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## **Emirates NBD Announces First Half 2020 Results**

**Total income of AED 12.6 billion improved 33% y-o-y on loan growth  
and higher fee income from the inclusion of DenizBank  
Net Profit of AED 4.1 billion, 45% lower y-o-y on higher provisions and  
non-repeated gain on disposal of Network International stake  
Common equity tier 1 ratio strengthens to 15.3%**

### **Dubai, 20 July 2020**

Emirates NBD (DFM: EmiratesNBD), a leading banking group in the region, delivered a net profit of AED 4.1 billion for the first half of 2020. Net interest income increased 36% y-o-y and non-funded income grew 24% y-o-y with the acquisition of DenizBank in 2019. Net profit declined 45% y-o-y due to higher impairment charges and the gain on disposal of a stake in Network International not repeated in 2020. Excluding the gain from Network International net profit was down 24%. The Group's balance sheet remains strong with healthy liquidity, credit quality and capital ratios. The Group increased impairment allowances for Stage 1 and 2 coverage in anticipation of a potential deterioration in credit quality in subsequent quarters related to the coronavirus (Covid-19) pandemic.

### **Financial Highlights – H1 2020**

- Total income of AED 12.6 billion improved 33% y-o-y on loan growth and higher fee income from the inclusion of DenizBank
- Net profit of AED 4.1 billion declined 45% y-o-y on higher provisions and gain from sale of Network International shares not repeated in 2020. Excluding the Network International gain in Q2-19, net profit was down 24%
- Impairment allowances increased to AED 4.2 billion with annualised net cost of risk increasing to 172 bps as the Group increased Stage 1 and 2 expected credit loss (ECL) allowances
- Net interest margin improved 7 bps y-o-y to 2.84% helped by the positive impact of DenizBank
- Total assets at AED 694 billion, up 2% from end 2019
- Customer loans at AED 443 billion, up 1% from end 2019
- Customer deposits at AED 461 billion, down 2% from end 2019
- Non-performing loan ratio increased to 5.8% and coverage ratio remained strong at 116.9%
- Liquidity coverage ratio of 152.5% and advances to deposit ratio of 96.1% demonstrate a healthy liquidity position
- Common equity tier 1 ratio strengthened to 15.3%, over 7% above minimum requirements

**Hesham Abdulla Al Qassim, Vice Chairman and Managing Director, Emirates NBD said:** "Emirates NBD delivered a net profit of AED 4.1 billion for the first half of 2020 and maintained a strong balance sheet. The UAE Government and the UAE Central Bank took decisive action to protect the health of UAE residents and to provide economic relief measures to support customers and UAE banks. I am pleased

with Emirates NBD's efforts to help affected customers and I am proud of the commitment shown by our management and employees to ensure that we provide an uninterrupted, full banking service to our customers and the community. This swift Government action to ensure the safety of UAE residents has enabled the Dubai economy to begin re-opening in a phased and controlled manner. The economic improvement is reflected in the UAE headline PMI which rose to 50.4 in June, the first reading in expansion territory this year. I am also proud to announce that Emirates NBD was named "UAE's Best Bank" in 2020 for a fifth consecutive year by Euromoney. In addition, Emirates NBD was one of only two banks to receive the "Excellence in Leadership in the Middle East" award, introduced this year in light of the Covid-19 impact, as a recognition of the efforts of regional banks in responding to the Covid-19 crisis. We are grateful to the wise Leadership of the UAE during these challenging times."

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

"Throughout these unprecedented times, we have put the safety and well-being of our customers and staff first. We proactively reached out to our customer base and support has now been provided to approximately one-tenth of our customers primarily through the deferral of over eight billion dirhams of interest and principal for periods of up to six months. In addition, we have waived certain fees to help individuals and businesses cope with the disruption. We believe that by providing support now we will assist in stabilizing the economy and minimize the impact on our customers. Our award winning digital banking platform has proved invaluable in providing a secure and convenient environment through which our customers can continue to bank from the safety of their own homes. In the last quarter we experienced an increase in the number of both retail and corporate customers using our digital offering. As the economy re-opens we are seeing business volumes improving although they are expected to remain below pre-Covid levels in the coming quarters. The Group's balance sheet remains strong with stable credit, capital and liquidity. Emirates NBD's solid capital base along with an ability to generate healthy operating profits, provides a strong loss absorption capacity. The UAE Central Bank has been proactive in supporting the economy through liquidity and capital relief measures introduced through TESS and reduced cash reserve requirements."

**Patrick Sullivan, Group Chief Financial Officer said:** "The net profit of AED 4.1 billion for the first half of 2020 was resilient given the significant impact of the challenging operating environment through Q2-20, which saw interest margins decline from rate cuts, lower economic activity affecting non-funded income, and an elevated cost of risk from our proactive Stage 1 and 2 loan provisioning. Pre-impairment operating profit rose 29%y-o-y on higher income from loan growth and improved margins from the inclusion of DenizBank. Net profit declined 45% y-o-y, or down 24% due to higher provisions excluding the gain on disposal of Network International in Q2-19. Margins declined in Q2-20 as lower interest rates fed through to the loan book. We are acting to manage costs to reflect lower levels of economic activity, albeit cost reduction will not entirely offset lower levels of income. Emirates NBD continues to have a good underlying operating performance, coupled with a robust balance sheet to help navigate these multiple challenges from low interest rates, low oil prices and lower economic growth due to disruption from Covid-19. The Group continues to operate with strong liquidity and healthy capital ratios."

## Financial Review

| AED Million                            | Half year ended<br>30-Jun-20 | Half year ended<br>30-Jun-19 | Better /<br>(Worse)<br>(%) | Half year ended<br>31-Dec-19 | Better /<br>(Worse)<br>(%) |
|--|------------------------------|------------------------------|----------------------------|------------------------------|----------------------------|
| Net interest income                    | 9,305                        | 6,852                        | 36%                        | 9,336                        | 0%                         |
| Non-funded income                      | 3,323                        | 2,676                        | 24%                        | 3,555                        | (7)%                       |
| <b>Total income</b>                    | <b>12,628</b>                | <b>9,527</b>                 | <b>33%</b>                 | <b>12,892</b>                | <b>(2)%</b>                |
| Operating expenses                     | (3,999)                      | (2,826)                      | (42)%                      | (4,381)                      | 9%                         |
| <b>Pre-impairment operating profit</b> | <b>8,629</b>                 | <b>6,701</b>                 | <b>29%</b>                 | <b>8,510</b>                 | <b>1%</b>                  |
| Impairment allowances                  | (4,211)                      | (1,226)                      | (243)%                     | (3,592)                      | (17)%                      |
| <b>Operating profit</b>                | <b>4,418</b>                 | <b>5,474</b>                 | <b>(19)%</b>               | <b>4,919</b>                 | <b>(10)%</b>               |
| Gain on disposal of Stake in NI        | -                            | 2,066                        | (100)%                     | 2,323                        | (100)%                     |
| Share of profits from associates       | 1                            | 12                           | (90)%                      | 7                            | (84)%                      |
| Gain on bargain purchase               | -                            | -                            | n/a                        | 92                           | n/a                        |
| Taxation charge                        | (328)                        | (70)                         | (369)%                     | (320)                        | (2)%                       |
| <b>Net profit</b>                      | <b>4,091</b>                 | <b>7,482</b>                 | <b>(45)%</b>               | <b>7,022</b>                 | <b>(42)%</b>               |
| Cost to income ratio                   | 31.7%                        | 29.7%                        | (2.0)%                     | 34.0%                        | 2.3%                       |
| Net interest margin                    | 2.84%                        | 2.77%                        | 0.07%                      | 2.98%                        | (0.14)%                    |
| Adjusted EPS (AED)*                    | 0.60                         | 0.91                         | (0.31)                     | 0.77                         | (0.17)                     |
| Return on Tangible Equity (%)*         | 11.7%                        | 19.9%                        | (8.2)%                     | 14.6%                        | (2.9)%                     |

  

| AED Billion                      | as at<br>30-Jun-20 | as at<br>30-Jun-19 | Better /<br>(Worse)<br>(%) | as at<br>31-Dec-19 | Better /<br>(Worse)<br>(%) |
|----------------------------------|--------------------|--------------------|----------------------------|--------------------|----------------------------|
| Total assets                     | 694.3              | 537.8              | 29%                        | 683.3              | 2%                         |
| Loans                            | 442.9              | 337.7              | 31%                        | 437.4              | 1%                         |
| Deposits                         | 460.9              | 366.7              | 26%                        | 472.2              | (2)%                       |
| NPL Ratio (%)                    | 5.8%               | 5.9%               | 0.1%                       | 5.6%               | (0.2)%                     |
| Impaired Loan Coverage Ratio (%) | 116.9%             | 125.8%             | (8.9)%                     | 112.3%             | 4.6%                       |
| Capital Adequacy Ratio (%)       | 18.5%              | 21.5%              | (3.0)%                     | 18.5%              | 0%                         |
| Tier 1 Ratio (%)                 | 17.3%              | 20.4%              | (3.1)%                     | 17.4%              | (0.1)%                     |
| Common Equity Tier 1 Ratio (%)   | 15.3%              | 17.4%              | (2.1)%                     | 15.3%              | 0%                         |

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

Total income for the first half of 2020 amounted to AED 12,628 million; an increase of 33% compared with AED 9,527 million during the same period in 2019.

Net interest income improved 36% y-o-y in H1-20 to AED 9,305 supported by loan growth and higher margins from DenizBank. Net interest income remained unchanged over the preceding half year as lower interest rates and customer relief measures in the second quarter offset the positive impact from DenizBank.

Non-funded income improved 24% y-o-y on the back of higher core fee income from DenizBank but declined 7% over the preceding half year due to lower business activity during the Covid-19 shutdown.

Costs for the first half of 2020 amounted to AED 3,999 million, an increase of 42% y-o-y with the inclusion of DenizBank. Costs improved 1% y-o-y excluding DenizBank. The cost-to-income ratio at 31.7% is expected to increase in the second half towards the 33% management guidance.

During the first half of 2020, the Non-Performing Loan Ratio increased to 5.8%. The impairment charge in H1-20 of AED 4,211 million is 243% higher y-o-y due to higher Stage 1 and 2 ECL allowances.

The Group's net profit of AED 4,091 million in H1-20 is 45% 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 24% excluding the Network International gain in 2019.

Loans increased by 1% while Deposits were down 2% since the beginning of the year. Liquidity remains strong with the Liquidity Coverage ratio at 152.5% as at 30 June 2020 and the Advances to Deposits Ratio at 96.1%. In H1-20, the Group raised AED 10.9 billion of term debt, including two benchmark senior public bond issues and AED 7.3 billion of private placements with maturities out to 20 years.

As at 30 June 2020, the Group's Common Equity Tier 1 ratio is 15.3%, Tier 1 ratio is 17.3% and Capital Adequacy ratio is 18.5%.

## **Business Performance**

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

Retail Banking & Wealth Management delivered a healthy performance in the first half of 2020 with total income of AED 3,961 million, down 2% compared to the corresponding period in 2019. Net interest income increased by 5% y-o-y led by growth in liabilities and higher loan volumes. Fee income fell by 14% due to lower business volumes and fee waiver as Emirates NBD extended relief to customers during the precautionary shutdown due to Covid-19. Operating costs were 8% lower compared to the previous period as cost measures introduced last year took effect.

RBWM has provided AED 716 million of instalment deferrals to over 54,000 customers, offering assistance to 8% of their customer base. Additional relief measures rolled out included interest free credit card instalment payment plans, fee waivers, account minimum balance waivers etc. Digital processes to assist customers with routine service requests or to sign up for new loan, card and wealth products were put in place. About three in four branches in the UAE were temporarily closed, and are being gradually reopened in line with the easing of restrictions.

Liabilities grew by AED 5.9 billion (4%) during the year, as Current & Savings Accounts (CASA) balances grew AED 11.6 billion (9%) in 2020. Retail advances decreased by AED 3.2 billion over end 2019 from lower retail loan acquisitions and credit card spends.

Digital activation increased to 76% of the customer base and the share of mobile based digital account opening doubled to over 40% of new individual accounts sourced during Q2 2020. New digital platforms to facilitate auto and rental loans and push notification sign-ups for overdrafts and card balance conversion programs were rolled out. Ramadan offers for personal and auto loans were announced and a 0% interest

home loan campaign in partnership with Emaar was introduced. Liv., the lifestyle digital bank for millennials continued to enhance its UAE franchise with the pilot launch of a new personal loan.

Private Banking performance for the first half of 2020 was healthy, with a 12% increase in total income compared to the corresponding period in 2019. Investment performance at Emirates NBD Asset Management remained robust as a number of new client mandates were received.

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

Corporate and Institutional Banking delivered total income of AED 3,126 million for the first half of 2020 in line with the corresponding period in 2019. Net profits were up by 8% due to lower impairment allowances.

We have provided several support measures to our clients across all key sectors to cope with the business disruption caused by Covid-19, including repayment deferral relief of interest and principal for up to six months and reduced bank charges through digital channels.

Corporate and Institutional Banking has provided AED 5,504 million of instalment deferrals to 275 customers, offering assistance to 8% of their customer base.

Net interest income of AED 2,486 million for the first half of 2020 was 4% higher than the corresponding period in 2019 due to growth in lending activity. Fee income of AED 640 million for the first half of 2020 declined by 15% compared to the corresponding period in 2019 as lower lending fees and trade commissions more than offset the increase in investment banking activity.

Costs for the first half of 2020 were unchanged from H1-19 due to a firm control on costs. Our focus on digitization and technology has further enhanced the Transaction Banking Services product offering.

In terms of the balance sheet, assets grew by 5% due to increased lending activity. Liabilities were 5% higher with 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 remains robust. Net impairment allowances improved in H1-20 despite higher Stage 1 and 2 allowances on account of anticipated deterioration in credit quality in subsequent quarters as a corporate debt restructuring improved the credit profile.

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

Global Markets and Treasury income declined to AED 9 million in H1-20 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 10.9 billion of term funding in H1-20, including two benchmark senior public bond issues and AED 7.3 billion of private placements with maturities out to 20 years.

## **Emirates Islamic (EI)**

EI reported net profit of AED 12 million for the first half of 2020. Total income of AED 1,140 million was 15% lower compared to the same period last year. The first half performance reflects the challenging market conditions due to Covid-19 that weighed on business activity and customer sentiment.

Emirates Islamic has provided AED 2,088 million of instalment deferrals to over 35,000 customers, offering assistance to 12% of their customer base.

EI's total assets reached AED 64.2 billion as at 30 June 2020. Financing and Investing Receivables increased by 8% to AED 40.4 billion from end 2019. Customer deposits at AED 45 billion, were broadly flat from end 2019. CASA balances represent 69% of total customer accounts. EI's headline Financing to Deposit ratio stood at 90%.

## **DenizBank**

DenizBank contributed total income of AED 3,995 million and net profit of AED 929 million to the Group for the first six months of 2020. It had total assets of AED 134 billion, net loans of AED 84 billion and deposits of AED 91 billion at the end of H1-20. DenizBank is the fifth largest private bank in Turkey with wide presence through a network of 743 branches and over 3,000 ATMs. It operates with 708 branches in Turkey and 35 in other territories (Austria, Germany, Bahrain), and its 14,000 employees serve around 14 million customers.

## **Outlook**

Restrictions on economic activity to contain the spread of Covid-19 have had a significant impact on the global economy, with the IMF now expecting global GDP to contract 4.9% this year. Tourism, hospitality, transportation, logistics, trade, construction and real estate are all adversely affected. The OPEC agreement reached in April is expected to result in a sharp contraction in oil production this year. The UAE economy is, however, expected to return to growth in 2021. The UAE headline PMI rose to 50.4 in June from 46.7 in May, the first reading in expansion territory this 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

❖ **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 944 branches and 4262 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, Turkey, the Kingdom of Saudi Arabia, India, 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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