

# Emirates NBD



بنك الامارات  
Emirates Bank



بنك دبي الوطني  
NBD

## Emirates NBD

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### Investor Presentation

August/September 2009

# Important Information

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## **UAE Economy and Banking Market**

Financial and Operating Performance

Merger Update

Strategy and Outlook

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# UAE Economic Update

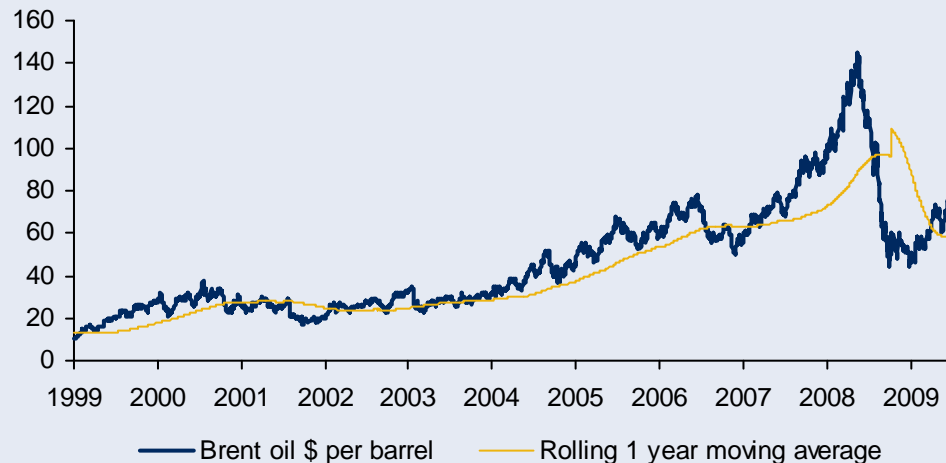
## Highlights

- UAE was impacted by external shocks including weaker oil prices, a credit squeeze, and declining world trade
- UAE's accumulated surpluses over recent years enable it to engage in powerful counter-cyclical fiscal policies
- Monetary policy is also responding to the crisis, with rates being cut and liquidity provided. More steps are expected to be forthcoming
- Correction provides potential to put growth back on a more sustainable long-term path
- Dubai is a strategically located international trading hub with some of the world's best air and sea ports serving over 205 destinations

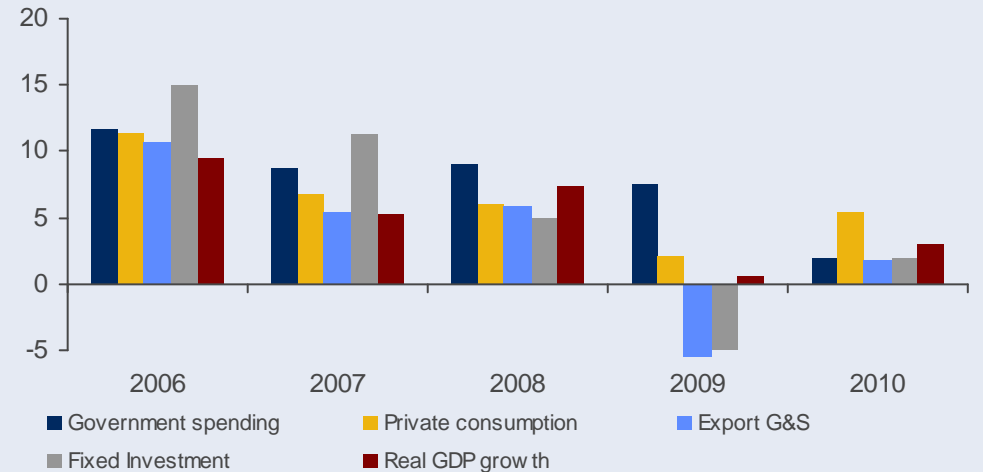
## Real GDP Growth Forecasts<sup>(1)</sup>

	2008	2009	2010
<b>UAE</b>	<b>7.4%</b>	<b>0.0%</b>	<b>3.0%</b>
UK	0.7%	(3.5%)	(0.3%)
Eurozone	0.7%	(3.0%)	(0.2%)
Germany	1.0%	(3.3%)	(0.2%)
US	1.1%	(3.5%)	1.4%
China	9.0%	5.7%	7.6%
Japan	(0.7%)	(6.7%)	0.8%
Singapore	1.3%	(4.6%)	2.2%

## Promising Signs for Oil (US\$)



## UAE Real GDP – YoY (%)<sup>(1)</sup>



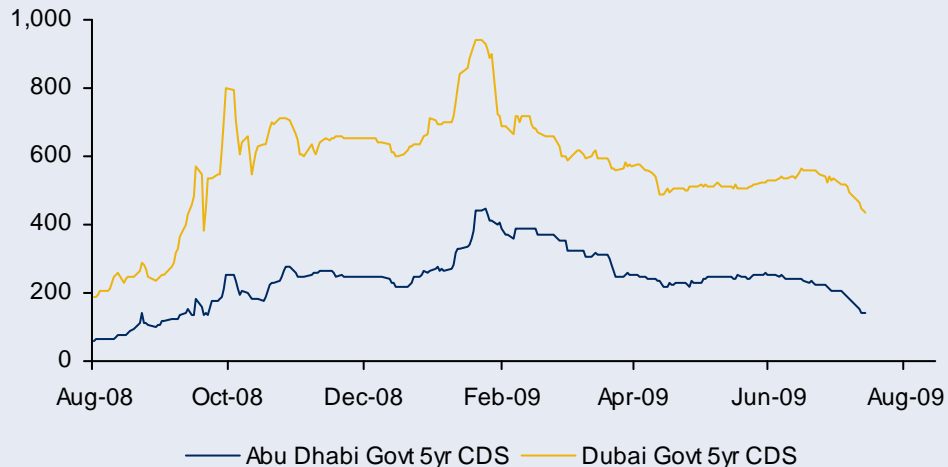
1) EIU, Emirates NBD forecasts

# UAE Banking Market Update

## Highlights

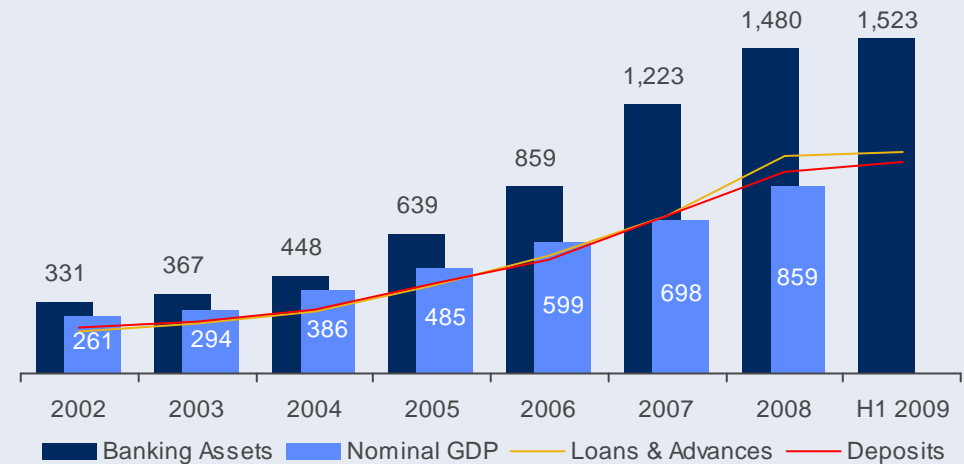
- UAE L&R growth has outstripped deposit growth in recent years
- UAE Banking system liquidity tightened in Q3 2008 due to outflow of c. AED 180b of speculative capital & the Global credit/liquidity crisis following the Lehman's collapse
- Dubai and Abu Dhabi CDS spreads have widened on concerns over Dubai Inc.'s debt and concerns over the real estate market
- Government intervention has been welcome:
  - AED 50b backstop facility from MOF
  - AED 70b set aside for direct injection into UAE banks; AED 50b deposited to date; option to convert to LT2 capital
  - Deposit & capital market guarantees announced: formal documentation soon
  - Abu Dhabi Government injected AED 16b of Tier 1 capital into the Abu Dhabi banks
  - Dubai Government injected AED 4b of Tier 1 capital into Emirates NBD
  - Government of Dubai announced a \$20b bond program of which \$10b was bought by the UAE Central Bank

## Dubai and Abu Dhabi Government CDS Spreads (bps)









Source: Markit Partners; Bloomberg

## UAE Banking Sector Growth (AED billion)



Source: Central Bank statistics, Emirates NBD forecasts and Bloomberg

## GCC Banking Market

Country		Banking assets (USD billion)	Assets/Nom. (GDP %)
UAE <sup>(1)</sup>		403	172
Saudi Arabia		351	79
Kuwait		134	89
Qatar		111	124
Bahrain <sup>(2)</sup>		48.5	264
Oman		36	75

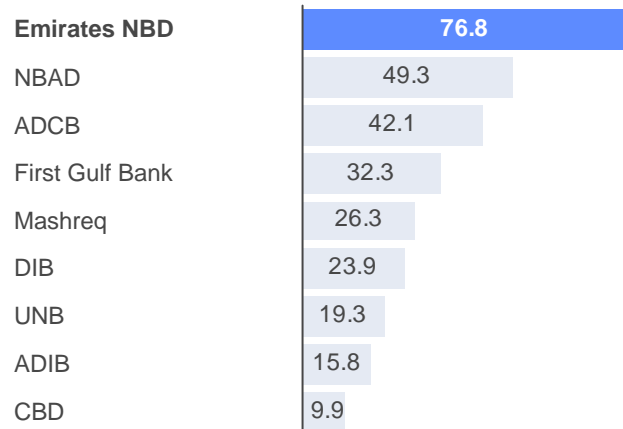
1) Includes Foreign Banks

2) Excludes off-shore banking units

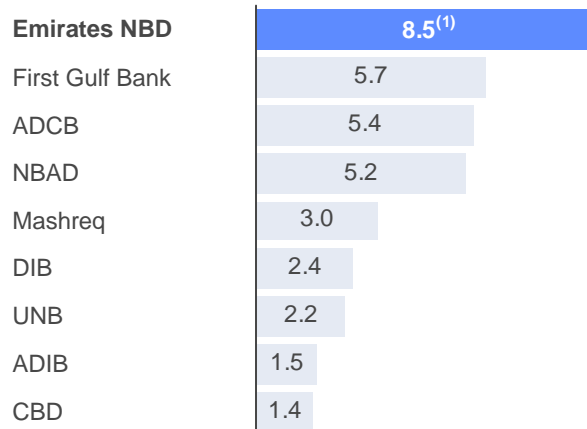
Source: National Central Banks December 2008 and Emirates NBD forecasts

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

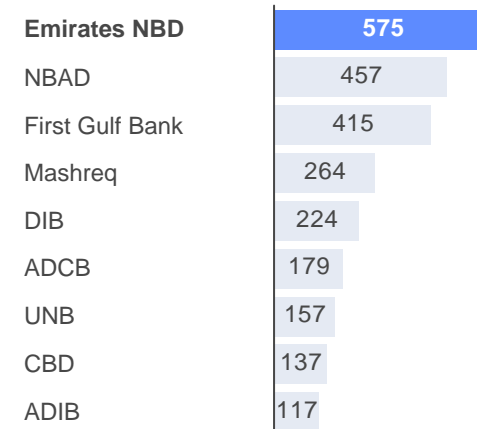
## UAE Ranking by Assets (US\$ billion)



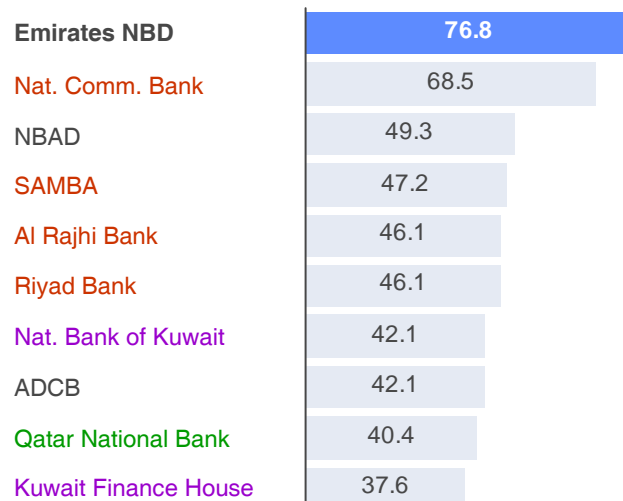
## UAE Ranking by Equity (US\$ billion)



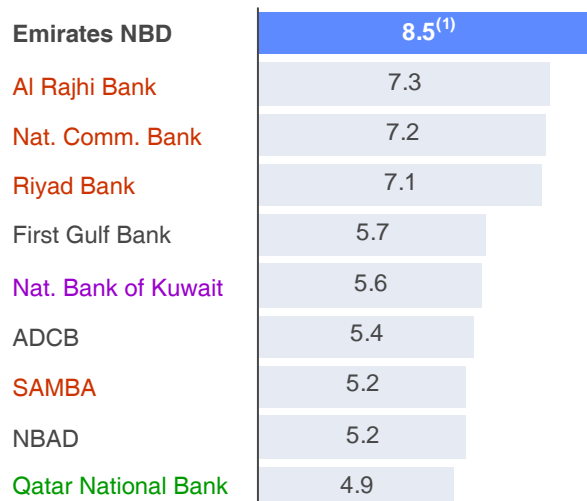
## UAE Ranking by Profits (US\$ million)<sup>(2)</sup>



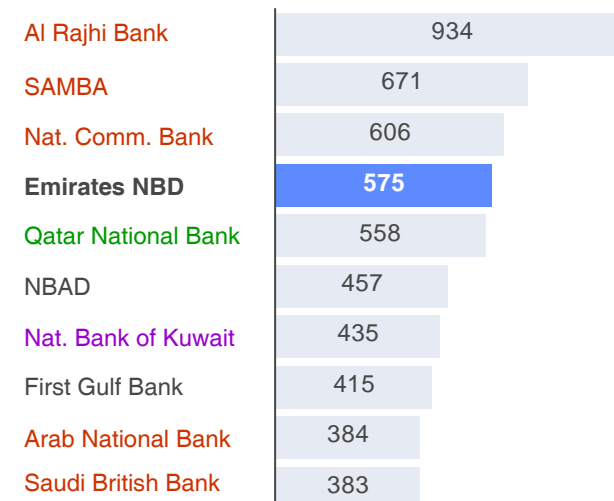
## GCC Ranking by Assets (US\$ billion)



## GCC Ranking by Equity (US\$ billion)



## GCC Ranking by Profits (US\$ million)<sup>(2)</sup>



1) Emirates NBD's Tangible Shareholder's Equity is US\$ 6.8b

2) Profits - half year ended 30th June 2009

Source: Bank Financial Statements, 30th June 2009

U A E      KSA      Kuwait      Qatar      Bahrain

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UAE Economy and Banking Market

**Financial and Operating Performance**

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Strategy and Outlook

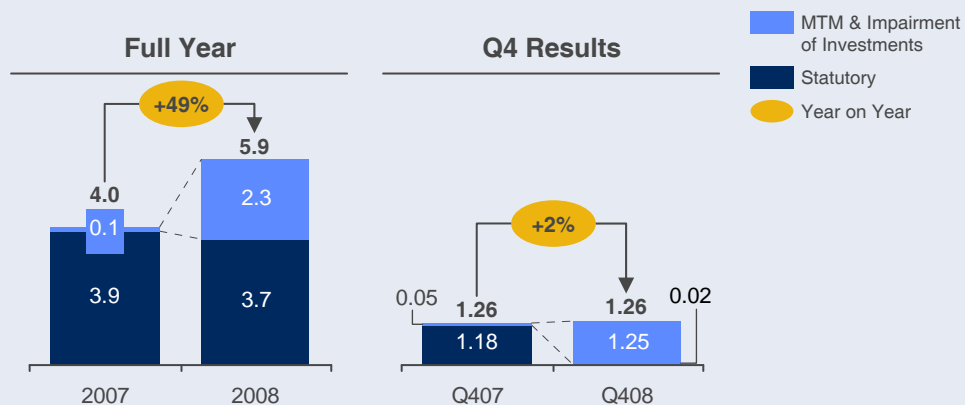
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# 2008 Financial Results

## Highlights

- Full Year 2008 Net Profit down 7% from 2007
- Cash dividend of 20% and stock dividend of 10%
- Q4 2008 Net Profit of AED 14m (AED 1.2b in Q4-2007)
- Financial performance impacted by
  - mark to market & impairments on investment securities of AED 1.8b
  - mark to market on credit default swaps (CDS) of AED 455m
- Core business continued to perform strongly despite a more challenging environment in Q3 & Q4 2008
- 2008 Core net profit reached AED 5.9b, up 49% from 2007
- Core cost to income ratio improved during the year, esp. during the 2nd half as cost measures implemented & synergies realised

## Core Business Performance (AED billion)



Note 1: 2007 comparatives are presented on a pro forma basis

Note 2: Core business trends exclude mark to market impacts and impairments on investment and other securities.

## Key Performance Indicators

AED million	Year to 31 Dec 2008	Variance vs. 2007 <sup>(1)</sup>
Net Interest Income	5,834	+43%
Fee & Other Income	3,861	+37%
Investment & CDS MTM	(1,248)	(694%)
<b>Total income</b>	<b>8,447</b>	<b>+19%</b>
Operating expenses	(3,356)	+23%
<b>Operating profit before impairment allowances</b>	<b>5,092</b>	<b>+16%</b>
Impairment allowances:	(1,653)	+125%
<i>Credit</i>	(642)	+36%
<i>Investments</i>	(1,011)	+283%
<b>Operating profit</b>	<b>3,439</b>	<b>(6%)</b>
Amortisation on intangibles	(96)	+17%
Associates	339	(10%)
<b>Net profit</b>	<b>3,681</b>	<b>(7%)</b>
Cost: income ratio (%)	39.7%	+1.5%
Net interest margin (%)	2.01%	+0.12%
EPS (AED)	0.73	(7%)
Return on average shareholders' equity (%)	19.1%	(6%)

AED billion	As at 31 Dec 2008	Variance vs. 31 Dec 07 <sup>(1)</sup>
Total assets	282.4	+11%
Loans	208.9	+26%
Deposits	162.3	+15%
Capital Adequacy Ratio (%)	11.4%	(1.7%)



# H1 2009 Financial Results

## Highlights

- Operating profit before impairment allowances of AED 3,693m
  - up 26% from H1 2008 of AED 2,928m
  - up 71% from H2 2008 Net Profit of AED 14m
- H1 2009 Net Profit of AED 2,111m
  - down 20% from H1 2008 of AED 2,648m
  - up 104% from H2 2008 of AED 1,033m
- Improvement of equity & bond markets resulted in modest positive impact from mark to market valuations during Q2 2009
- H1 2009 operating costs of AED 1,807m
  - up 3% from H1 2008 of AED 1,751m
  - up % from H2 2008 of AED 1,605m
- Credit impairment allowance of AED 1,409m, reflecting expected increase in NPL ratio to 1.56% (FY 2008: 0.95%; Q1 2009: 1.19%) and additional portfolio impairment allowances in H1 2009 of AED 731m
- Total assets at AED 281.9b, stable compared to AED 282.4b at end-2008
- Customer loans at AED 216.6b, up 4% from AED 208.9b at end-2008
- Customer deposits at AED 170.5b, up 5% from AED 162.3b at end-2008
- Significant strengthening of capital ratios

## Key Performance Indicators

AED million	Half year ended 30 June 2009	Variance vs. H1 2008
Net Interest Income	3,643	+33%
Fee & Other Income	1,578	(22%)
Investment & CDS MTM	279	(409%)
<b>Total income</b>	<b>5,500</b>	<b>+18%</b>
Operating expenses	(1,807)	+3%
<b>Operating profit before impairment allowances</b>	<b>3,693</b>	<b>+26%</b>
Impairment allowances:	(1,611)	+215%
<i>Credit</i>	(1,409)	+687%
<i>Investments</i>	(202)	(39%)
<b>Operating profit</b>	<b>2,082</b>	<b>(14%)</b>
Amortisation on intangibles	(47)	+15%
Associates	76	(72%)
<b>Net profit*</b>	<b>2,111</b>	<b>(20%)</b>
Cost: income ratio (%)	32.9%	(4.6%)
Net interest margin (%)	2.58%	+0.6%
EPS (AED)	0.38	(20%)
Return on average shareholders' equity (%)	18.9%	(8.0%)
AED billion	As at 30 June 2009	Variance vs. 31 Dec 2008
Total assets	281.9	(0.2%)
Loans	216.6	+3.7%
Deposits	170.5	+5.1%
Capital Adequacy Ratio (%)	19.0%	+7.6%

\* Emirates NBD's net profit adjusted for its actual share of Union Properties published net losses in H1 2009 equals AED 1,989m

# Net Interest Margins

## Highlights

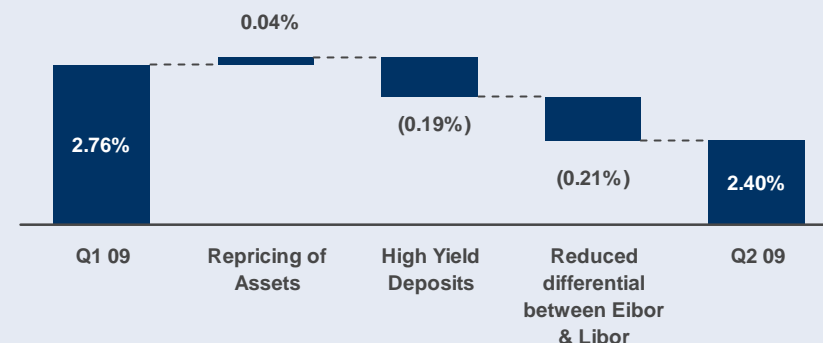
- H1 2009 Net Interest Margin (NIM) of 2.58%
  - up 60pbs from 1.98% in H1 2008
  - up 38pbs from 2.17% in H2 2008
- Increase in H1 2009 NIM primarily driven by re-pricing of loans & and the benefit of proactive balance sheet management
- Q2 2009 NIM of 2.40%
  - up 52pbs from 1.88% in Q2 2008
  - down 34pbs from 2.76% in Q1 2009
- Reduction in Q2 2009 NIM from Q1 2009 in line with expectations:
  - reduced differential between US\$ Libor and Eibor;
  - increased cost of funding deposits; partly offset by
  - benefit of continued re-pricing on assets
- NIM is expected to reduce further towards the end of the year to c.2.0%:
  - differential between US\$ Libor and Eibor is expected to reduce further
  - continued pressure on cost of deposits

## Net Interest Margin Trends



Note: Net interest margin calculated based on annualised quarterly net interest income divided by Average Total Assets (ATA)

## Net Interest Margin Drivers (%)

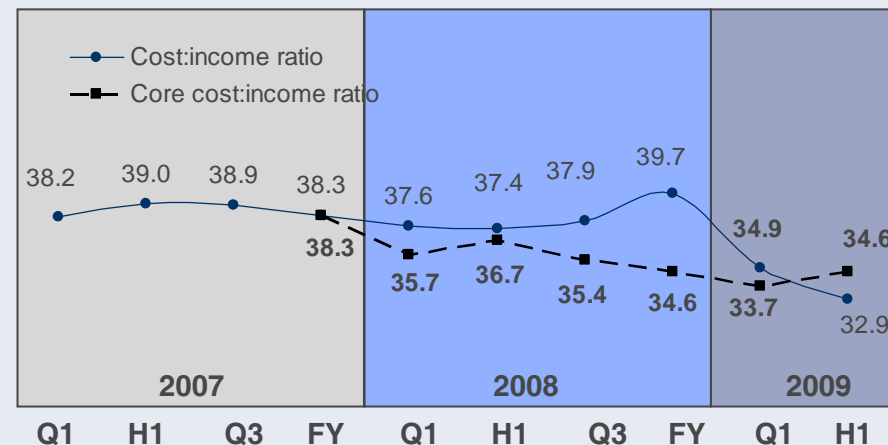


# Operating Costs and Efficiency

## Highlights

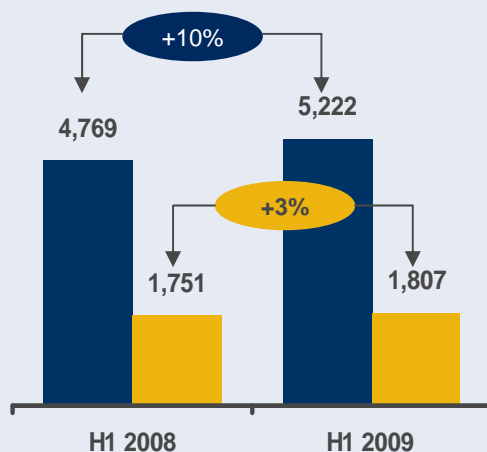
- The cost to income ratio declined by 2.0% from 34.9% in Q1 2009 to 32.9% in H1 2009
- The core cost to income ratio increased from 33.7% for Q1 2009 to 34.6% in H1 2009
- The Group has continued to invest in technology, infrastructure and governance whilst optimising its variable cost base on existing businesses
- Emirates NBD continues to expand its branch network and business capability in Abu Dhabi and is investing in Private Banking and SME businesses
- Emirates NBD is continuing to target a mid-30s core business cost to income ratio for FY 2009

## Cost to Income Ratio Trends



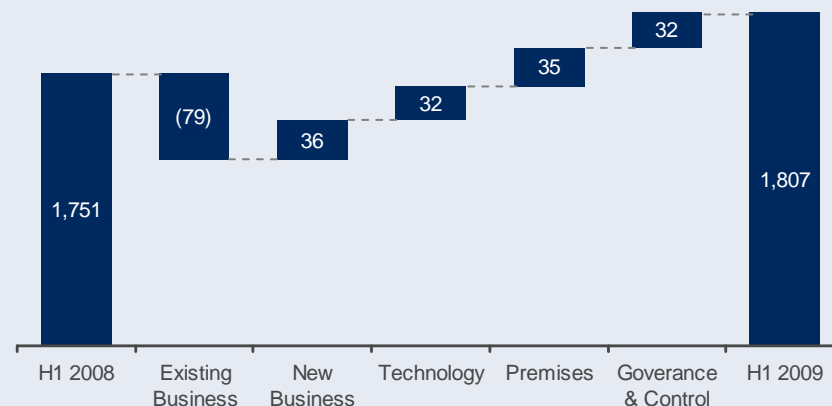
Note: Cost to income ratios are presented on a year-to-date basis; Core cost to income ratio excludes impact of MTM on investments and other securities in 2008 and 2009

## Income vs. Cost Growth (AED million)



Note: Income is presented excluding MTM/Impairments on Investments/CDS

## Operating Cost Drivers (AED million)



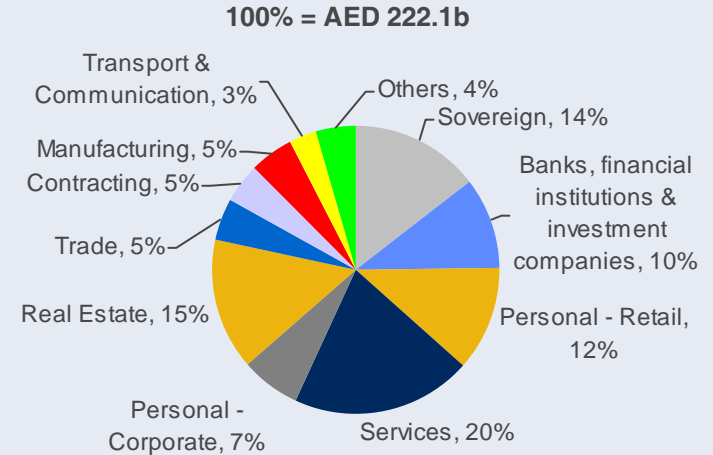
# Asset Quality

## Loans and Receivables

### Highlights

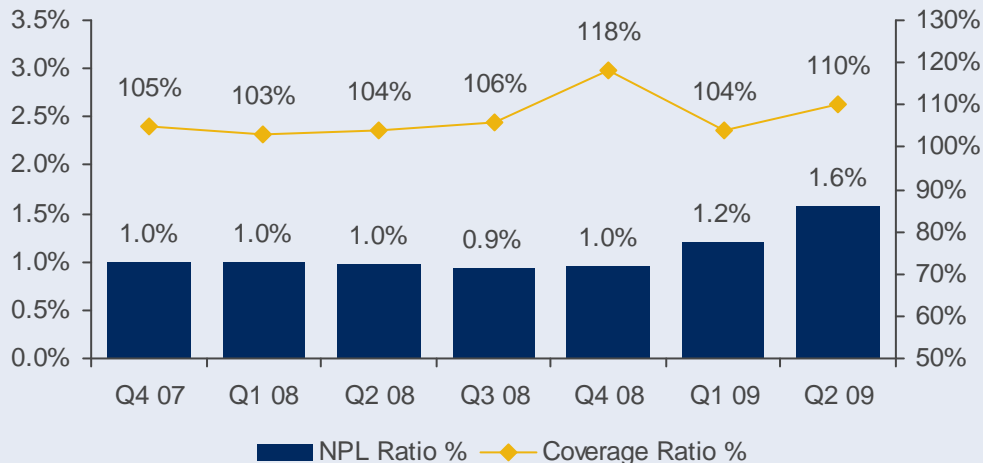
- Loan portfolio is balanced and well secured
- Emirates NBD's credit quality remains healthy across the Bank's corporate and retail portfolios
- Prudently provided for exposure to Al Gosaibi / Saad Groups
- Increase in delinquencies and non-performing loans is within expectations
- NPL ratio, excluding impaired investment securities, increased to 1.56% in H1 2009 from 0.95% reported in FY 2008 (Q1 2009: 1.19%)
- Added AED 731m to portfolio impairment provisions in H1 2009 as a measure of prudence in the current environment (Q1 2009: AED 224m)

### Loan Portfolio by Sector – H1 2009



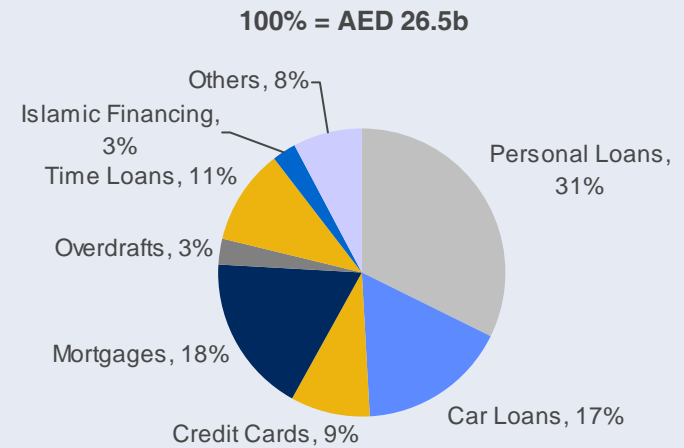
Note: Loans and advances before provisions

### NPL and Coverage Ratios



Note: NPL and Coverage ratios for 2008 & 2009 exclude investment securities classified as loans & receivables

### Retail Loan Portfolio by Sector – H1 2009



# Asset Quality

## Real Estate Exposure

### Wholesale Bank

- Exposures to Real Estate and Contracting Sector is 15.8% and 5.2% of the corporate portfolio respectively
- Emirates NBD is very selective in financing real estate sector. Extent of finance is generally limited to:
  - 70% of construction cost excluding land or 60% of cost including land (land valued at lower of cost or market value)
  - 60% of purchase price for completed properties
- Exposure is mainly to top tier names with diversified business interests and multiple sources of repayment
- Financing now restricted to Emirates of Dubai & Abu Dhabi.
- Repayment experience is satisfactory
- Approximately 65% of the portfolio has a repayment maturity of < 3 years
- Careful monitoring of the Real Estate, Construction and related sector exposures expecting economic slow down

### Consumer Bank

- Mortgage portfolio is relatively small; AED4.7b as both EBI and NBD are recent entrants into the mortgage market
- Mortgage finance offered across a select range of premium developers, including Dubai Properties, Emaar, Nakheel, Aldar and Soroush
- Emaar, Dubai Properties & Nakheel account for 77% of the mortgages financed by ENBD
- Villas account for approximately 42% of the portfolio; Completed properties account for 76% of the portfolio
- Average LTV is 75% on original value
- More than 75% of the customers have only one mortgage loan from ENBD
- Lending criteria are revisited regularly to ensure that the quality of the loan portfolio remains good
- Mortgages portfolio performance is good: Focus on high income customer segments, 90% of portfolio comprises of customers with income > AED 25K per month, low delinquency and provision rates

# Asset Quality

## Investments & Trading Securities

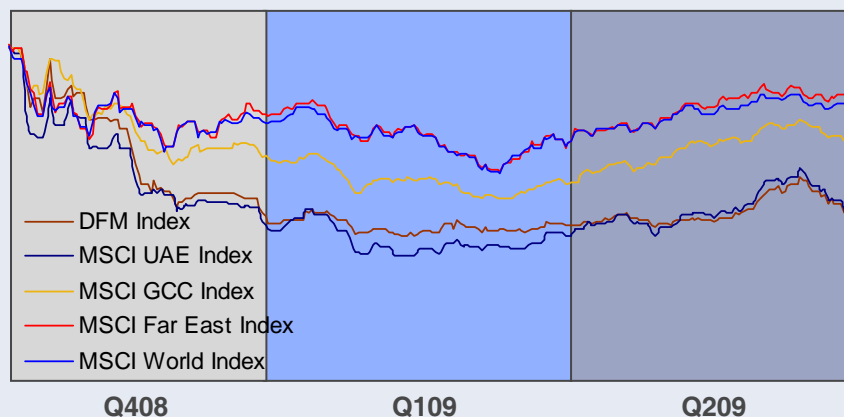
### Highlights

- Write-downs and impairments reflected a market-wide downturn in 2008
- Relative stabilisation and improvement of equity and bond markets in first half 2009 resulted in lower adverse impact due to mark to markets and impairments on investment securities
- Underlying quality of investment portfolio remains good and some losses on fixed income securities will reverse if held to maturity and no credit event occurs
- Portfolio is being monitored and managed closely by senior management committee to reduce exposure where opportunities arise or where future distress is anticipated

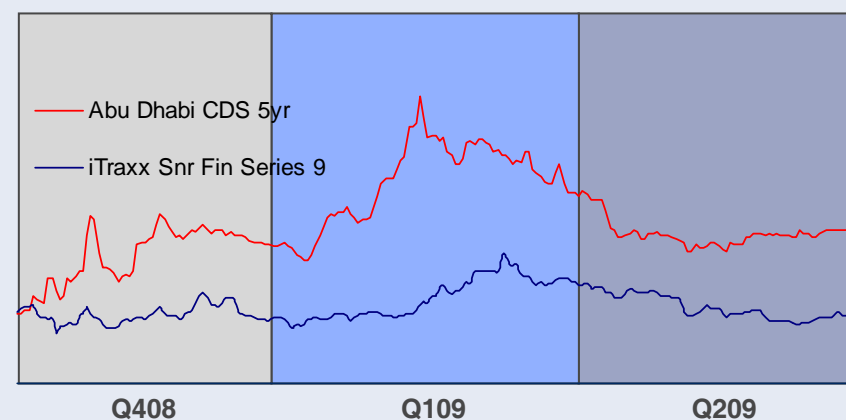
### H1 2009 MTM Impact

AED million	Total Balance	P&L impact		Cumulative changes in FV
		Income	Impairm.	
Investment Securities	16,853	(41)	(110)	395
Trading Securities	614	142	-	-
<b>Subtotal</b>	<b>17,467</b>	<b>101</b>	<b>(110)</b>	<b>395</b>
Investment Securities in L&R	2,332	-	(92)	-
<b>H1 2009</b>	<b>19,799</b>	<b>101</b>	<b>(202)</b>	<b>395</b>
<b>FY 2008</b>	<b>22,009</b>	<b>(793)</b>	<b>(1,011)</b>	<b>(1,810)</b>

### Equity Market Performance



### Bond Market Performance

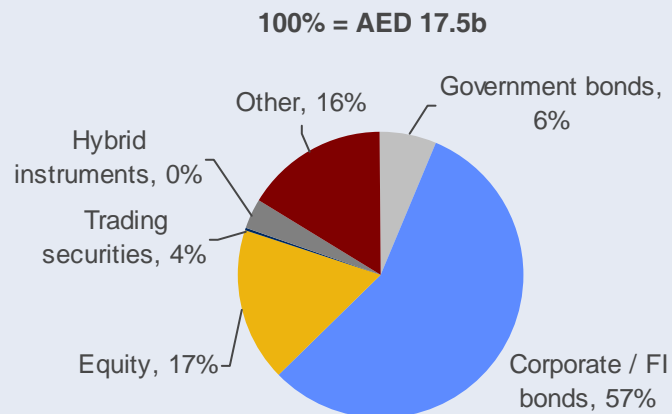


Source: Bloomberg; Reuters

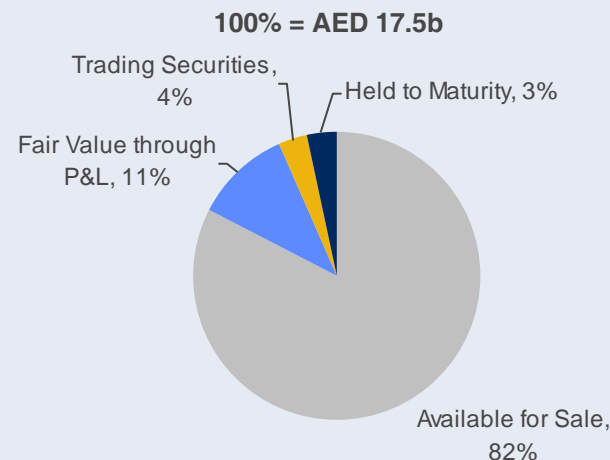
# Asset Quality

## Investments & Trading Securities (cont'd)

**Composition by Type: H1 2009<sup>(1)</sup>**

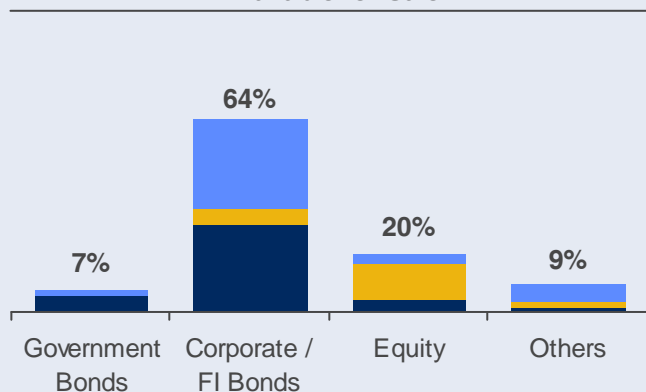


**Composition by Category: H1 2009<sup>(1)</sup>**



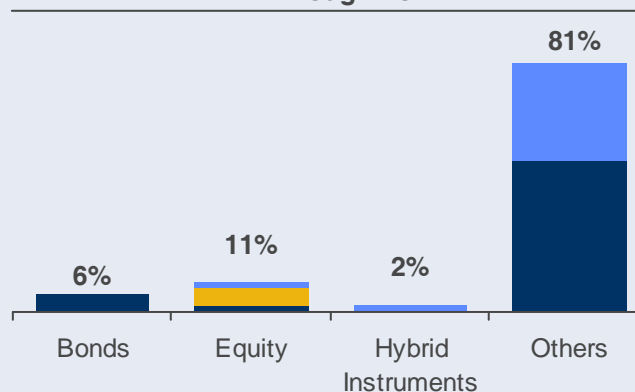
**Composition by Category: H1 2009<sup>(2)</sup>**

**Available for Sale**



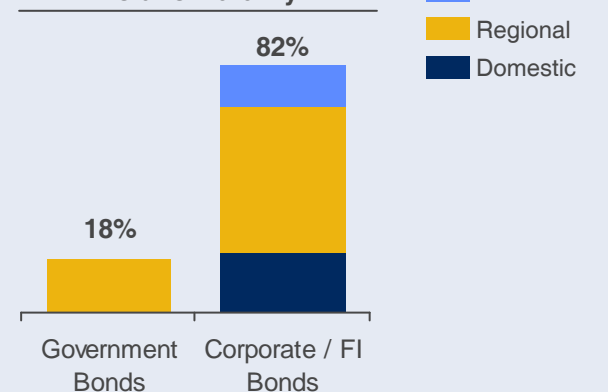
H1 2009 100% = AED 14.4b

**FV through P&L**



H1 2009 100% = AED 1.9b

**Held to Maturity**



H1 2009 100% = AED 0.6b

1) Excl. investment securities in L&R of AED 2.3b

2) Excl. investment securities in L&R of AED 2.3b and Trading Securities of AED 0.6b

# Capital Adequacy

## Highlights

- Capital adequacy ratio at 19.0% in Q2 2009 (FY 2008: 11.4%)
- Tier 1 capital increased from 9.4% at end-2008 to 12.1% at Q2 2009 due to:
  - profit generation for H1 2009 exceeding FY 2008 dividend payment by AED 1.1b
  - issuance of AED 4b Tier 1 perpetual securities in Q2 2009 to ICD
- Tier 2 capital increased by AED 10.0b in H1 2009 due to:
  - conversion of MOF deposits into LT2 capital (AED 10.2b of the AED 12.6b qualifies as T2 capital as at 30.06.09)
  - redemption of AED 500m LT2 bonds in exchange for 3 year senior unsecured debt
- Risk Weighted Assets (RWAs) fell by 3% from FY 2008 due to continued focus on RWA by management

## Capital Ratios (AED billion)



## Capital Movement Schedule

FY 2008 to Q2 2009 (AED billion)	Tier 1	Tier 2	Total
<b>Capital as at 31.12.08</b>	<b>20.4</b>	<b>4.4</b>	<b>24.7</b>
Net profits generated	2.1	-	2.1
FY 2008 dividend paid	(1.0)	-	(1.0)
Conversion of MOF deposits	-	10.2	10.2
Issuance of T1 securities	4.0	-	4.0
Cumulative changes in FV	-	0.3	0.3
Redemption of T2 securities	-	(0.5)	(0.5)
Other	0.0	0.0	0.2
<b>Capital as at 30.06.09</b>	<b>25.5</b>	<b>14.4</b>	<b>40.0</b>
<b>AED billion</b>	<b>Q2 09</b>	<b>FY 08</b>	<b>Diff %</b>
Risk Weighted Assets	210.8	217.3	-3.0%

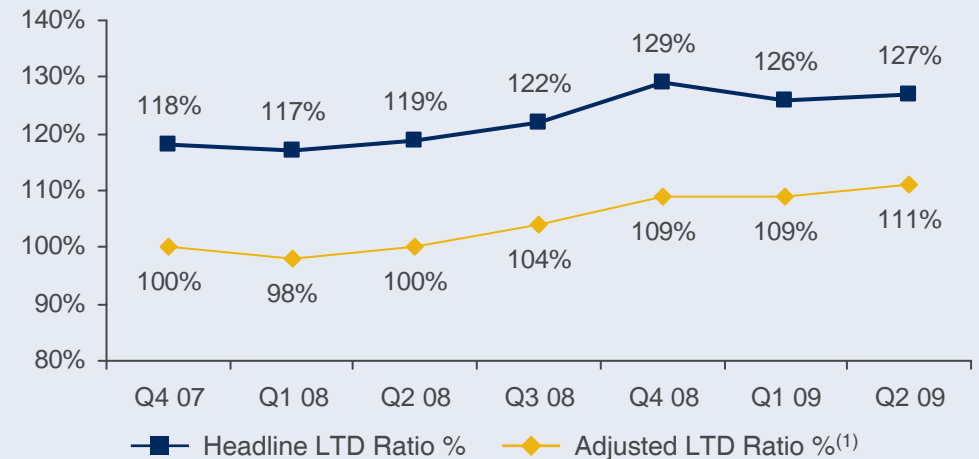


# Funding and Liquidity

## Highlights

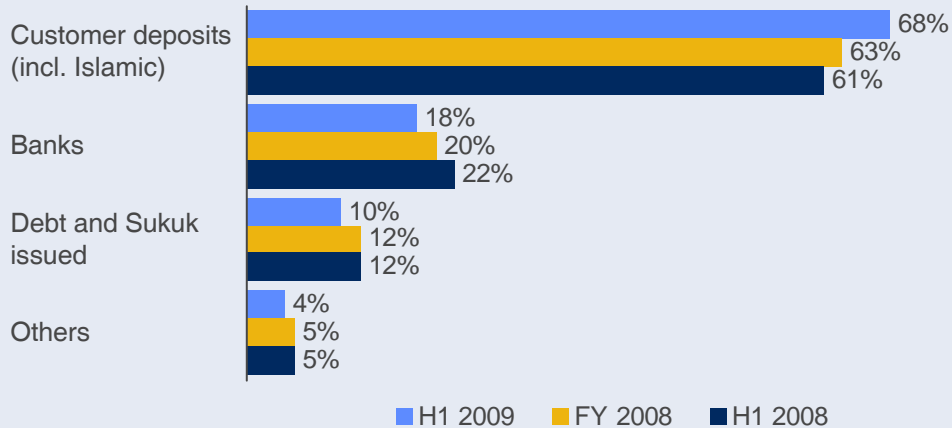
- Liquidity in the UAE Banking system improved in H1 2009, helped by various Government initiatives
- Formal deposit and capital markets guarantee documentation expected soon
- Funding remains stable and deposit mobilisation initiatives proving successful
- Continue to access stable interbank lines and ECP market opening up
- Liquidity backstop facilities of c. AED14b remain unused
- Term debt maturity profile is well within our funding capacity; repaid scheduled AED 3.7b in H1 2009

## Loan to Deposit Ratios (%)



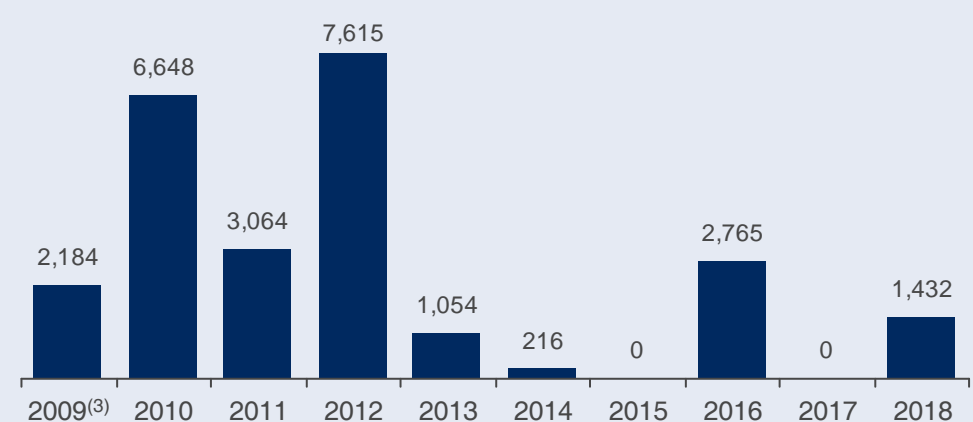
## Composition of Liabilities – H1 2009 (%)

H1 2009 100% = AED 250.7b



## Maturity Profile: Debt Issued<sup>(2)</sup> (AED million)

100% = AED 25.0b



1) Adjusted LTD ratio includes Debt Issued and Other Borrowed Funds in the denominator

2) Debt Issued includes EMTNs of AED 19.5b and syndicated borrowings from banks of AED 5.5b

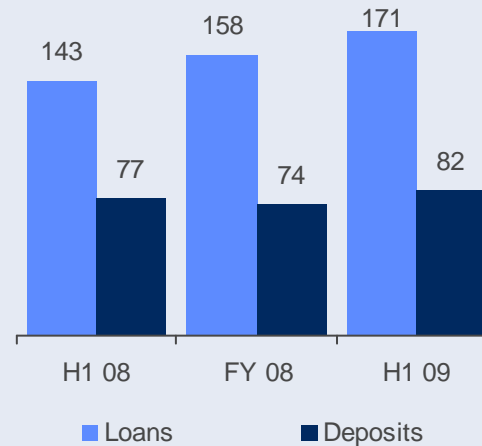
3) For 2009, AED 2,184m represents remaining maturities for the 6 months ended 31.12.2009

# Divisional Performance

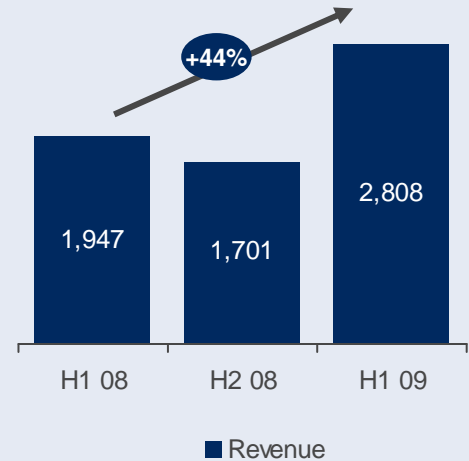
## Wholesale Banking

- Wholesale banking had another successful half year
  - Continued success of transactions business
  - Key focus during the first half of 2009 was on balance sheet optimisation, continued proactive management of credit quality, building non-risk based and fee generating businesses
- Revenue grew 44% year-on-year and 65% from H2 2008
- Loans grew 8% from end-2008
- Deposits grew 12% from end-2008

AED billion



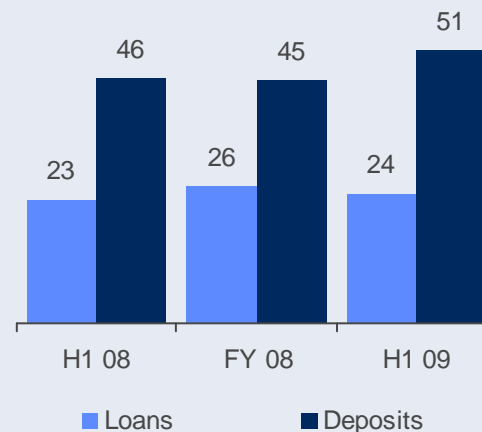
AED million



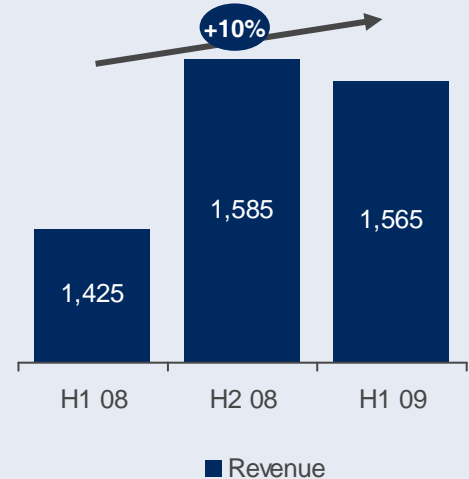
## Consumer Banking & Wealth Management

- CWM continues to expand and build on distribution reach
  - Distribution network strengthened to 99 branches
  - ATM and SDM network now at 550
- Revenue grew 10% year-on-year and decreased by 1% from H2 2008 due to lower fee income
- Loans declined by 7% from end-2008
- Deposits grew 13% from end-2008

AED billion



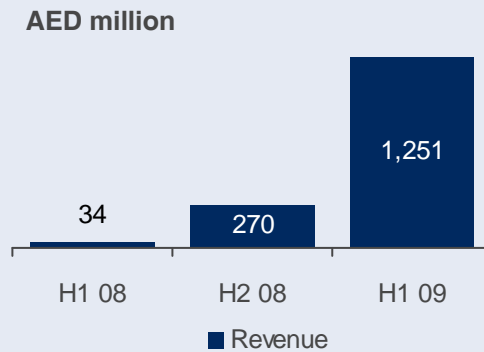
AED million



## Divisional Performance (cont'd)

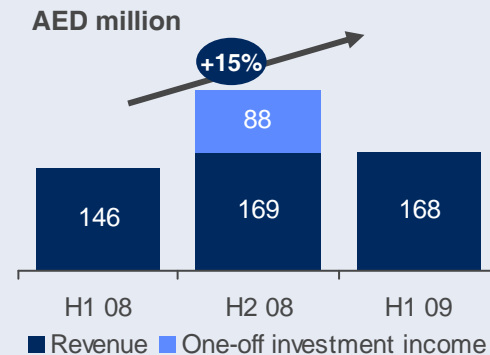
### Global Markets & Treasury

- Improved market conditions worldwide, specifically a recovery in equity markets, tightening of credit spreads and volatility of foreign exchange markets resulted in stronger client activity.
- Revenues for the first half of 2009 were AED 1,251 million compared with AED 34 million in the comparable period in 2008.



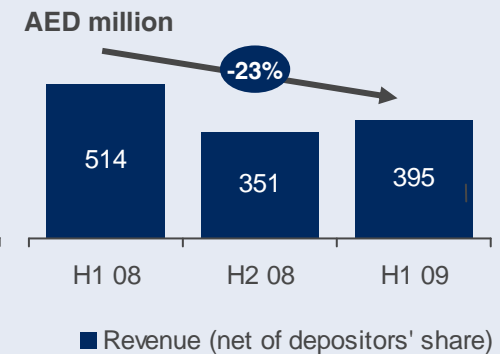
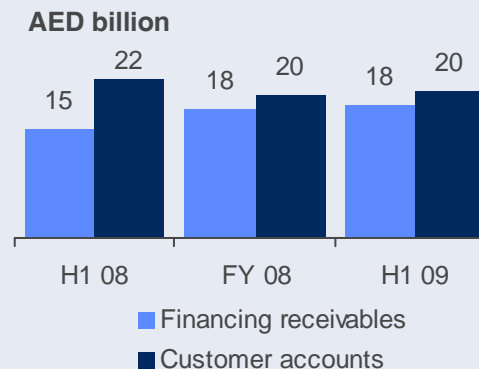
### Network International

- 15% increase in revenue versus H1 2008 due to 28% increase in processing revenues and 8% growth in acquiring revenues
- Serves over 10,000 merchants and 47 banks and financial institutions in the region



### Emirates Islamic Bank

- Key focus during the first half of 2009 was on balance sheet optimisation and increased caution on new underwriting
- EIB revenue declined by 23% in H1 2009 (net of depositors' share of profit) year-on-year
- Financing receivables grew by 5% to AED 18.5b from end-2008; Customer Deposits grew 3% to AED 20.2b from end-2008
- 4 new branches in H1 2009 taking the total to 30



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UAE Economy and Banking Market

Financial and Operating Performance

**Merger Update**

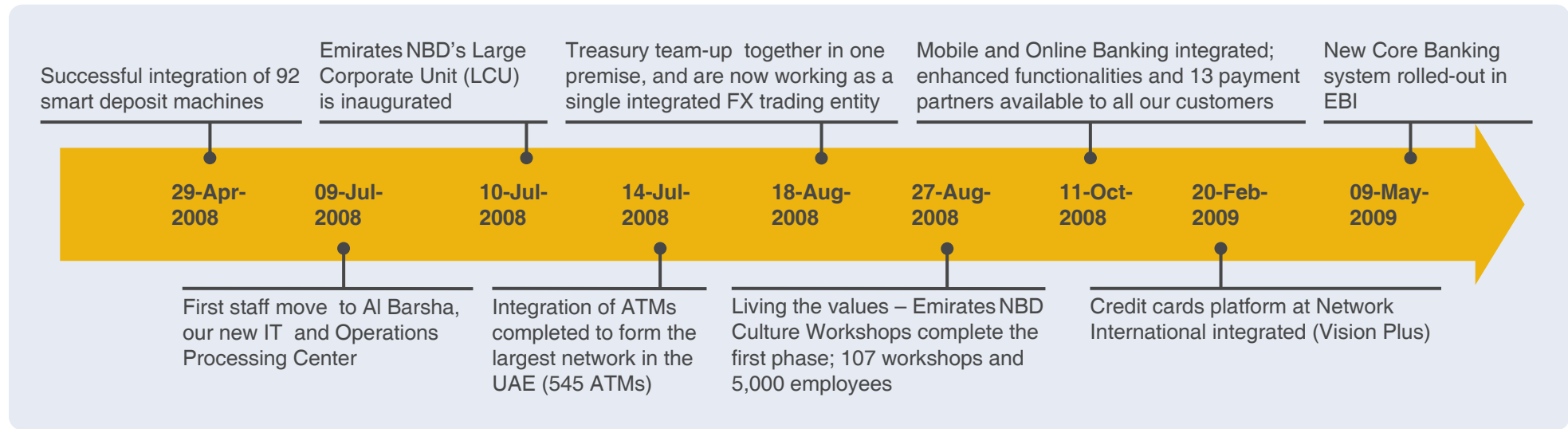
Strategy and Outlook

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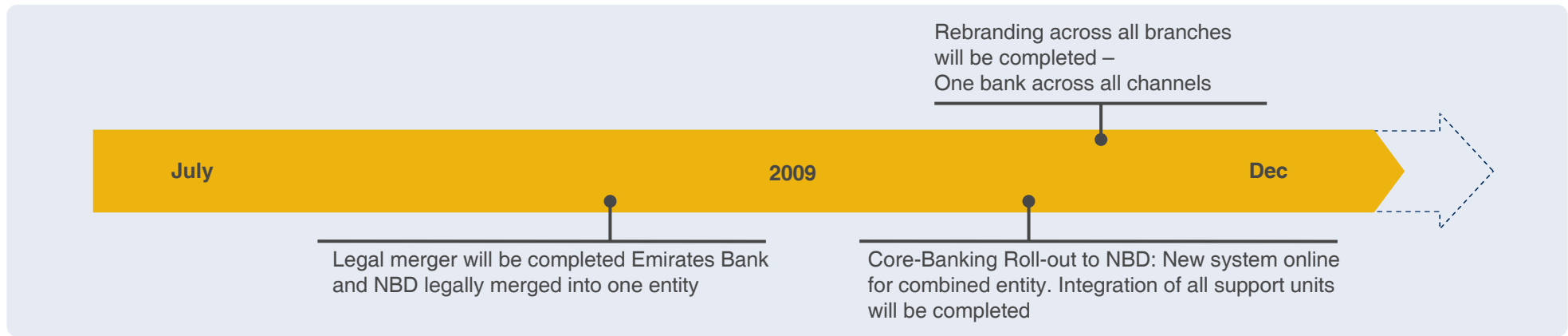
# Merger Update

Integration fully on track

*We have achieved major milestones during the last year*



*Integration milestones going forward*



# Merger Update

Exceeded 2009 full year targets

## Target Synergies

- AED 346m of recurring annual synergies by the third year post merger, plus AED 26m of one-off synergies totalling AED 372m
- The recurring synergies below will be delivered 33% in year 1 (2008), 66% in year 2 (2009) and fully by 2010

AED million	Synergies			% of Smaller Base <sup>(1)</sup>		% of Combined Base <sup>(1)</sup>
	2008	2009	2010	Actual	Benchmark	Actual
Revenue	65	129	195	10.5%	5-10%	4.1%
Costs	50	100	151	22.2%	14-26%	8.3%
One-Off	9	17	26			
<b>Total</b>	<b>124</b>	<b>246</b>	<b>372</b>			

1) 2010 Synergy base used when computing synergy targets were 2006 financials, smaller base was NBD and combined was aggregated EBI and NBD

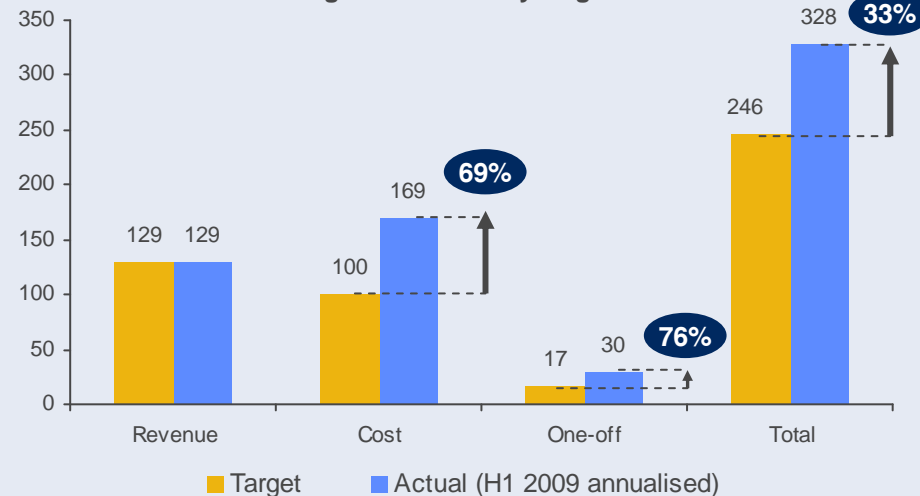
## Key Drivers of Revenue Synergies

- Revenue synergies** for 2008 and H1 2009:
  - Largest distribution network of 129 branches & 652 ATMs and SDMs
  - Focus on cross selling– e.g. mortgages > AED 99m loans
  - Enhanced market share/pricing advantages – e.g. FDs
  - Embedded Customer efficiency framework – e.g. Tafawouq has tripled branch sales in Umm Suqeim & DCC
  - Increased corporate pricing power from enhanced scale

## Actual H1 2009 Synergies (AED million)

- Achieved synergies of AED 328m – ahead of 2009 full year target by 33%

### 2009 Target vs. Actual Synergies



Note 1: Base used when computing synergy targets were 2006 financials

## Key Drivers of Cost and One-off Synergies

- Cost synergies** for 2008 and H1 2009:
  - Single Head-office in place
  - Created efficiencies through unified business models
  - Combined marketing & advertisement activities
  - Staff efficiencies across all businesses
- One-off synergies** for 2008 and H1 2009:
  - Projects & initiatives discontinued due to merger, namely Islamic banking set up previously planned in NBD
  - Initiatives conducted in one group as opposed to the separate banks; e.g. Basel 2 regulatory requirements

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UAE Economy and Banking Market

Financial and Operating Performance

Merger Update

**Strategy and Outlook**

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# Strategic Imperatives

## Optimise Balance Sheet

- **Prudent lending growth**
  - Support growth of important Group relationships in line with targeted asset/deposit ratios
- **Focus on funding**
  - Renewed focus on key market segments
  - Leverage distribution network
  - Continue to maintain and develop wholesale sources of medium to long term funding
  - Continued government action / support

## Drive Profitability

- **Improve product/customer profitability**
  - Re-price and maximize product yields
  - Increase fee based income
- **Improve overall cost position**
  - Drive performance improvement program
  - Increase process efficiency
  - Migrate customers to lower cost channels

## Enhance Risk Management

- Implementation of Basel II IRB approach
- Advancement of Liquidity Risk Control and Management
- Alignment and integration of Economic Capital and Stress testing Framework
- Strengthen credit management and improve collection processes



# Strategic Imperatives (cont'd)

Evidence of success in H1 2009

## Optimise Balance Sheet

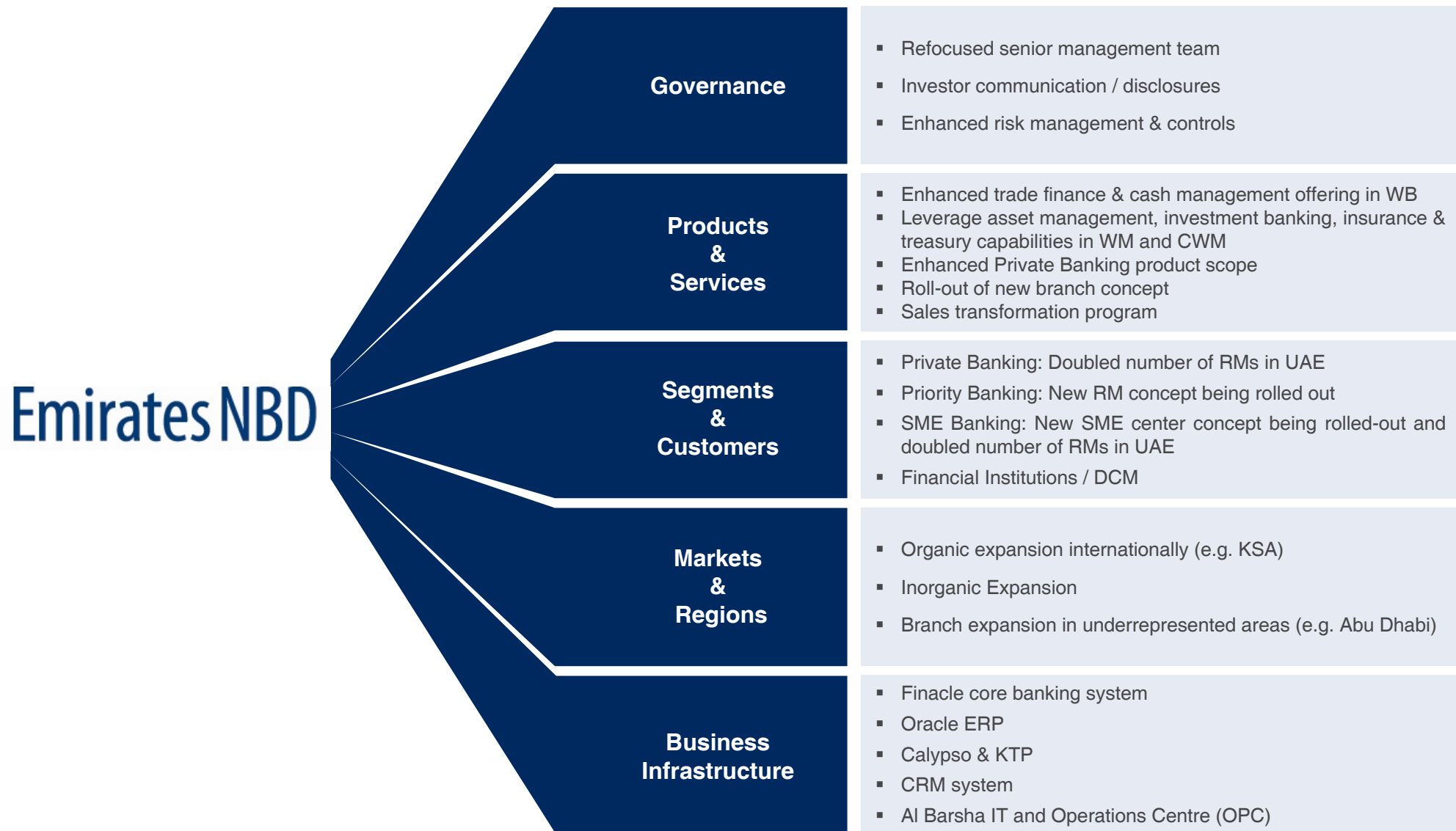
- **Capital Adequacy Ratio** strengthened to 19.0% from 11.4% at end-2008
- **Tier 1** increased in H1 2009 to 12.1% from 9.4% at end-2008
- **Risk Weighted Assets** declined by 3% from end-2008 compared to 4% growth in loans
- **Customer deposits** grew by 5% from end-2008 compared to 4% growth in loans, improving the LTD ratio

## Drive Profitability

- **Net interest margin** improved to 2.58% for H1 2009 from 2.01% in FY 2008 due to re-pricing of assets and benefits of balance sheet management
- **Core cost to income ratio** of 34.6% for H1 2009 stable vs. 34.6% for FY 2008 and remains within target range of 35%
- H1 2009 **ROA** of 1.50% vs. 1.37% for FY 2008
- H1 2009 **ROE** of 18.9% vs. 19.1% for FY 2008

## Enhance Risk Management

- **Credit metrics** remain healthy and within expectations
- **NPL ratio** increased to 1.56% from 1.19% in Q1 2009 and 0.95% at end-2008



- In 2009 the external environment combined with liquidity tightening and weakening demand should bring GDP growth towards 0% in UAE
- H1 2009 witnessed signs of stabilisation in the international debt and equity markets and an improvement in local liquidity conditions and sentiment.
- Uncertainties remain in the Global and regional environment and we remain cautious and are taking measures to offset the possible effects
- The fundamentals of Emirates NBD's core business remains strong
- Success of Emirates NBD's merger even more pronounced in the current climate as the Bank is more resilient due to scale and is seen as a stronger counterparty
- We are a consolidator of choice in the region and are well placed to take advantage of any attractive opportunities that may arise

# Summary

- Solid first half financial and operating performance
- Total income grew 18% year on year to AED 5.5b
- H1 2009 Net profit reached AED 2.1b, a reduction of 20% versus H1 2008
- Credit quality remains healthy
- Expected moderate increase in NPLs in H1 2009 to 1.56% from 0.95% in FY 2008
- Capitalisation strengthened significantly; CAR at 19.0% & T1 at 12.1%
- Liquidity has improved in H1 2009
- H1 2009 annualised merger synergies achieved of AED 328m; ahead of FY 2009 target by 33%
- Integration fully on track for targeted completion by end-2009
- Emirates NBD has a clear plan to navigate through the current environment
- Strategic imperatives include balance sheet optimisation, driving profitability and risk management enhancement
- At the same time, the Bank is taking steps to ensure it emerges stronger from the crisis
- Growth of the UAE economy is expected to slow down to 0% in 2009
- H1 2009 has witnessed some stabilisation in the environment. However, uncertainties remain and Emirates NBD is retaining its cautious stance
- Emirates NBD is well positioned to take advantage of attractive opportunities



# Appendix

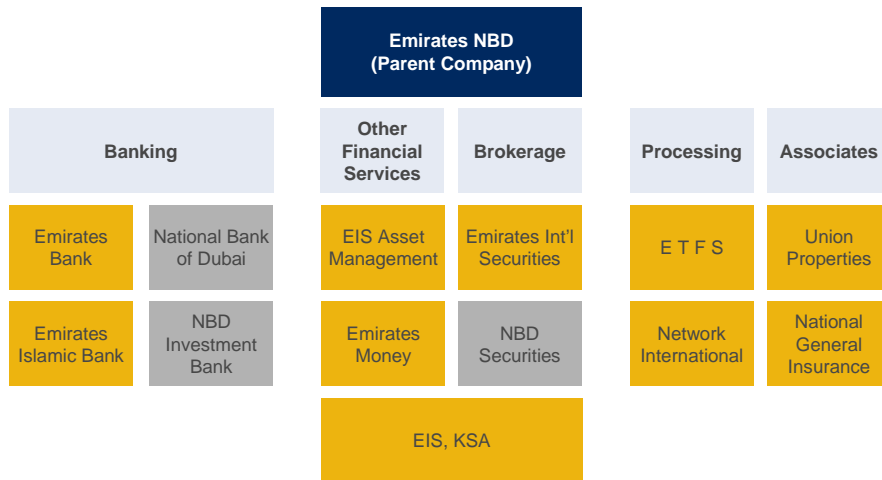
**Background on Emirates NBD**

Strategic Priorities

Awards and Key Deals

# Emirates NBD Group Structure and Market Shares

## Group Structure



## Market Profile

- Emirates NBD have 129 branches; Dubai 92, Abu Dhabi 16, Sharjah 9, Other Emirates 12
- Emirates NBD have 652 ATMs and SDMs
- Emirates NBD** market share in UAE:
  - Assets c.19%
  - Loans c.21%
  - Deposits c.18%
- Retail market** shares (estimated):
  - Personal loans c.17%,
  - Home loans c.10%
  - Auto loans c.20%
  - Credit cards c.10%
  - Debit cards c.18%
- EIS:** Brokerage business ranked 5th by volume in the UAE (as of 30<sup>th</sup> June 2009)

Source: UAE Central Bank; ENBD estimates

## Group Entities



- Emirates Bank & National Bank of Dubai** are the primary companies of Emirates NBD group
- Provide services and products to Retail, Wholesale & Treasury Customers.



- Fastest growing Islamic bank in UAE
- Provides Sharia compliant products to Retail and Corporate Banking clients.
- 99.8% owned by Emirates NBD

Emirates NBD Capital Limited

- Emirates NBD Capital Limited** (formerly known as NBD Investment Bank) was incorporated on 31 May 2006 in the DIFC.
- Principal activity is Investment Banking.



- Emirates International Securities** was established in 2001 with principal activity is brokerage on listed securities on DFM and ADSE.



- Network International** established in 1994 and evolved into a leading credit card and payment services company.



- Emirates Investment Services Limited** was incorporated in DIFC in 2006
- Principal activities are Investment Banking and Asset Management.

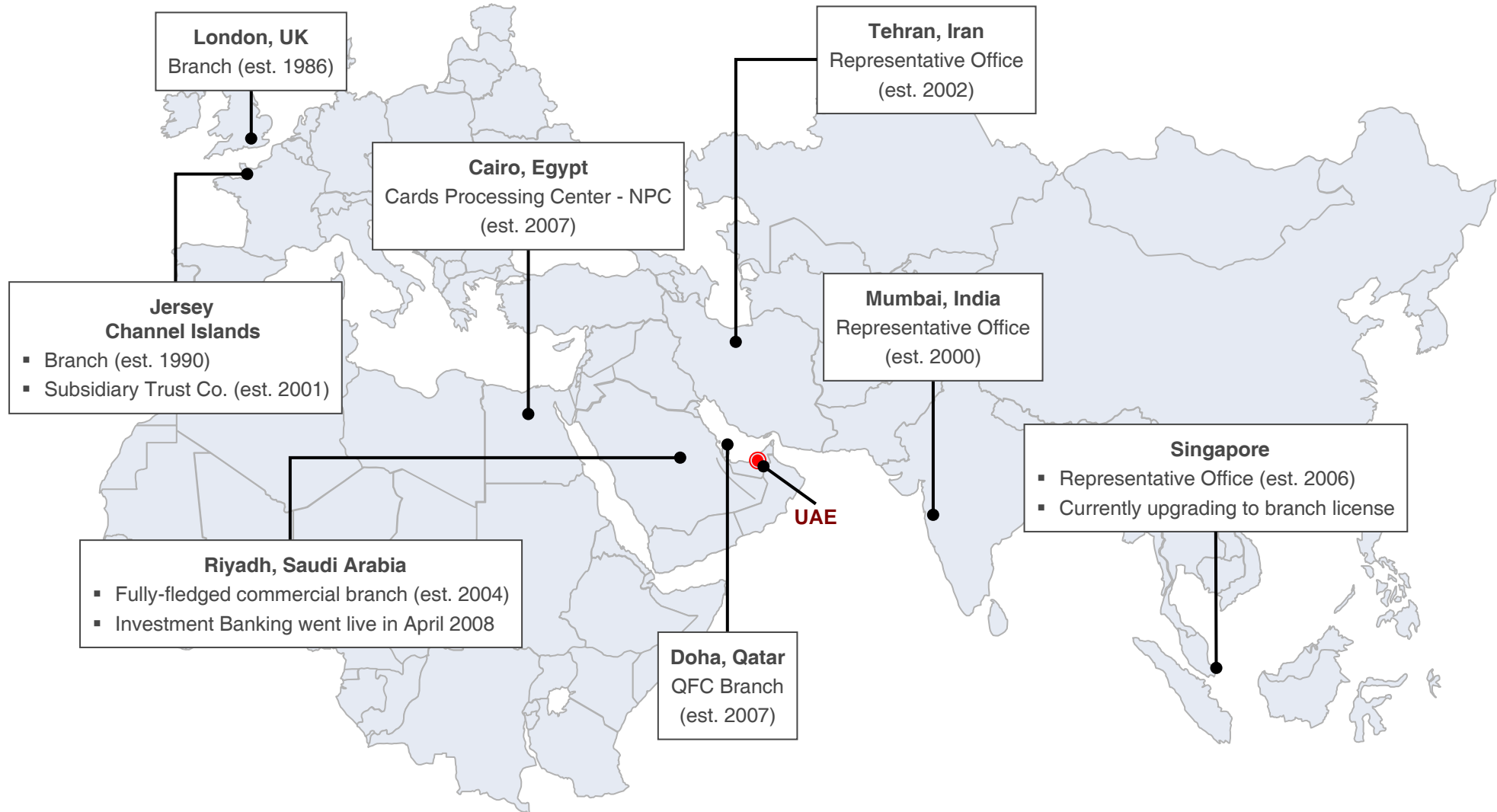


- Union Properties** is an associate company [Ownership 47.8%] of Group
- Leading property development, investment and real estate services company in the UAE.





- National General Insurance Limited (N.G.I.)**, acquired in 1995 [Own 36.7%]. is active in providing general insurance cover for a wide range of products.

# Building a Geographically Diversified Footprint





# Strong Credit Ratings

Current Ratings	 بنك الامارات Emirates Bank	 بنك دبي الوطني NBD
Moody's <sup>(1)</sup>	A1 / P-1	A1 / P-1
S&P <sup>(2)</sup>	A- / A-2	A- / A-2
Fitch <sup>(3)</sup>	AA-	n/a
Capital Intelligence	AA-	AA-

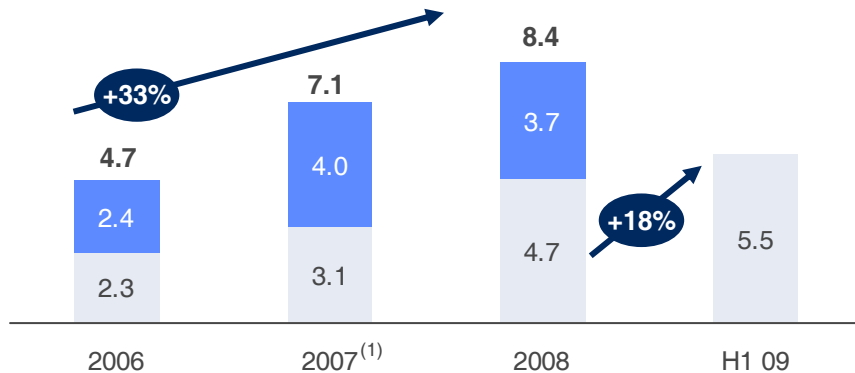
1) Moody's Long-term rating on review for possible downgrade

2) S&P Credit ratings on negative outlook

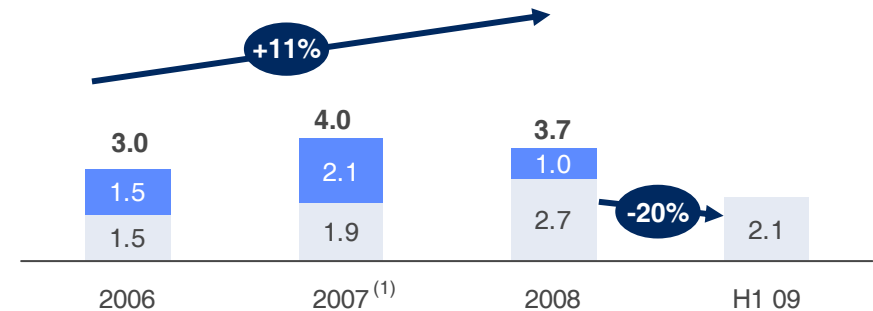
3) EBI's Long term Issuer Default rating is AA-; NBD has not been rated by Fitch. Support rating for both EBI and NBD is '1'

# Profit and Balance Sheet Growth in Recent Years

## Revenues (AED billion)

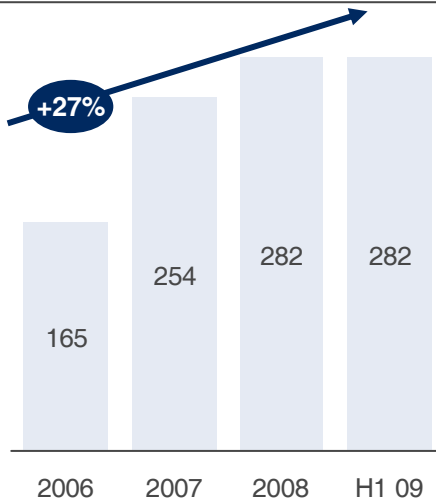


## Net Profits (AED billion)

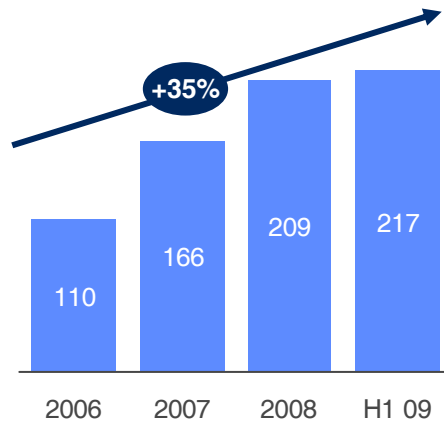


## Assets and Loans (AED billion)

### Assets

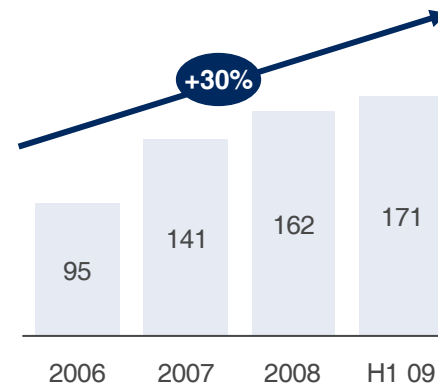


### Loans

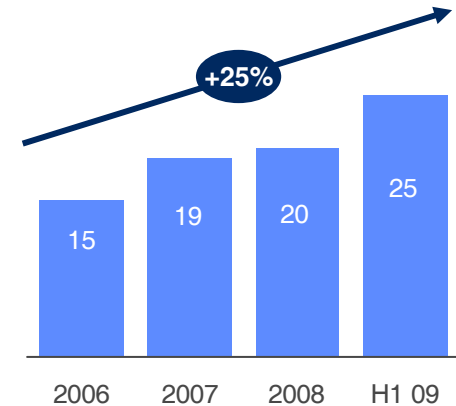


## Deposits and Equity (AED billion)

### Deposits



### Equity<sup>(2)</sup>



1) The comparative results for 2007 were prepared on a pro forma basis, which assumed that the merger occurred on 1 January 2007

2) Equity for 2007, 2008 and H1 2009 is Tangible Shareholder's Equity which excludes Goodwill and Intangibles

Note: Prior Year 2006 is the aggregation of Emirates Bank International and NBD; Year 2007 & 2008 excludes amortization of intangibles

Source: Financial Statements, Aggregation of Emirates Bank International and NBD results

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Background on Emirates NBD

**Strategic Priorities**

Awards and Key Deals

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# Optimise Balance Sheet Initiatives

1

## Maintain and Develop Wholesale Funding and Capital Sources

- Continue to monitor market conditions and investor demand through ongoing dialogue and non-deal specific investor road shows
- Innovative & opportunistic funding and capital initiatives (e.g. Tier 2 bond conversion, explore securitisation opportunities)
- Risk weighted asset initiatives (e.g. investment portfolio rationalisation)
- Develop stable and longer-term interbank funding by leveraging long-term regional and international relationships (e.g. bilateral arrangements)

2

## Continued Government Action / Support

- Government action at Federal and Emirate level continues to reap gains
- Active engagement with regulators and key government bodies on policy development and monetary / fiscal actions
- Expected formal deposit and capital market guarantees

3

## Capture Deposit Opportunities

- Product related initiatives: Value, e-saver, high yield deposits
- Proactive retention driven by dedicated retail retention team
- Intensified sales effort and incentives in corporate and retail businesses
- Re-focus on cash-rich corporate sectors (e.g. hospitals, schools, insurance companies, professional firms, etc.)

## Optimise Balance Sheet Initiatives (cont'd)

4

### Launch Private Banking

- Build up team and proposition
  - Add relationship managers to drive liability sales
  - Upgrade existing, qualified bank customers
  - Expand model into neighboring countries

5

### Affluent / SMB Re-launch

- Revised value proposition & operating model
  - Liability focus
  - Service promise for affluent
  - Focus on emerging affluent

6

### Focused Network Expansion

- New low cost channel branches
  - Aligned to key micro-markets
  - Focus outside Dubai
- New ATMs & CDMs; optimise use of ATM/CDM network

# Drive Profitability Initiatives

1

## Streamline Processes and Productivity

- Leverage the recent significant investment in technology and infrastructure to streamline processes and improve productivity
  - Finacle core banking system
  - Oracle Financials – ERP
  - Consolidation of data centres at Al Barsha
  - Oracle HR Management System
  - Calypso Treasury Management System
  - Integrated Internet Banking platform
- Creating a scalable platform for future growth

2

## Optimise Overall Cost Base

- Tighter governance of costs
- Redeployment of staff from lower volume front-end activities to governance areas such as controls, collections and liability generation
- Acceleration of integration cost savings initiatives
  - Align organisation and management model to new economic environment
  - Co-location/integration of functions
  - Eliminating duplicated systems & processes
- Purchasing savings through rationalisation of suppliers, leveraging scale and renegotiation of contracts

## Drive Profitability Initiatives (cont'd)

3

### Maximise Product Yields and Margins

- Product re-pricing across corporate and retail portfolios.
- Shift product mix; e.g. focus on affluent and private banking customers
- Proactive balance sheet management to optimise funding costs

4

### Increase Fee Based Income

- Grow asset management; e.g. grow principal guaranteed & regional products
- Expand range of insurance products, e.g. bancassurance
- Leverage prime-banker status with key corporate customers to gain larger wallet share of fee income
- Augment existing corporate product base by tailored products to optimise value; e.g. on-line trade, Escrow Account, enhanced trade finance & cash management products

# Enhance Risk Management Initiatives

1

## Enhance Risk Management Framework

- Developed Risk Model Governance Framework, Risk Strategy and comprehensive MIS capability
- Development of Basel II Standardized Approach capital calculator for Emirates NBD completed in line with UAE Central Bank
- Developed Basel II compliant internal Rating system for corporate, SME and FI customers and development of Rating Masterscale
- Implemented group-wide Internal Capital Adequacy Assessment Process (ICAAP) in line with the Basel II guidelines
- Developed application and behavioral scorecards for Retail products
- Developed home loans application model
- Enhancement of current PIP methodology for Corporate and Retail segments
- Completed technical VaR implementation for trading desks
- Implemented initial pricing & valuation engine for the existing Treasury Sales Book

2

## Improve Collections

- In-source field collections to improve efficiency
- Expand tie up with international recovery agencies
- Set up retail restructuring/workout unit



3

## Strengthen Credit Policy

### Corporate

- Sectoral caps harmonized for all Emirates NBD corporate counterparties
- Exposures to all economic sectors being carefully monitored
- Prudence in renewing existing facilities
- Intensified credit monitoring and controls
- Delegated authority matrix reviewed
- Review of securities to ensure quality and adequacy of coverage

### Financial Institutions

- Review of counterparty limits & reduction as appropriate
- Intensified utilization monitoring
- Liquidation of investments on a best effort basis

### Retail

- Active revision of policies to ensure NPLs within acceptable ranges
- Roll out new scorecards
- Ongoing review of sectoral risk appetite
- Eligibility norms for company approvals raised
- Increase in income norms
- Debt Burden ratios scaled down and reduction in loan multiples
- Target end-user mortgage users (i.e. reduce LTVs and limit mortgages per customer)

Background on Emirates NBD

Strategic Priorities

**Awards and Key Deals**

## 2008 and H1 2009: Awards



Emirates NBD was **honored by H.H. Sheikh Mohamed Bin Rashid Al Maktoum**, the Ruler of Dubai and Vice President & Prime Minister of the UAE, for its role in boosting investments and attracting businesses from around the world

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Rick Pudner, Chief Executive Officer of Emirates NBD was awarded the '**Banker of the Year Award**' by The Banker Middle East

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Emirates NBD has been named as **Best Emerging Market Bank & Best Foreign Exchange Bank in the UAE** for the year 2008 by Global Finance Magazine. Global Finance Magazine named the bank as **Best Bank, Best Emerging Market Bank and Best Trade Finance Provider in the UAE** in May 2009

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**Superbrands** council honored Emirates NBD with three Superbrands awards for Group's '**Emirates Bank**', '**National Bank of Dubai**' and '**meBank**' brands at the Superbrands Tribute Event held in April 2008

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Emirates NBD was awarded '**Best Bank in the UAE**', for the year 2008 by The Banker 2008

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'**Best Retail Bank**' Arabian Business Magazine 2008

# Large Deals Concluded 2008 and H1 2009

## Emirates Aluminum



**US\$ 4.94b**

*Project Finance Facility*

**February 2008**

*Mandated Lead Arranger, Sub-Underwriter and L/C Issuing Bank*

## Deer Fields Town Square Project



**AED 360m**

*Term Loan Facility*

**March 2008**

*Mandated Lead Arranger*

## Archirodon Group N.V.



**US\$ 225m**

*Revolving Multi-currency Credit Facility*

**March 2008**

*Mandated Lead Arranger*

## Limitless LLC



**US\$ 1.2b  
(Dual currency AED/USD)**

*Syndicated Mudaraba Facility*

**March 2008**

*Initial Mandated Lead Arranger, Underwriter & Bookrunner*

## Saudi Bin Laden



**SR 3.2b**

*Project Facilities*

**March 2008**

*Mandated Lead Arranger*

## Borse Dubai



**US\$ 5.8b  
(Dual currency GBP/USD)**

*Syndicated Loan Facility*

**April 2008**

*Initial Mandated Lead Arranger, Underwriter & Bookrunner*

## DEWA



**US\$ 2.2b**

*Syndicated Ijara Facility*

**April 2008**

*Mandated Lead Arranger*

## DEWA



**AED 3.2b**

*Sukuk al Ijara*

**April 2008**

*Mandated Lead Arranger & Bookrunner*

## Dubai World



**US\$ 5b**

*Term Loan and Revolving Credit Facilities*

**June 2008**

*Mandated Lead Arranger, Underwriter & Bookrunner*

## Axiom Telecom LLC



**US\$ 400m  
Dual Currency (AED/USD)**

*Import / Purchase Finance  
(Islamic/Conventional) Facility*

**June 2008**

*Initial Mandated Lead Arranger, Underwriter & Bookrunner*

# Large Deals Concluded 2008 and H1 2009 (cont'd)

The Palm Vacation Club FZE  
(A Subsidiary of IFA Hotels & Resorts KSCC)



**AED 367.3m**

Corporate Term Loan Facility

June 2008

Initial Mandated Lead Arranger,  
Underwriter y Bookrunner

Dubai Aerospace Enterprise  
Limited



**US\$ 1,000m**

Syndicated Loan Facility

July 2008

Mandated Lead Arranger,  
Bookrunner and Underwriter

ENOC Supply & Trading LLC



**US\$ 500m**

Multicurrency Syndicated  
Commodity Murabaha

July 2008

Mandated Lead Arranger,  
Bookrunner and Underwriter

United Arab Shipping  
Company SAG



**US\$ 500m**

Syndicated Financing Facility

July 2008

Mandated Lead Arranger, and  
Bookrunner

Majid Al Futtaim Group LLC



**US\$ 1,000m**

Syndicated Term Loan &  
Revolving Credit Facility

July 2008

Mandated Lead Arranger

Nakheel Real Estate  
Finance Limited



**AED 4.4b**

Syndicated Receivables  
Financing Facility

August 2008

Mandated Lead Arranger,  
Underwriter & Bookrunner

ENOC Processing Company  
LLC



**AED 771m**

Islamic Financing Facility

August 2008

Mandated Lead Arranger

Investment Corporation of  
Dubai



**US\$ 6b**

Syndicated Term Finance  
Facility

August 2008

Mandated Lead Arranger

Drydocks World LLC



**US\$ 2.2b**

Syndicated Term Loan Facility

September 2008

Mandated Lead Arranger,  
Underwriter & Bookrunner

Commercial Real Estate  
Company KSCC



**US\$ 155m**

Syndicated Murabaha Facility

October 2008

Mandated Lead Arranger

# Large Deals Concluded 2008 and H1 2009 (cont'd)

Maritime Industrial Services  
Co. Ltd. Inc.



**US\$ 84.8m**

*Syndicated Project Facilities*

**December 2008**

*Mandated Lead Arranger,  
Bookrunner and Underwriter*

Dubai Aerospace Enterprise  
Limited



**US\$ 725m**

*Syndicated Loan Facility*

**December 2008**

*Mandated Lead Arranger,  
Bookrunner and Underwriter*

Al Ghurair Centre LLC



**US\$ 347m**

*Syndicated Musharaka Facility*

**February 2009**

*Mandated Lead Arranger and  
Bookrunner*

Borse Dubai Limited



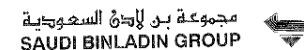
**US\$ 2.5b**

*Syndicated Term Loan Facility*

**February 2009**

*Mandated Lead Arranger*

Saudi Bin Ladin Group Ltd  
(Public Buildings & Airports  
Division)



**SR 3.15b**

*Syndicated Project Facilities*

**February 2009**

*Mandated Lead Arranger*

Dubai Electricity & Water  
Authority



**US\$ 2,200m**

*Syndicated Loan Facility*

**April 2009**

*Mandated Lead Arranger and  
Coordinating Bank*

The Government of Dubai,  
Department of Finance (Dubai  
Civil Aviation)



**US\$ 635m**

*Syndicated Ijara Facility*

**April 2009**

*Mandated Lead Arranger*



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**Email: [bernhardf@emiratesbank.com](mailto:bernhardf@emiratesbank.com)**