

For immediate release

Emirates NBD Announces First Quarter 2020 Results

Net Profit of AED 2.1 billion up 3% q-o-q and declined 24% y-o-y on higher provisions

Dubai, 20 April 2020

Emirates NBD (DFM: EmiratesNBD), a leading banking group in the region, delivered a solid set of results with net profit increasing 3% q-o-q to AED 2.1 billion. Net interest income increased 45% y-o-y and non-interest income grew 48% y-o-y with the acquisition of DenizBank in 2019. Net profit declined 24% y-o-y due to higher impairment charges. The Group's balance sheet remains strong with healthy liquidity, credit quality and capital ratios. Whilst credit quality was stable in Q1 2020, the Group increased impairment allowances for Stage 1 and 2 coverage in recognition of a potential deterioration in credit quality in subsequent quarters related to the coronavirus (COVID-19) pandemic.

Financial Highlights – First Quarter 2020

- Net profit of AED 2.1 billion, increased 3% q-o-q and declined 24% y-o-y
- Total income of AED 6.9 billion improved 46% y-o-y due to loan growth and higher fee income, including DenizBank
- Impairment allowances increased to AED 2.6 billion with annualised net cost of risk increasing to 210 bps as the Group increased Stage 1 & 2 expected credit loss (ECL) allowances
- Net interest margin improved 19 bps y-o-y to 3.02% helped by the positive impact of DenizBank
- Total assets at AED 692 billion, up 1% from end 2019
- Customer loans at AED 443 billion, up 1% from end 2019
- Customer deposits at AED 467 billion, maintaining 2019 levels
- Non-performing loan ratio stable at 5.5% and coverage ratio improved by 8.2% to 120.5%
- Liquidity coverage ratio (LCR) of 149.7% and advances to deposit ratio of 94.8% demonstrate a healthy liquidity position
- Common equity tier 1 ratio (CET1) at 14.8%, well above minimum requirements

Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said: “Emirates NBD delivered a net profit of AED 2.1 billion for the first quarter of 2020 and strengthened its balance sheet. As the global economy and the banking industry face unprecedented challenges due to COVID-19, we remain fully supportive of the UAE Government and the UAE Central Bank's swift and unprecedented actions in introducing measures to protect the health of UAE residents and to provide economic relief measures to support customers. We are very proud of the commitment and compassion shown by our management and employees to ensure that we provide an uninterrupted, full banking service to our

customers and the community. We are grateful to the wise and decisive Leadership of the UAE during these challenging times and with the full support of our community, we will emerge stronger together.

Commenting on the Group's performance, Shayne Nelson, Group Chief Executive Officer said:

“During these uncertain times, we have aimed to ensure that we continue to provide customers with uninterrupted banking services and the Bank's balance sheet remains solid. Despite higher provisions in the first quarter of 2020, the Bank delivered a good set of results with a net profit of AED 2.1 billion whilst maintaining healthy capital, liquidity and credit quality ratios. As the safety of our staff, customers and the community comes first, we have temporarily closed some branches as part of our precautionary measures. A number of key branches across the UAE remain open to provide important customer services, while they operate increased customer safety procedures. The Bank's leading digital platform is invaluable in providing a secure, convenient and safe environment through which our customers can continue to bank. Liv., the lifestyle digital bank for millennials now serves 370,000 customers, and recently launched its innovative digital credit card which allows customers to select and change loyalty and rewards, offering a truly customized experience. Liv. has also commenced pilot operations in the Kingdom of Saudi Arabia, a large market with a young and dynamic population.”

Patrick Sullivan, Group Chief Financial Officer said: “The operating performance for the first quarter of 2020 was good, prior to the emergence of the economic impact of COVID-19 in March 2020. Pre-impairment operating profit rose 46% y-o-y on higher income from loan growth and improved margins from the inclusion of DenizBank. Pre-impairment operating profit grew 10% q-o-q helped by lower expenses. Net operating profit declined 24% y-o-y as the Group took additional impairment allowances to increase coverage in anticipation of a deterioration in credit quality in subsequent quarters. Regional banks face multiple challenges from low interest rates, low oil prices and lower economic growth due to disruption from COVID-19. Emirates NBD has a good underlying operating performance, coupled with a robust balance sheet to help navigate these challenges. The Group continues to operate with strong liquidity and healthy capital ratios.”

Financial Review

AED Million	3 months ended	3 months ended	Better / (Worse)	3 months ended	Better / (Worse)
	31-Mar-20	31-Mar-19	(%)	31-Dec-19	(%)
Net interest income	4,936	3,400	45%	5,065	(3)%
Non-interest income	1,948	1,317	48%	1,812	8%
Total income	6,885	4,717	46%	6,877	0%
Operating expenses	(2,049)	(1,397)	(47)%	(2,501)	18%
Pre-impairment operating profit	4,836	3,320	46%	4,377	10%
Impairment allowances	(2,558)	(570)	(349)%	(2,064)	(24)%
Operating profit	2,278	2,750	(17)%	2,313	(2)%
Share of profits from associates	0.1	27	(100)%	2	(94)%
Gain on bargain purchase	-	-	n/a	(50)	n/a
Taxation charge	(197)	(34)	(479)%	(245)	20%
Net profit	2,081	2,743	(24)%	2,020	3%
Cost to income ratio	29.8%	29.6%	(0.2)%	36.4%	6.6%
Net interest margin	3.02%	2.83%	0.19%	3.11%	(0.09)%
EPS (AED)	0.31	0.47	(0.16)	0.32	(0.01)
Return on Tangible Equity (%)	12.0%	21.1%	(9.1)%	12.2%	(0.2)%

AED Billion	as at	as at	Better / (Worse)	as at	Better / (Worse)
	31-Mar-20	31-Mar-19	(%)	31-Dec-19	(%)
Total assets	691.7	525.8	32%	683.3	1%
Loans	443.0	337.7	31%	437.4	1%
Deposits	467.2	359.4	30%	472.2	(1)%
NPL Ratio (%)	5.5%	5.9%	0.4%	5.6%	0.1%
Impaired Loan Coverage Ratio (%)	120.5%	123.9%	(3.4)%	112.3%	8.2%
Capital Adequacy Ratio (%)	17.9%	22.0%	(4.1)%	18.5%	(0.6)%
Tier 1 Ratio (%)	16.8%	20.9%	(4.1)%	17.4%	(0.6)%
Common Equity Tier 1 Ratio (%)	14.8%	16.8%	(2.0)%	15.3%	(0.5)%

Total income for the quarter ended 31 March 2020 amounted to AED 6,885 million; unchanged compared with AED 6,877 million in the preceding quarter.

Net interest income declined 3% over the previous quarter as lower interest rates fed through to the loan book. Net interest income improved 45% y-o-y supported by loan growth and an improvement in margins from DenizBank.

Non-interest income increased 8% over the preceding quarter, and 48% y-o-y on the back of higher core fee income from DenizBank.

Costs for the first quarter of 2020 amounted to AED 2,049 million, an improvement of 18% over the preceding quarter due to lower staff and marketing expenses and improved cost management by DenizBank. Costs increased 47% y-o-y in Q1 2020 due to the DenizBank acquisition. Costs increased 2% y-o-y excluding DenizBank.

The cost to income ratio at 29.8% is within the 2020 guidance range of 33%.

During the quarter, the Impaired Loan Ratio remained stable at 5.5%. The impairment charge in Q1 2020 of AED 2,558 million is higher 349% y-o-y and 24% q-o-q due to higher Stage 1 and 2 ECL allowances.

The Group's net profit of AED 2,081 million in Q1 2020 improved 3% on the previous quarter and is 24% below that posted in the comparable quarter in 2019. The decline in net profit y-o-y was driven by higher provisions which more than offset an increase in loan growth, higher fee income and an improvement in margins.

Loans increased by 1% while Deposits were maintained at 2019 levels. The Advances to Deposits Ratio remains comfortably within management's target range at 94.8%. In Q1 2020, the Group raised AED 9.1 billion of term debt issued in five currencies through two public issues and private placements with maturities up to 20 years.

As at 31 March 2020, the Group's Common Equity Tier 1 ratio is 14.8%, Tier 1 ratio is 16.8% and Capital Adequacy ratio is 17.9%.

Business Performance

Retail Banking & Wealth Management (RBWM)

RBWM had a strong start to the year with total income growing 6% y-o-y to AED 2,101 million for the first quarter of 2020. Net interest income grew backed by higher volumes and core fee income was higher due to increased Card and Private Banking activity. Fee income now represents 32% of total income. Operating costs were 4% lower compared to the previous period as cost measures introduced last year took effect.

Low-cost Current & Savings Accounts (CASA) balances increased by AED 4.7 billion during the quarter supported by customer campaigns. Retail lending saw healthy demand for personal and auto loans. There was strong demand for the Emirates NBD LuLu 247 Credit Card and the Emirates NBD Emirati Debit Card was launched offering UAE Nationals a range of exclusive benefits.

A simplified investment advisory framework was rolled out for Priority and other customers, enabling simplified investing across a diverse range of products in line with customers' risk profiles. Emirates NBD remained the UAE's most valuable banking brand according to The Banker with a brand value of USD 4.13 billion.

The Group's Wealth Management division income grew 7% y-o-y on the back of continued strong customer engagement and superior service. Asset allocation strategies were refined during the quarter that helped minimize value disruption to portfolios during the ongoing COVID-19 situation. Emirates NBD Asset Management received the first inflow from the DIFC employee workplace savings plan into its Emirates Islamic Money Market fund.

Liv., the lifestyle digital bank for millennials, continued to be the fastest growing bank in the UAE serving over 370,000 customers. The Liv. Credit Card was launched providing customers with an instant digital credit card and allowing them to customize the card with their preferred loyalty programs. Liv. was recently introduced to KSA through a pilot launch.

In view of the ongoing COVID-19 situation, a series of relief measures were rolled out for customers providing loan instalment holidays, minimum balance waivers for SME customers and other benefits. To ensure the safety of customers, staff and the community, a number of branches were temporarily closed and certain transactions are restricted.

Corporate & Institutional Banking (CIB)

Corporate and Institutional Banking delivered total income of AED 1,643 million for the first quarter of 2020, up 2% compared to the corresponding period in 2019. Net profits were 55% lower on account of lower loan recoveries and higher impairment allowances mainly due to the potential impact of COVID-19.

Net interest income of AED 1,271 million for the first of 2020 was 7% higher than the corresponding period in 2019 mainly due to growth in lending activity.

Fee income of AED 373 million for Q1 2020 declined by 12% compared to the corresponding period in 2019 as a decline in fee income from lending, trade commission and Treasury sales more than off-set an increase in investment banking income.

Costs were 2% higher for the first quarter of 2020 mainly due to continued investment in the Group's digitization program and technology to enhance the Transaction Banking Services product offering.

In terms of balance sheet, assets grew by 5% mainly due to growth in lending activity. Deposits were 11% 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 on newly originated business continued to be good. However, impairment allowances increased in anticipation of a deterioration in credit quality in subsequent quarters due to the COVID-19 pandemic. As the impact of such uncertain economic environment is still evolving, the adequacy of impairment allowances will be re-assessed regularly throughout 2020.

In support of the stimulus package announced by the Government of Dubai and the UAE Central Bank, we are working closely with our customers to understand the financial impact and their operational needs, and as part of the TESS scheme, have provided relief to key industry sectors, reduced bank charges for digital transactions and enhanced credit lines to enable our customers to continue operating through the economic disruption caused by COVID-19.

Global Markets & Treasury (GM&T)

Global Markets and Treasury income declined 95% y-o-y on a decrease in net interest income due to lower interest rates.

The Trading and Sales desks continued to deliver a solid performance despite significant market volatility.

The Global Funding Desk raised AED 9.1 billion of term funding in Q1 2020, including two benchmark public bond issues and AED 5.5 billion of private placements with maturities out to 20 years.

Emirates Islamic (EI)

EI delivered net profit of AED 155 million for the first quarter of 2020. Total income of AED 641 million was 3% lower compared to the same period last year. This reduction is primarily due to lower non-funded and investment income partially offset by increase in funded income supported by balance sheet growth.

EI's total assets were AED 62.9 billion as at 31 March 2020. Financing and Investing Receivables at AED 39 billion increased by 4% from end 2019.

Customer deposits at AED 44.8 billion were broadly flat from end 2019. CASA balances represent 66% of total customer accounts. EI's headline Financing to Deposit ratio stood at 87% and is comfortably within the management's target range.

DenizBank

DenizBank contributed total income of AED 2,255 million and net profit of AED 504 million to the Group for the first three months of 2020. It had total assets of AED 128 billion, net loans of AED 84 billion and deposits of AED 93 billion at the end of Q1 2020. DenizBank is the fifth largest private bank in Turkey with wide presence through a network of 752 branches and 3,000+ ATMs. It operates with 708 branches in Turkey and 44 in other territories (Austria, Germany, Bahrain), serving around 14 million customers, through 14,000+ employees.

Outlook

COVID-19 is expected to have a significant economic impact on the global economy, leading to lower GDP growth. Tourism, hospitality, transportation, logistics, trade, construction and real estate are all anticipated to be adversely affected. The OPEC agreement reached in April is expected to result in a sharp contraction in oil production this year.

-ENDS-

Notes to editors:

Awards:

❖ **Best Bank and Best Regional Bank Awards – Emirates NBD**

- Emirates NBD won 'Best SME Bank of the Year' at International Finance Magazine (IFM) Awards 2019
- Emirates NBD won 'Best Financial Institutions in the UAE' by Global Finance Foreign Exchange Awards 2020
- Emirates NBD's three branches in the UAE have been awarded LEED® Gold certification, making it the first bank in the MENA region to launch LEED Gold-certified branches.

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

- Emirates NBD was named the UAE's most valuable banking brand, with a value of USD 4.13 billion, in The Banker's annual brand valuation league table

✧ **Emirates Islamic**

- Emirates Islamic won 'Best Islamic Bank, UAE' and 'Most Innovative Islamic Bank' by World Finance
- Emirates Islamic won 'Most Innovative Islamic Bank' by Islamic Finance News
- Emirates Islamic won 'Best Islamic Financial Institution, UAE' by Global Finance

About Emirates NBD

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

Emirates NBD has a leading retail banking franchise, with 967 branches and 4323 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

For more information:

Ibrahim Sowaidan
SVP, Head - Group Corporate Affairs
Emirates NBD
Telephone: +971 4 609 4113 / +971 50 6538937
e-mail: ibrahims@emiratesnbd.com

Patrick Clerkin
Senior Managing Director, Group Funding & Investor Relations
Emirates NBD
Telephone: +971 4 609 3007
e-mail: IR@EmiratesNBD.com / PatrickE@EmiratesNBD.com