

**For immediate release**

## **Emirates NBD Announces Third Quarter 2020 Results**

**Total income of AED 18.3 billion improved 18% y-o-y**

**Operating Profit of AED 6.1 billion, 24% lower on higher provisions**

**Common equity tier 1 ratio strengthens to 15.6%**

### **Dubai, 20 October 2020**

Emirates NBD (DFM: EmiratesNBD), a leading banking group in the region, delivered a net profit of AED 5.6 billion in the first nine months of 2020. Net interest income increased 21% y-o-y and non-funded income grew 9% y-o-y with the full year inclusion of DenizBank. Net profit declined 55% y-o-y due to higher impairment charges and the gain on disposal of a stake in Network International not repeated in 2020. The Group's balance sheet remains healthy with stable credit quality coupled with strong liquidity and capital ratios. The Group continued to increase impairment allowances for Stage 1 and 2 coverage in light of the challenging economic climate.

### **Financial Highlights – Q3 2020 YTD**

- Total income of AED 18.3 billion improved 18% y-o-y on loan growth, including DenizBank
- Net profit of AED 5.6 billion declined 55% y-o-y on higher provisions and gain from sale of Network International shares not repeated in 2020. Excluding the Network International gains in 2019, net profit was down 30%
- Impairment allowances increased to AED 6.4 billion with annualised net cost of risk of 176 bps as the Group increased Stage 1 and 2 expected credit loss (ECL) allowances
- Net interest margin declined 9 bps y-o-y to 2.73% as lower interest rates fed through to the loan book
- Total assets at AED 692 billion, up 1% from end-2019
- Customer loans at AED 442 billion, up 1% from end-2019
- Customer deposits at AED 458 billion, down 3% from end-2019
- Non-performing loan ratio increased to 6.0% and coverage ratio remained strong at 119.6%
- Liquidity coverage ratio of 161.7% and advances to deposit ratio of 96.6% demonstrate a healthy liquidity position
- Common equity tier 1 ratio strengthened to 15.6%, over 7% above minimum requirement

**Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said:** “Emirates NBD delivered a net profit of AED 5.6 billion in the first nine months of 2020 and maintained a strong balance sheet. The UAE Government has followed its earlier decisive action to protect the health of UAE residents with clear, prescriptive and measured guidelines to reopen the economy with safety continuing to be the top priority. The UAE Central Bank’s Targeted Economic Support Scheme has been influential in supporting customers and banks now in order to prevent credit issues arising later. I am proud that Emirates NBD have provided assistance to customers affected by coronavirus as well as being actively involved in community initiatives. The Bank’s results reflect a pick-up in economic activity during the third quarter and Emirates NBD has a strong balance sheet which we will continue to use to help drive economic growth.. We are grateful to the UAE’s wise leadership during these challenging times.”

**Commenting on the Group’s performance, Shayne Nelson, Group Chief Executive Officer said:** “Despite the challenging conditions that individuals and businesses have faced over the last six months, Emirates NBD has remained profitable and maintained a strong balance sheet. We have used that strength to support our customers affected by the disruption caused by Covid-19 to help avoid credit issues developing in future. As the economy has started to reopen, we continue to provide nearly AED 6.6 billion of interest and principal deferrals to over 98,500 customers. The safety and well-being of our customers and employees remains our top priority. As branches and offices reopen, we have maintained additional deep cleaning and sterilization protocols and provided training in precautionary measures to frontline staff. Throughout the year, we have seen more customers utilise our digital banking offering as a secure and safe platform through which to bank.”

**Patrick Sullivan, Group Chief Financial Officer said:** “The operating profit of AED 6.1 billion in the first nine months of 2020 was resilient given the challenging operating environment. Net interest income declined throughout 2020 due to lower interest rates but non-funded income improved in the third quarter of 2020 as volumes picked-up following the acute disruption in Q2 2020. The cost-to-income ratio was brought back within guidance following earlier management actions in response to lower income. Excluding last year’s gain on disposal of Network International shares, net profit declined 30% as higher income from the inclusion of DenizBank was more than offset by additional credit impairment provisions as the Group boosted Stage 1 and 2 coverage ratios. Emirates NBD continues to have a good operating performance, coupled with a robust balance sheet to help navigate multiple challenges from low interest rates and uncertain economic growth. The Group continues to operate with strong liquidity and healthy capital ratios.”

## Financial Review

AED million	9 month period ended	9 month period ended	Better / (Worse) (%)
	30-Sep-20	30-Sep-19	
Net interest income	13,443	11,122	21%
Non-funded income	4,834	4,419	9%
<b>Total income</b>	<b>18,277</b>	<b>15,541</b>	<b>18%</b>
Operating expenses	(5,809)	(4,706)	(23)%
<b>Pre-impairment operating profit</b>	<b>12,467</b>	<b>10,835</b>	<b>15%</b>
Impairment allowances	(6,361)	(2,755)	(131)%
<b>Operating profit</b>	<b>6,106</b>	<b>8,080</b>	<b>(24)%</b>
Gain on disposal of Stake in NI	-	4,389	n/a
Share of profits from associates	9	18	(50)%
Gain on bargain purchase	-	142	n/a
Taxation charge	(468)	(145)	(222)%
<b>Net profit</b>	<b>5,647</b>	<b>12,483</b>	<b>(55)%</b>
Cost to income ratio	31.8%	30.3%	(1.5)%
Net interest margin	2.73%	2.82%	(0.09)%
Adjusted EPS (AED)*	0.82	1.37	(0.55)
Return on Tangible Equity (%)*	10.5%	19.1%	(8.6)%

  

AED billion	as at	as at	Better / (Worse) (%)
	30-Sep-20	31-Dec-19	
Total assets	692.1	683.3	1%
Loans	442.3	437.4	1%
Deposits	458.0	472.2	(3)%
NPL Ratio (%)	6.0%	5.6%	(0.4)%
Impaired Loan Coverage Ratio (%)	119.6%	112.3%	7.3%
Capital Adequacy Ratio (%)	19.1%	18.5%	0.6%
Tier 1 Ratio (%)	18.0%	17.4%	0.6%
Common Equity Tier 1 Ratio (%)	15.6%	15.3%	0.3%

\*Adjusted for the gain on disposal of Network International shares.

Total income for the first nine months of 2020 amounted to AED 18,277 million; an increase of 18% compared with AED 15,541 million during the same period in 2019. Net interest income improved 21% y-o-y in to AED 13,443 supported by the income contribution from DenizBank. Excluding DenizBank, net interest income declined 11% y-o-y due to lower margins.

Total Non-funded income improved 9% y-o-y on the back of higher fee income from DenizBank. Excluding DenizBank, non-funded income declined 19% on lower lower volumes due to the impact of Covid-19.

Costs for the first nine months of 2020 increased by 23% to AED 5,809 million due to the inclusion of DenizBank. Costs improved 5% y-o-y excluding DenizBank. The cost-to-income ratio at 31.8% remains within management guidance of 33%.

During the first nine months of 2020, the Non-Performing Loan Ratio increased to 6.0%. The impairment charge during this period of AED 6,361 million is 131% higher y-o-y as Stage 1 and 2 coverage increased.

The Group's net profit of AED 5,647 million in the first nine months of 2020 is 55% below that posted in the comparable period in 2019. The decline in net profit was driven by higher provisions and no repeat of the gain on disposal of Network International shares in 2019. Net profit was down 30% excluding the Network International gain in 2019.

Loans increased by 1% since the beginning of the year while Deposits were down 3% mainly due to a lower AED contribution from DenizBank. Liquidity remains strong with the Liquidity Coverage ratio at 161.7% as at 30 September 2020 and the Advances to Deposits Ratio at 96.6%. In the first nine months of 2020, the Group raised AED 17.1 billion of term debt in seven currencies including three benchmark senior public bond issues and private placements with maturities out to 30 years.

As at 30 September 2020, the Group's Common Equity Tier 1 ratio is 15.6%, Tier 1 ratio is 18.0% and Capital Adequacy ratio is 19.1%.

## **Business Performance**

### **Retail Banking & Wealth Management (RBWM)**

RBWM delivered a healthy performance in the first nine months of 2020 with total income of AED 5,875 million, down 4% as higher net interest income was more than offset by a decline in non-funded income due to lower volumes from the impact of Covid-19.

Costs of AED 1,499 million for the first nine months of 2020 were 10% lower y-o-y as recent cost management initiatives took effect. The impairment allowances for stage 1 and 2 were higher y-o-y in anticipation of a potential deterioration in credit quality in subsequent quarters. The credit quality of newly originated retail book remains robust.

Liabilities grew by 6% or AED 9.7 billion during the year supported by customer campaigns and strong Current & Savings Account growth. Customer advances were 1% lower during the year on reduced activity from the Covid-19 disruption. The Division continues to offer relief to impacted customers with the provision of instalment holidays. As of end-September 2020, RBWM provided AED 793 million of installment deferrals to 58,600 customers, offering assistance to 8% of its customer base. In addition, a debt restructuring program was rolled out to support customers impacted by furloughs and temporary pay revisions, with proportionate reduction in monthly instalment amounts.

Digital usage continued to rise with over three-quarters of RBWM customers digitally active and 96% of all transactions being done digitally and outside the branch. Contactless payments increased rapidly and constitutes over 80% of all POS transactions. Liv., the lifestyle digital bank for millennials continued to scale up its KSA operation and enhanced its UAE proposition with the introduction of a new landing page that facilitates customers in carrying out travel, cinema, restaurant and entertainment bookings.

Private Banking Group delivered a healthy 8% increase in total income compared with the corresponding period in 2019, led by a 42% increase in fee income. A virtual investment outlook webinar was conducted to update customers on market performance and strategies. Investment performance at Emirates NBD Asset Management continued to improve with several new client mandates being received.

### **Corporate & Institutional Banking (C&IB)**

C&IB delivered total income of AED 4,564 million for the nine months of 2020, 2% lower compared with the corresponding period in 2019. Net profits were down 1% on lower income which was partially offset by lower impairment allowances.

Net interest income of AED 3,548 million for the first nine months of 2020 was in line with the corresponding period in 2019 as lending growth helped mitigate margin compression due to lower interest rates.

Fee income of AED 1,016 million for the first nine months of 2020 declined 8% compared to the corresponding period in 2019 as lower economic activity affected lending fee and commission income although this was partially offset by higher income from investment banking and treasury sales.

Costs for the first nine months of 2020 were 5% lower compared with 2019 as cost management actions took effect. As part of the Bank's digitization program, Transaction Banking Services continues to invest in technology to enhance its product offering.

In terms of balance sheet, assets grew by 3% mainly due to growth in lending activity. Deposits were 9% higher with a continued focus on growing CASA balances reflecting the Group's aim on lowering its average cost of funding while maintaining liquidity at an optimum level.

The credit quality of newly originated business continued to be stable. Net impairment allowances were lower for the first nine months of 2020 despite higher Stage 1 and 2 allowances as a corporate debt restructuring improved the credit profile.

We continue to provide support to our clients across all key sectors to cope with the business disruption caused by Covid-19, including interest and principal deferral relief for up to six months and reduced bank charges on transactions through digital channels.

### **Global Markets & Treasury (GM&T)**

GM&T reported total income of AED (146) million for the first nine months of 2020 due to a decline in net interest income from lower interest rates.

The Sales and Trading desks delivered a solid performance despite significant market volatility with Credit Trading revenue growing by 46%.

Group Funding raised AED 17.1 billion of term funding in 2020, through three benchmark senior public bond issues including a successful benchmark Sukuk by Emirates Islamic and AED 11.7 billion of private placements with maturities out to 30 years.

### **Emirates Islamic (EI)**

EI reported a net loss of AED 311 million for the first nine months of 2020 mainly due to higher impairments on its financing and investment book. EI's total income of AED 1,574 million for the first nine months of 2020 was down 23% compared to the same period last year due to lower income from financing receivables and investments and lower fee and commission income due to the economic disruption caused by Covid-19.

EI's total assets reached AED 70.1 billion as at 30 September 2020. Financing and Investing Receivables increased by 9% to AED 41 billion since the start of year and Customer deposits grew by 1% to AED 45.9 billion. CASA balances represented 70% of total customer accounts. EI's headline Financing to Deposit ratio at 89% is comfortably within the management's target range. EI successfully issued a benchmark five-year senior Sukuk during Q3 which further improved the liquidity profile of the Bank.

### **DenizBank**

DenizBank contributed total income of AED 5,911 million and net profit of AED 1,239 million to the Group for the first nine months of 2020. It had total assets of AED 127 billion, net loans of AED 79 billion and deposits of AED 87 billion at the end of September 2020. DenizBank is the fifth largest private bank in Turkey with wide presence through a network of 742 branches and over 3,000 ATMs. It operates with 706 branches in Turkey and 36 in other territories (Austria, Germany, Bahrain), and its 14,000 employees serve around 14 million customers.

### **Outlook**

Recent economic data suggests there has been some recovery in global economic activity, but activity remains well below its level at the beginning of 2020. Monetary policy remains highly accommodative, but some of the emergency fiscal stimulus programs are winding down and governments are mindful of widening deficits and increasing debt levels. The Group's Research team forecasts a 5.5% contraction in the UAE economy this year, as both oil and non-oil sectors are impacted by the coronavirus. UAE GDP growth is expected to grow by 1.2% in 2021, with non-oil sector growth forecast to grow by 2.5% next year.

**-ENDS-**

**Notes to editors:****Awards:**✧ **Best Bank and Best Regional Bank Awards – Emirates NBD**

- Emirates NBD won 'Best Bank in the UAE' and 'Excellence in Leadership in the Middle East' 'by Euromoney Awards for Excellence 2020
- Emirates NBD ranked 5th in Forbes' Top 100 Companies in the Middle East 2020
- Emirates NBD is one of the top 100 banks in the world ranked 87<sup>th</sup> in the Banker list of World's top 1000 Banks for 2020
- Emirates NBD won 'Best Bank in Dubai' and 'Best Bank for SMEs in Dubai' by Asiamoney Middle East's Best Bank Awards 2020
- Emirates NBD Capital won 'Best Corporate & Investment Bank in Dubai' by Asiamoney Middle East's Best Bank Awards 2020
- Emirates NBD Capital won 'Sukuk Lead Manager of the Year 2020' by Global Islamic Finance Awards (GIFA)

✧ **Marketing, Social Media and Customer Engagement Awards – Emirates NBD**

- Emirates NBD was named the UAE's most valuable banking brand, with a value of USD4.13 billion, in The Banker's annual brand valuation league table
- Emirates NBD has been ranked first and Liv. has taken the third spot in the 'Most Effective Brand 2020' for Middle East and Africa by Effie Worldwide

✧ **Emirates Islamic**

- Emirates Islamic won 'Islamic Bank of the Year – UAE 2020' by The Banker

## About Emirates NBD

Emirates NBD (DFM: Emirates NBD) is a leading bank in the region.

Emirates NBD has a leading retail banking franchise, with 925 branches and 4,115 ATMs / SDMs in the UAE and overseas. It is a major player in the UAE corporate and retail banking arena, and has strong Islamic banking, investment banking, private banking, asset management, global markets & treasury and brokerage operations.

The bank has operations in the UAE, Egypt, India, Turkey, the Kingdom of Saudi Arabia, Singapore, the United Kingdom, Austria, Germany, Bahrain, Russia and representative offices in China and Indonesia. For more information, please visit: [www.emiratesnbd.com](http://www.emiratesnbd.com)

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