**	**+13%**
Amortization of intangibles	(23)	(20)	+15%
Associates	44	117	-63%
Net profit	**1,259**	**1,196**	**+5%**
Cost to income ratio (%)	34.9%	37.6%	-2.7%
Net interest margin (%)	2.76%	2.09%	+0.67%
EPS (AED)	0.25	0.24	+5%
Return on average shareholders' equity (%)	25.6%	25.5%	+0.1%

AED b	As at 31.03.09	As at 31.12.08	Change (%)
Total assets	281.4	282.4	-0.3%
Loans	214.4	208.9	+2.6%
Deposits	170.5	162.3	+5.0%
Capital Adequacy Ratio (%)	16.2%	11.4%	+4.8%

Total Income

Total income for the quarter grew 20% to AED 2,612 million from AED 2,183 million in Q1 2008 and increased by 47% over Q4 2008.

Net interest income reached AED 1,928 million, an increase of 40% from Q1 2008 and 14% from Q4 2008. The increase from Q4 2008 was primarily driven by controlled growth across corporate and retail businesses, as well as an increase in the net interest margin in Q1 2009 to 2.76% compared to 2.37% in Q4 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 15% to AED 685 million in Q1 2009. The decline was led lower fees relating to trade finance and new underwriting activities. In comparison to the Q4 2008, non-interest income grew by AED 595 million as a result of lower mark to market write-downs on investment and other securities.

Total Costs

Costs in Q1 2009 amounted to AED 911 million, an increase of 11% over Q1 2008 and 10% over Q4 2008 levels. The cost to income ratio decreased to 34.9% in Q1 2009 compared to 37.6% in Q1 2008. The positive, widening gap between income and expenses is due to proactive cost management and the accelerated realization of integration synergies.

Asset Quality and Impairments

Emirates NBD's credit quality remains healthy across the Bank's corporate and retail portfolios, although an expected moderate increase in delinquencies and non-performing loans has been witnessed. The NPL ratio, excluding impaired investment securities, increased to 1.2% in Q1 2009 from 1.0% reported in 2008.

The impairment allowance on financial assets for Q1 2009 grew 76% to AED 911 million compared to the Q1 2008, mainly driven by the addition of AED 224 million to portfolio impairment provisions as a measure of prudence in the current environment.

Net Profits

Net profits for the group were AED 1,259 million for Q1 2009, an increase of 5% compared to the same quarter in 2008, and up from AED 14 million in Q4 2008 which was heavily impacted by write-downs and impairments on investment and other securities.

Capital

The Bank's capital ratios have improved to a healthy 16.2%, an increase from 11.4% at the end of 2008. This improvement is primarily due to the conversion of the Ministry of Finance's deposits to Tier Two Capital.

Integration Update

Integration is progressing well and completion is expected in Q3 2009, as originally announced in 2007.

The key focus in Q1 2009 has been the system integration and preparation of the core banking replacement for the branches of Emirates Bank. Significant progress has been made this year and several rounds of full bank simulations have been completed to ensure the migration to the new Finacle system will be as seamless as possible for the Bank's customers.

An important part in the integration process is the completion of the legal merger, which is expected during the second to third quarter of 2009. This is a precursor to the final piece of the integration that will see migration of all customers of Emirates NBD onto a single technology platform and re-branding of the Emirates NBD branch network.

Business Performance

Consumer Banking & Wealth Management (CWM)

Emirates NBD's CWM Division recorded a revenue increase of 15% compared to the corresponding period in 2008. Deposits grew by 4% and loans and receivables declined by 2% from the end of 2008 as the division continued to focus on balance sheet optimisation and deposit mobilisation.

The CWM division continued to extend its customer reach in Q1 2009. As at 31 March 2009, the Bank's customers had access to 100 branches across the UAE, an increase of five over the three months, including outlets in Dubai Mall, Times Square, Dubai Media City, Dubai Marina Mall and Al Barsha. In addition, the Bank also opened its first SME dedicated support centre in Al Ittihad.

Wholesale Banking

Wholesale Banking built on its strong track record with another successful quarter achieving robust growth despite the challenges posed by the global economic downturn. The growth was primarily accomplished by efficient management of customer's total exposure, pricing strategy realignment, increased volumes of the transactions banking business and growing demand for cash management services.

The key focus during Q1 2009 was on balance sheet optimisation, continued proactive management of credit quality, building non-risk based and fee generating businesses.

Global Markets and Treasury (GM&T)

GM&T reported a strong performance in Q1 2009 with sales and trading revenues of AED 666 million due to greater opportunities in local and regional interest rate markets. While volumes in customer transactions declined in Q1 2009 in line with slower economic activity and the market's reduced appetite for risk, revenues from local and regional currencies and interest rate markets remained robust.

The roll-out of the division's Calypso trading system continued in Q1 2009 with the migration of equities and funds.

Network International

Revenues for Network International increased 10% year on year to AED 80 million, primarily due to increased transaction volumes in its processing business. This resulted in net profits growing to AED 51 million in Q1 2009, a 19% increase over Q1 2008. Network International's wholly owned Egyptian subsidiary, Network Processing Company (NPC), recorded a net profit of AED 1.2 million.

Q1 2009 saw Network International and Oberthur Technologies inaugurating their joint venture – Obernet Personalization Bureau – in Dubai. The state of art facility in UAE will bring the world's most advanced card security and personalization technology to the Middle East and North Africa region. Additionally, Network International has concluded signing a joint venture agreement with Bahrain Electronic Network for Financial Transactions (BENEFIT), which is aimed at responding rapidly to GCC's growing demand for globally proven third party card processing practices and solutions, as well as to accelerate the development of the Cards industry across the wider GCC.

Network International remains the region's largest payment and processing service provider of credit and debit cards, providing merchant acquiring services to over 10,000 merchants and processes cards for 42 financial institutions in the region.

Emirates Islamic Bank (EIB)

The key focus for EIB in Q1 2009 was on balance sheet optimisation and risk management. The quarter saw financing receivables reach AED 17.0 billion, reflecting a marginal decline of 4% from Q4 2008 levels and customer deposits climb to AED 20.4 billion, a 4% increase over Q4 2008.

Total income (net of depositors' share of profit) for Q1 2009 was AED 193 million, a decline of 18% from Q1 2008 levels.

EIB expanded its branch network by opening 3 new branches during Q1 2009 taking the total number to 29.

Outlook

The first quarter of 2009 witnessed signs of stabilisation in the international debt and equity markets and an improvement in local liquidity conditions and sentiment. However, uncertainties remain in the global and regional environment. We remain cautious and are taking necessary measures to offset possible adverse effects. Emirates NBD's scale and increasing operational efficiencies mean we are better equipped than ever to take advantage of opportunities that may present themselves in the current environment.

Emirates NBD's principal focus continues to strengthen its leading market position and strong balance sheet through excellence in customer service, a well-managed cost base and prudent risk management.

END

Notes to editors:

2009 Awards

- Mohamed bin Rashid Al Maktoum Business Award for Finance (April 2009)
- Best UAE Bank by Global Finance (March 2009)
- Best UAE Emerging Market Bank by Global Finance (March 2009)
- Best Trade Finance Bank by Global Finance (February 2009)

About Emirates NBD

Emirates NBD (DFM: ENBD) 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, 651 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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