

Emirates NBD

Q3 2012 Results Presentation

October 22, 2012



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Q3 2012 Financial Results Highlights

Highlights

- **Net profit of AED 640 million**, broadly stable vs. Q2 2012 and +267% vs. Q3 2011
- **Net interest income improved 6% q-o-q and declined 11% y-o-y to AED 1,730 million** due to net interest margin variability
- **Non-interest income declined by 8% q-o-q and improved by 21% y-o-y; core fee income declined 17% q-o-q due to seasonal factors and declined 2% y-o-y**
- **Costs improved by 2% q-o-q to AED 874 million** due to cost optimisation initiatives
- Continuation of balance sheet **de-risking** and **conservatism on provisioning** resulted in **impairment allowances of AED 1,009 million**
- **New underwriting remains modest** with net loans up 2% q-o-q
- **Deposits increased 3% q-o-q and 11% since end-2011**
- **Headline LTD ratio at 99% vs. 105% at Q4 2011**

Key Performance Indicators

AED million	Q3 2012	Q3 2011	Change (%)	Q2 2012	Change (%)
Net interest income	1,730	1,950	-11%	1,639	+6%
Non-interest income	790	655	+21%	860	-8%
Total income	2,521	2,605	-3%	2,499	+1%
Operating expenses	(874)	(850)	+3%	(894)	-2%
Operating profit before impairment allowances	1,647	1,755	-6%	1,605	+3%
Impairment allowances	(1,009)	(1,571)	-36%	(954)	+6%
Operating profit	638	184	+246%	651	-2%
Amortisation of intangibles	(20)	(23)	-15%	(20)	+2%
Associates	27	19	+44%	21	+28%
Taxation charge	(5)	(5)	-7%	(5)	-6%
Net profit	640	175	+267%	647	-1%
Cost: income ratio (%)	34.7%	32.6%	+2.1%	35.8%	-1.1%
Net interest margin (%)	2.35%	2.96%	-0.61%	2.28%	+0.07%
EPS (AED)	0.10	0.02	+427%	0.10	-1%

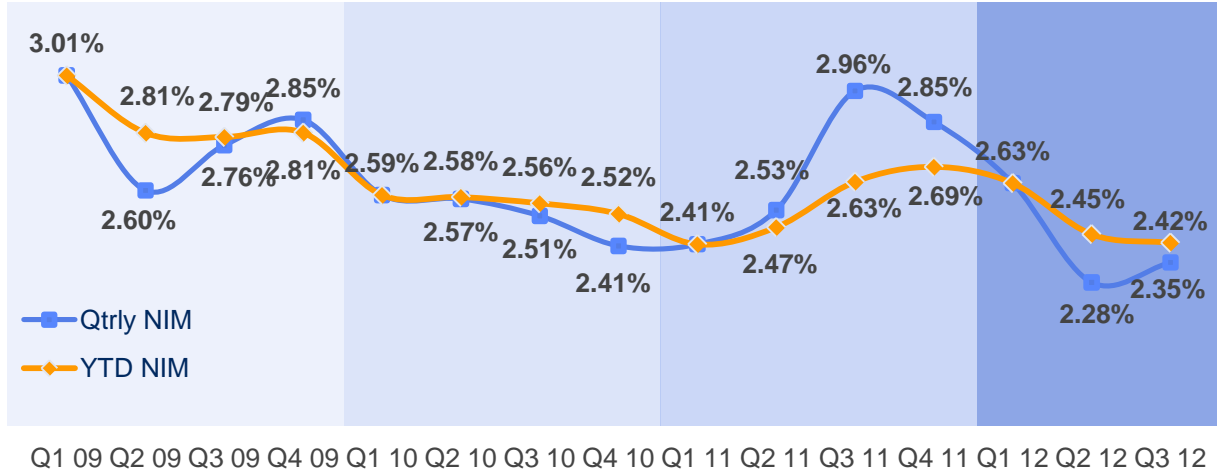
AED billion	30 Sept 2012	31 Dec 2011	Change (%)	30 June 2012	Change (%)
Loans	212.5	203.1	+5%	208.2	+2%
Deposits	214.2	193.3	+11%	208.4	+3%

Net Interest Income

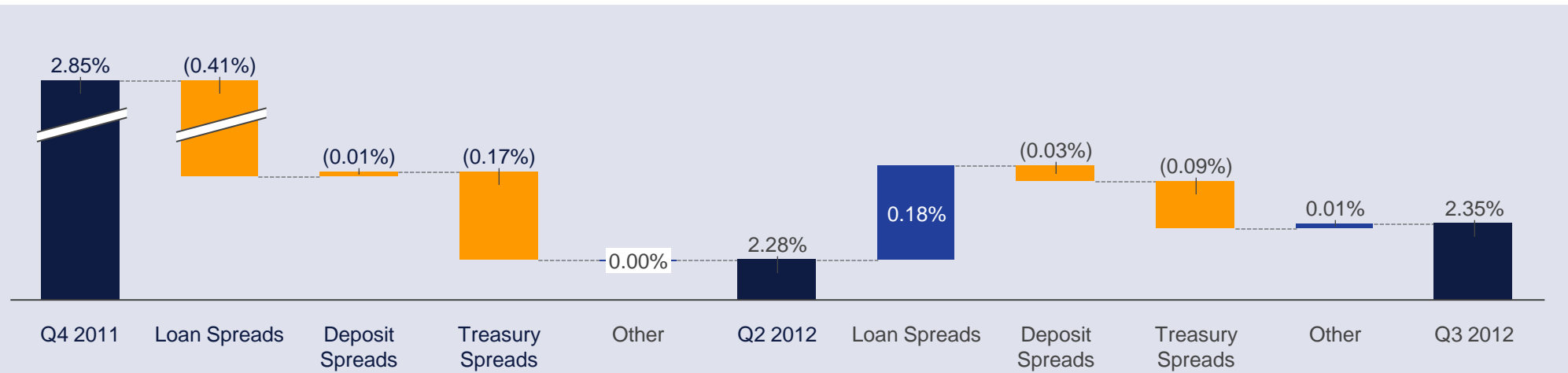
Highlights

- NIM improved by 7 bps from 2.28% in Q2 2012 to 2.35% in Q3 2012 resulting in 6% q-o-q increase in net interest income to AED 1,730 million
- Q3 2012 NIM improvement driven by:
 - Higher loan spreads resulting from lower Eibor rates
 - Partly offset by lower treasury spreads due to impact of medium term debt issuance

Net Interest Margin (%)



Net Interest Margin Drivers (%)

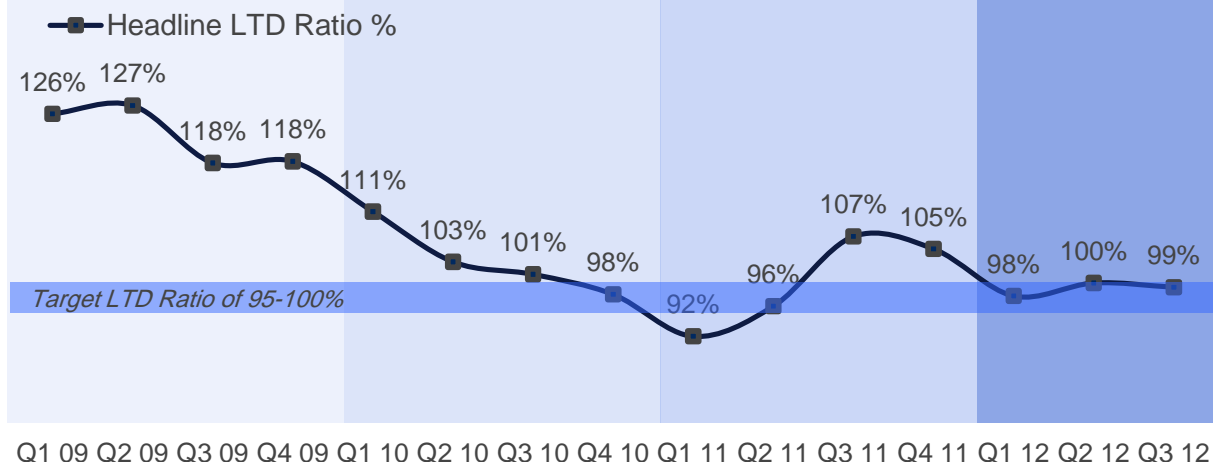


Funding and Liquidity

Highlights

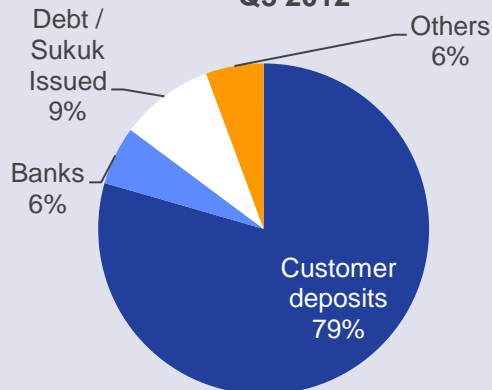
- **Headline LTD ratio of 99%** at Q3 2012
- The LTD ratio is being managed to the target range of c.95%-100%
- **Liquid assets** (excl. Investments) of **AED 48.2 billion** as at 30 September 2012 (16% of total assets)
- **Debt maturity profile** well within existing funding capacity
- **Issued AED 11.9 billion** medium term debt during the first 9 months of 2012

Loan to Deposit Ratios (%)



Liquid Assets and Maturity of Debt Issued (AED million)

Composition of Liabilities
Q3 2012



Maturity Profile of Debt/Sukuk Issued
100% = AED 24.7 billion

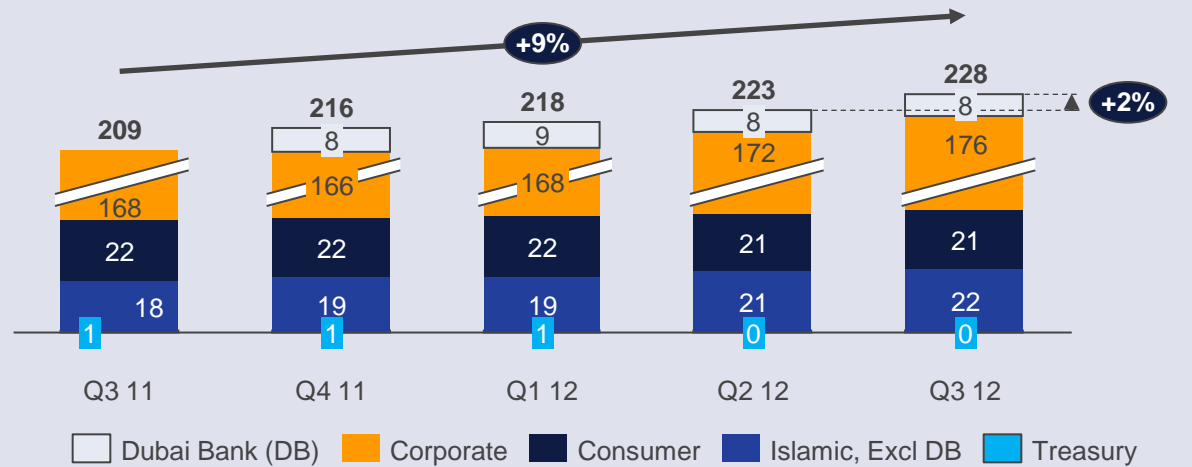


Loan and Deposit Trends

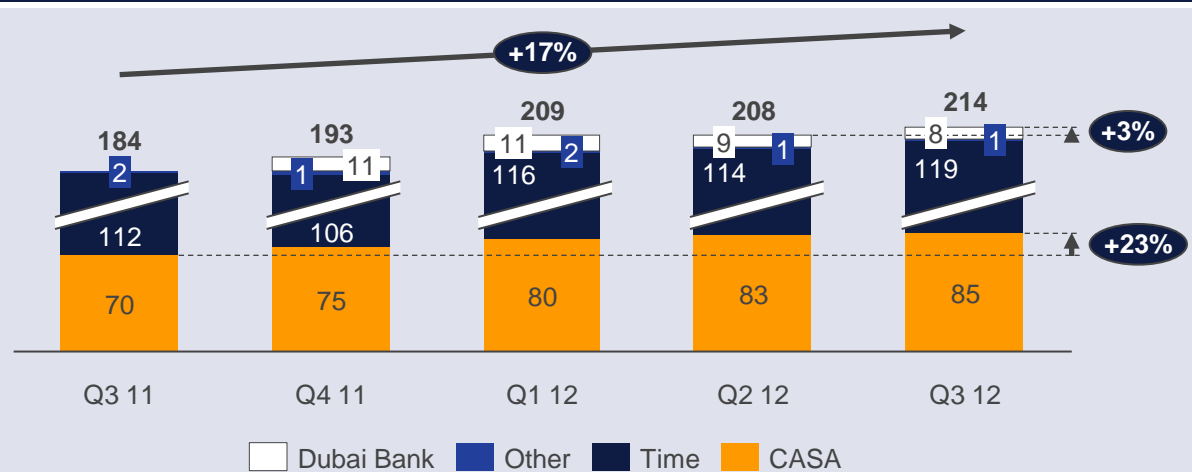
Highlights

- Signs of modest pickup in new underwriting:
 - Annual growth of 9% in gross loans
 - Excluding Dubai Bank, annual growth of 6% in gross loans
- Balance sheet optimisation initiatives successful in improving deposit mix:
 - Annual growth of 17% in deposits
 - CASA organic growth of 23% or AED 15 billion from Q3 2011 (excl. Dubai Bank)
 - CASA % age of total deposits 42% at Q3 2012

Trend in Gross Loans by Type (AED billion)



Trend in Deposits by Type (AED billion)



Non Interest Income

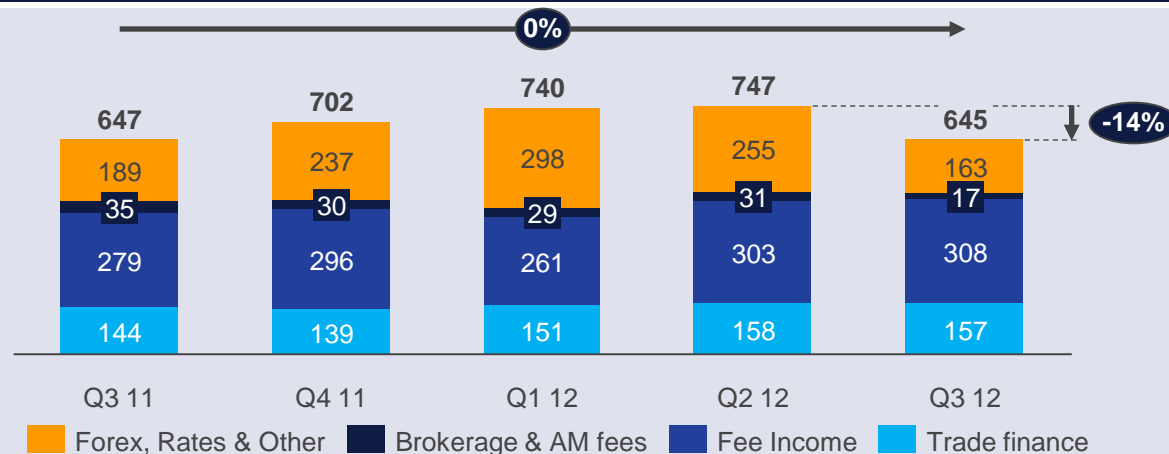
Highlights

- **Non-interest income declined** by 8% q-o-q and **improved by 21% y-o-y**
- Impact of non-core items:
 - Higher investment securities income in Q3 2012 of AED 175 million relative to AED 37 million in Q3 2011 and AED 127 million in Q2 2012
- **Core fee income declined 17% q-o-q due to seasonal factors and declined 2% y-o-y**, key trends being:
 - Improvement in banking fee income (+2% q-o-q and +10% y-o-y)
 - Mixed trends in trade finance income (-1% q-o-q and +9% y-o-y)
 - Decline in forex, rates, derivatives and other income (-36% q-o-q and -14% y-o-y)
 - Decline in brokerage and asset management fee income (-45% q-o-q and -51% y-o-y)
 - Dubai Bank contribution to core fee income in the first 9 months of 2012 was AED 35 million

Composition of Non Interest Income (AED million)

AED million	Q3 2012	Q3 2011	Change (%)	Q2 2012	Change (%)
Core gross fee income	645	647	-0%	747	-14%
Fees & commission expense	(42)	(29)	+45%	(20)	+112%
Core fee income	603	618	-2%	728	-17%
Property income / (loss)	12	0	n/a	5	+147%
Investment securities	175	37	+374%	127	+38%
Total Non Interest Income	790	655	+21%	860	-8%

Composition of Core Gross Fee Income (AED million)

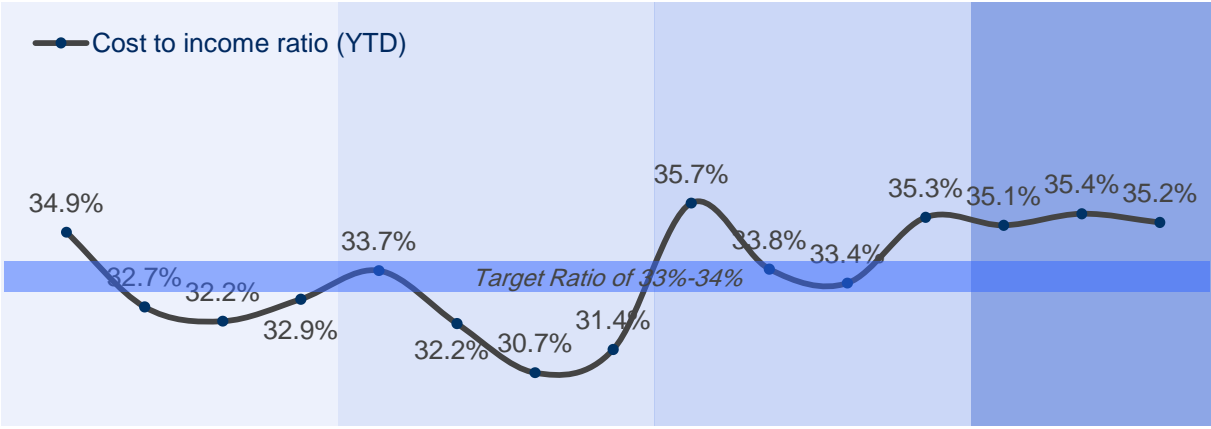


Operating Costs and Efficiency

Highlights

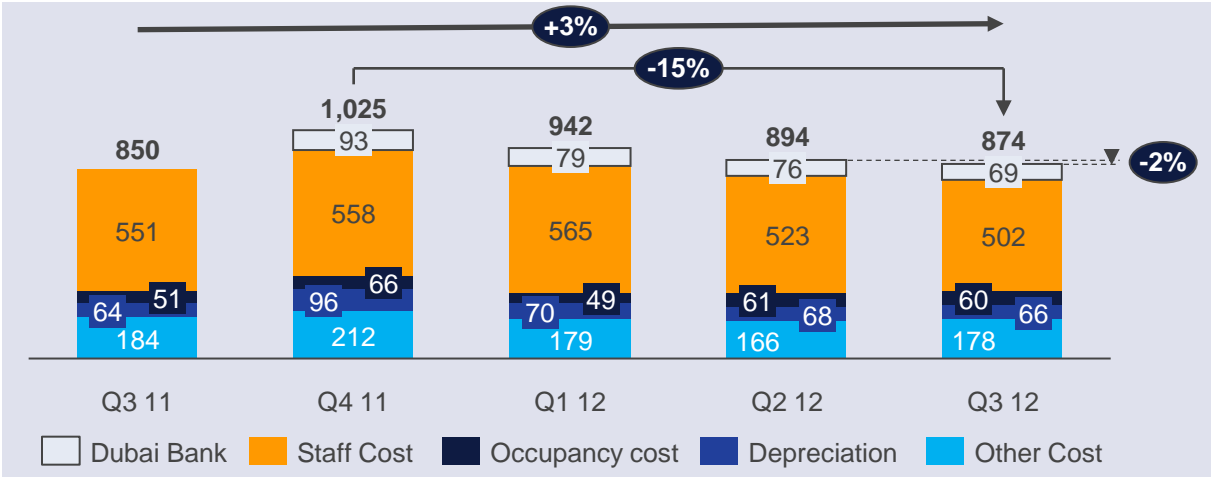
- Costs improved by AED 20 million or 2% q-o-q to AED 874 million in Q3 2012 resulting from:
 - AED 20 million reduction in staff costs
 - AED 7 million reduction in Dubai Bank costs
 - partly offset by AED 11 million increase in other costs
- The **cost to Income ratio** will be managed to the longer term **target range of c.33%-34%**

Cost to Income Ratio (%)



Q1 09 Q2 09 Q3 09 Q4 09 Q1 10 Q2 10 Q3 10 Q4 10 Q1 11 Q2 11 Q3 11 Q4 11 Q1 12 Q2 12 Q3 12

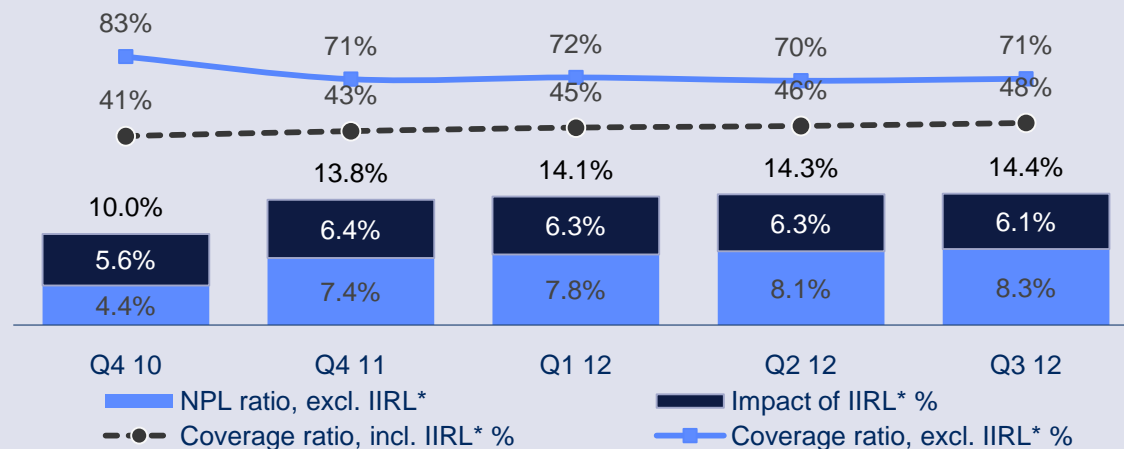
Cost Composition (%)



Highlights

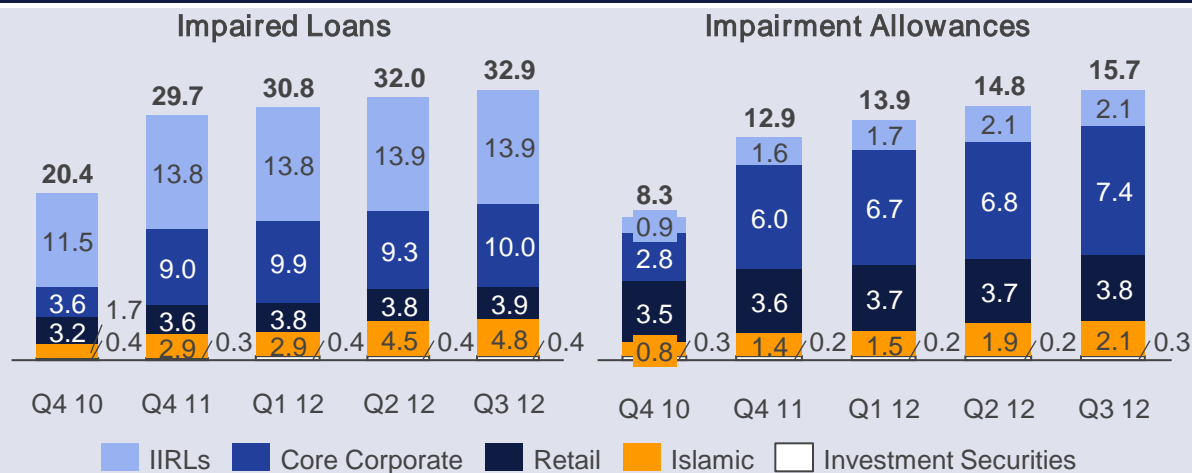
- **Q3 2012 impairment charge of AED 1,009 million** driven principally by specific provisions of AED 960 million relating mainly to corporate portfolios (both conventional and Islamic)
- Total **portfolio impairment allowances** amount to **AED 3.67 billion** or 2.6% of credit RWAs
- Management **targets for impaired loan coverage ratios:**
 - 80%-85% on underlying NPL portfolio
 - 55%-60% on overall impaired loans to be achieved by 2013
- Target coverage ratios to be achieved through **more conservative** provisioning for and recognition of impaired loans

Impaired Loan & Coverage Ratios (%)



* IIRL = Interest Impaired Renegotiated Loans at Q3 2012 comprises D1 (exposure AED 9.3 billion ; provision AED 574 million) and D2B (exposure AED 4.6 billion ; provision AED 1.56 billion)

Impaired Loans and Impairment Allowances (AED billion)

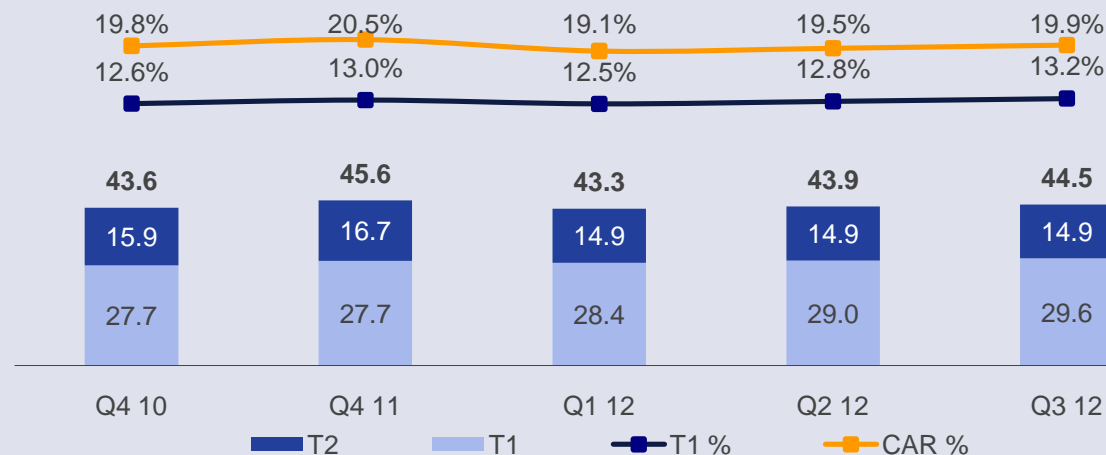


Capital Adequacy

Highlights

- CAR and T1 improved 0.4% q-o-q to 19.9% and 13.2% respectively resulting from an increase in Tier 1 capital by AED 0.6 billion in Q3 2012 due to net profit generation for the quarter and a 1% reduction in RWAs

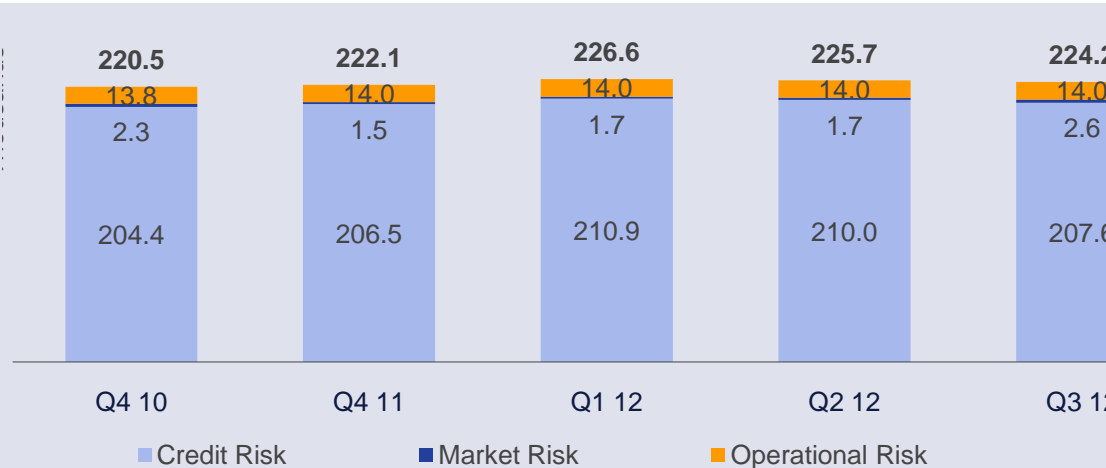
Capital Ratios - Basel II (AED billion)



Capital Movements (AED billion)

31 Dec 2011 to 30 Sept 2012	Tier 1	Tier 2	Total
Capital as at 31 Dec 2011	28.9	16.7	45.6
Net profits generated	1.9	-	1.9
FY 2011 dividend payable	(1.1)	-	(1.1)
Interest on T1 securities	(0.2)	-	(0.2)
Change in general provisions	-	0.8	0.8
Amortisation of MOF T2	-	(2.5)	(2.5)
Other	0.1	(0.1)	0.0
Capital as at 30 Jun 2012	29.6	14.9	44.5

Risk Weighted Assets – Basel II (AED billion)

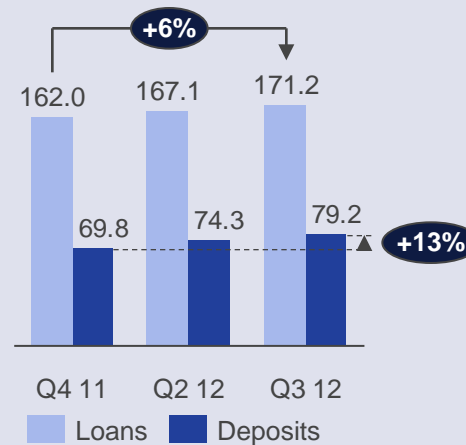


Divisional Performance

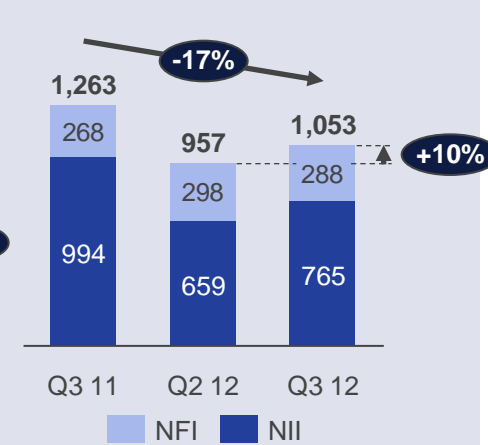
Wholesale Banking

- **Key focus** during Q3 2012 was on continued strategy re-alignment to ensure enhanced future customer service quality and share of wallet, increased cross-sell of Treasury and Investment Banking income and increased Cash Management and Trade Finance penetration
- **Revenue** improved 10% q-o-q but declined 17% y-o-y resulting from net interest margin variability
- **Loans** rose by 6% from end-2011 as new underwriting more than offset normal loan repayments
- **Deposits** grew by 13% from end-2011

Balance Sheet Trends
AED billion



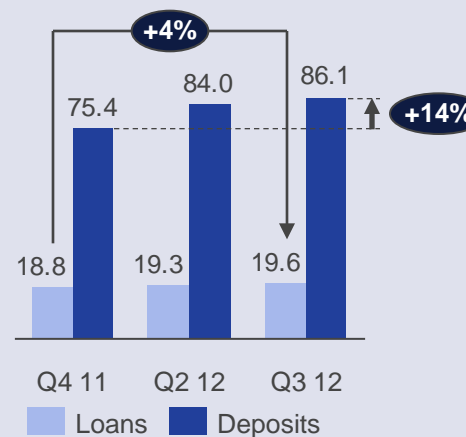
Revenue Trends
AED million



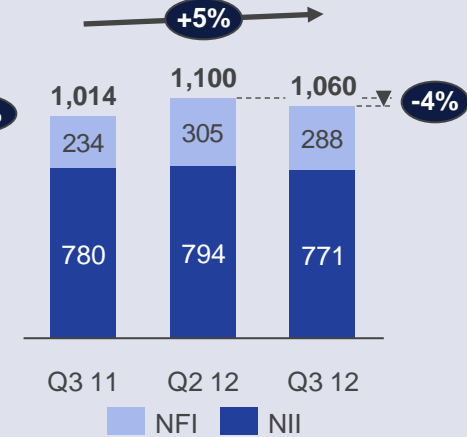
Consumer Banking & Wealth Management

- CWM continued to improve its position during the quarter
- **Revenue** declined 4% q-o-q but grew 5% y-o-y
- **Deposits** grew 2% q-o-q and 14% from end-2011
- **Loans** grew 1% q-o-q and 4% from end-2011 driven by growth in personal loans and the SME segment
- **Channel optimisation strategy** being pursued to enhance efficiency across all distribution channels, resulting in a net reduction of 8 branches and 64 ATM/SDMs during Q3 2012 YTD to 104 and 566 respectively

Balance Sheet Trends
AED billion



Revenue Trends
AED million

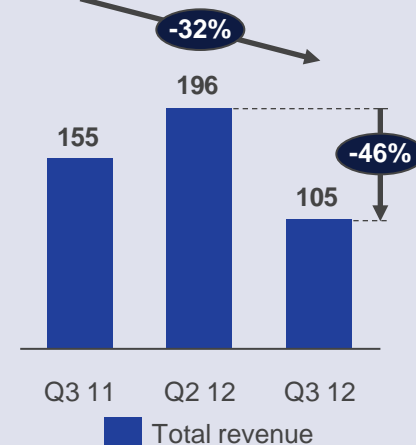


Divisional Performance

Global Markets & Treasury

- **Revenue** declined 46% q-o-q and 32% y-o-y to AED 105 million in Q3 2012 driven by lower net interest income in Q3 2012 and higher investment income in the previous quarter
- Tightening of Spreads in regional credit produced opportunities for the trading desk which resulted in strong third quarter for **credit trading desk**
- **Treasury Sales** enjoyed a good quarter as volatility returned to the FX markets which saw some hedging interest from clients; the prevailing low interest rate scenario attracted some interest rate hedging activities as well

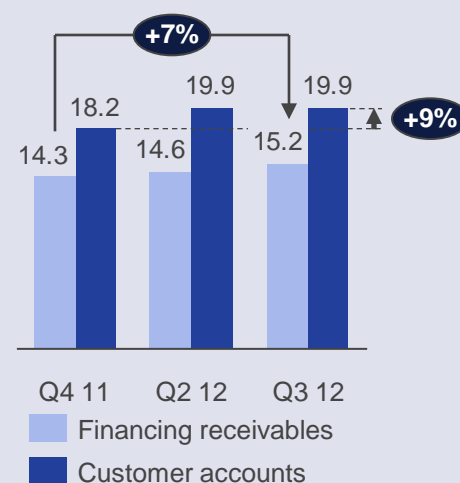
Revenue Trends
AED million



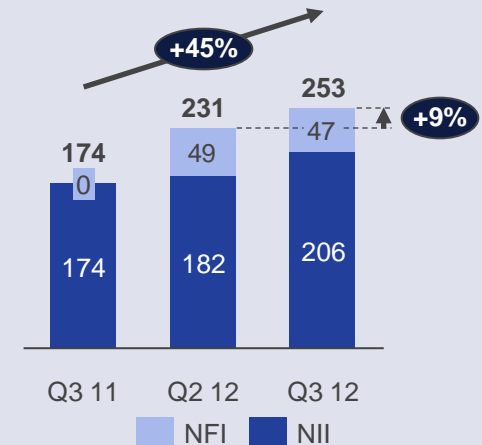
Emirates Islamic Bank

- EIB **revenue** improved 9% q-o-q and 45% y-o-y to AED 253 million in Q3 2012 (net of customers' share of profit), due to growth in both net funded income and fee income
- **Financing receivables** rose 7% to AED 15.2 billion from end-2011
- **Customer accounts** increased by 9% to AED 19.9 billion from end-2011
- As at Q3 2012, EIB **branches** totals 35 while the ATM & SDM network totals 123

Balance Sheet Trends
AED billion



Revenue Trends
AED million



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



- During 2012 YTD the UAE economy continued to display resiliency and modest growth with oil output rising 4.3% and modest private sector expansion
- Continued **strength** and growth witnessed in **Dubai's traditional** trade, logistics, tourism and retail sales **sectors** and signs of **improvement in the Dubai property market**
- For the remainder of 2012 and 2013 the **external environment remains challenging** in the context of weaker expected global growth resulting from recessionary risks in the Eurozone, downgrades to US growth and an expected slowdown in Asia
- Nevertheless, the **UAE remains well-positioned** to enjoy modest GDP growth of 3.0% in 2012 underpinned by rising oil production and continued modest private sector expansion
- **Despite a cautious and uncertain outlook, Emirates NBD is resilient and well placed to take advantage of growth opportunities in selected areas**
 - Capitalisation and liquidity continue to be extremely strong, offering resilience and flexibility for the future
 - Significantly de-risked and strengthened balance sheet offers strong platform for capturing future growth opportunities
 - The Bank has a clear strategy in place and is focused on relentless execution

Summary



- ▶ Net profit growth broadly stable q-o-q at AED 640 million
- ▶ Total income improved 1% q-o-q driven by increased net interest margin
- ▶ Operating expenses improved 2% q-o-q and will be managed to a longer term cost income ratio target of 33%-34%
- ▶ NPL formation and provisioning trends in line with expectations
- ▶ Capitalisation and liquidity continue to be **extremely strong**, offering resilience and flexibility for the future
- ▶ The **outlook remains challenging** but Emirates NBD has a **clear strategy** in place to take advantage of selected growth opportunities

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