



# Banking Buzz UAE

Volume: 2

## Industry Pulse

Expansion of service portfolio, adoption of advanced technologies, along with focus on growth of SMEs, optimizing operational costs and mitigating fraud risk

## Market Performance

The banking industry in UAE witnessed a decline in net profit, with a considerable increase in total assets in Q1 2020, as compared to Q1 2019

## KPMG Insights

Implications of Covid-19 on business continuity and operational resilience, relief measures for businesses, and a focus on cyber risks

## About Banking Buzz

*Banking Buzz is a quarterly publication, which provides an overview of the major developments shaping the banking industry in UAE – an engaging compilation of performance metrics and key trends relevant to the industry*



### Covid-19 and the banking industry

How does the sector identifies opportunities for resilience in a post-pandemic world?

#### Focus on remote working

*We were one of the first sectors that implemented remote working systems effectively within the bank's business continuity plan, took necessary precautionary and preventive measures and adopted procedures and technologies that ensured swift and efficient operations. The banking workforce is fully prepared and committed to support the UAE's economy and community during this particular time*

- H.E. Mubarak Rashed Al Mansoori,  
Governor, Central Bank of the UAE<sup>(1)</sup>



#### Fraud awareness

*Make sure you're on the lookout for anything suspicious, including messages about Coronavirus claiming to be from your bank...Remember, we'll never ask you for your PIN or password or ask you to move money from your accounts.*

- Central Bank of UAE<sup>(2)</sup>



#### Promoting contactless services

*Cash deposits will only be made through ATMs, with no coins allowed until further notice...Cheque deposits are to be made through smart cash deposit machines and cheque drop boxes...We kindly ask you to minimise visits to the branches where possible, and to use alternative banking channels.*

- Statement issued by FAB<sup>(3)</sup>



#### Employee retention

*No industry will want to lose their human resources. More so in the case of banking sector [sic]. If the cost of keeping staff can't be met with revenues for the business, industries will be forced to take some measures... Some companies are already offering paid leave, leave without pay, pay-cuts and offering different job profiles within the same company.*

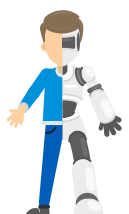
- AbdulAziz Al-Ghurair  
Chairman of Mashreq and  
UAE Banks Federation (UBF)<sup>(4)</sup>



#### Accelerating digital transition

*Banks and other financial institutions are faced with tough times ahead, but technology can help mitigate the negative effects for customers and business...Banks that effectively leverage their digital assets, bolster cyber resilience and manage third-party risks will likely reap the benefits of increased revenue streams, regulatory compliance and enhanced operational efficiency. The CBUAE has been very supportive of the financial services sector in light of the disruption caused by the pandemic. However, the banking sector may have to rely on a combination of external support and internal resilience-building to emerge unscathed.*

- Abbas Basrai  
Partner and Head of Financial Services,  
KPMG Lower Gulf<sup>(5)</sup>



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### Business pulse

### Industry voice

1

#### Initiatives to support the growth of Small-to-Medium Enterprises (SMEs)

- Banks in the UAE have introduced **digital banks and solutions**, announced **preferential products** and **reduced bank charges** for SMEs
- Further, major banks have **partnered with the Department of Finance** to provide SMEs with more financing options

“...FAB understands the difficulties that SME merchants are facing in today's challenging business environment and the digital invoicing solution caters to their requirements of accepting online payments in a fast, simple and secure manner. As one of the largest payments service providers in the region, FAB continues to invest in the right solutions which allow our merchant clients to adapt and accept payments in a dynamic and changing market environment.”

— Ramana Kumar,  
SVP and Head of Payments, FAB<sup>(6)</sup>

2

#### Integration of advanced technologies to enhance services and operational efficiency

- UAE banks continue to leverage **technologies** such as **AI** and **RPA** to offer **digital platforms** and **solutions**
- Banks are **integrating UAE Pass** with **mobile applications** to digitize services
- Major banks are investing in Blockchain to improve the **integration and automation of customer onboarding**, along with **mitigating operational risks**

“...Emirates Islamic consistently makes strategic investments in technological solutions that enhance our front-end and back-end banking operations, in line with our ongoing digital transformation journey...we are confident our new branch with Interactive Teller Machines at City Centre Mirdif will enable us to cater to a greater number of customers with enhanced efficiency and best-in-class service.”

— Farid Al Mulla,  
Deputy Head of Consumer Banking and  
Wealth Management, Emirates Islamic<sup>(7)</sup>

3

#### Continued focus on Emiratisation

- Banks have **participated in career exhibitions** held for UAE Nationals
- Some banks have signed MoUs with **training institutes** to support development initiatives for UAE nationals
- Central Bank of the UAE (CBUAE) **continues to emphasize** the need for the sector to meet its **Emiratization target**

“Emiratization has always been at the centre of our award-winning HR strategy and we are committed to cultivating the right type of talent to help drive their banking careers forward. Moving forward, we will continue to be relentless in our efforts to attract the most enterprising individuals and support them in growing their careers with us.”

— Watfa Abdulkarim, Emiratisation & Human  
Resources Business Partner,  
National Bank of Fujairah<sup>(8)</sup>

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### Business pulse

### Industry voice

- 4 Partnering to enhance the service portfolio
- Major banks are partnering with **real estate developers, regulatory agencies, and automotive dealers** to provide customized and preferential pricing financing solutions
  - Banks are also **signing agreements** with other financial institutions to offer **improved cross-border payment solutions**
  - Some banks have announced partnerships to provide a range of **insurance products, commodity trading platforms** and **innovative transaction banking services**

“ We, at RAKBank are committed to increasing our international remittance footprint and are delighted to enhance our RMT services into the Philippines, thanks to our partnership with BDO. This partnership aims to offer the Filipino expat community here in the UAE the ability to safely and instantly remit money back home at competitive rates with zero back-end charges and no hidden fees. [sic] ”

— Peter England,  
Chief Executive Officer, RAKBank<sup>(9)</sup>

“ We are committed to supporting the real estate sector of the UAE, a vital pillar of the national economy. This partnership with DIFC will ensure that owners' associations as well as their individual members' banking needs are being catered to... ”

— Ahmed Abdelaal  
Chief Executive Officer, Mashreq Bank<sup>(10)</sup>

- 5 Safeguarding customers from fraud by implementing appropriate measures
- CBUAE plans to **strengthen consumer protection frameworks**; in line with this, the UAE Banks Federation (UBF) launched a **Consumer Protection Committee**
  - UBF and CBUAE collaborated with other government agencies to launch **fraud awareness campaigns**

“ As digital banking transactions are witnessing a significant spike, we at Central Bank of the UAE have been quick to deploy robust fraud prevention measures to protect consumers. Today's announcement further validates this commitment. ”

— Abdulhamid Saeed,  
Governor of Central Bank of the UAE<sup>(11)</sup>

- 6 Increasing pressure on financial sector jobs
- Major banks in the UAE have announced jobs cuts due to **demand contraction, cost optimization strategies, a shift towards digital banking** and **continuous market consolidation**

“ We are closely following the recent occurrences of downsizing amongst financial institutions in the country to ensure that downsizing is not adversely affecting regulatory compliance and market conduct ”

— CBUAE<sup>(12)</sup>



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### Market Wrap-up



**AED5.8 billion**  
(1Q20)

Overall net profits down by **30.4 percent** y-o-y attributable to the overlays in terms of provisions to tackle the current Covid-19 situation

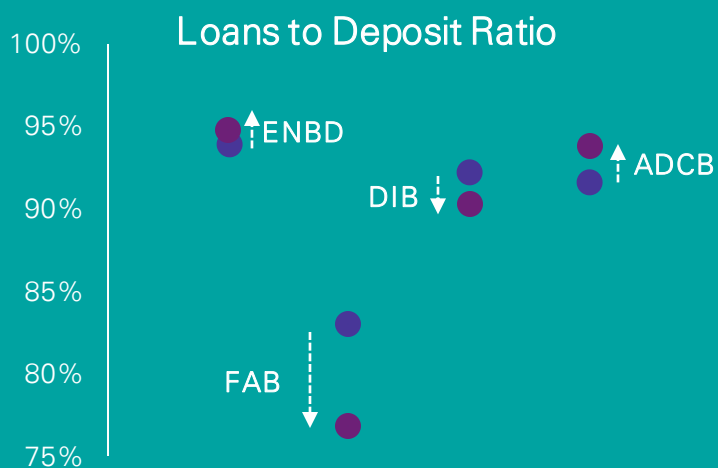
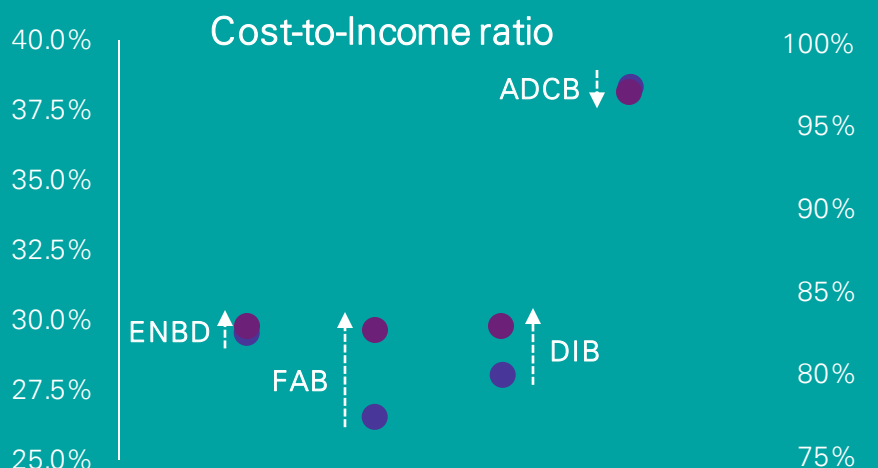


**Total assets** increased by **24.6 percent** y-o-y to **AED2.2 trillion**, driven by acquisitions and asset adjustments

Overall average NPL ratio marginally increased from 3.9 percent in 1Q19 to 4.1 percent in 1Q20, which co-relates with declining profitability within the UAE banking industry



**Total capital adequacy ratio**, at **16 percent**, is well above minimum regulatory requirements across the UAE



\*Note: Representation includes domestically systemic banks in the UAE: ADCB, ENBD, FAB and DIB

● Q1 2019 ● Q1 2020

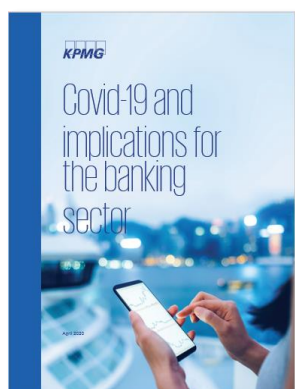
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## Our take on COVID-19

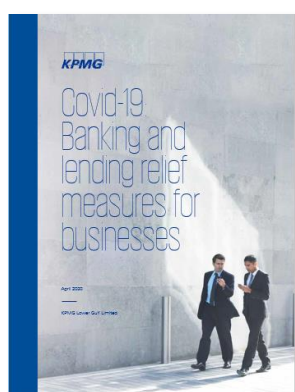
In this edition, we explore the implications of Covid-19 on the overall banking industry, covering business continuity and operational pliability. We also discuss the relief measures announced for businesses, along with ten key areas to focus on to reduce the cyber risks associated with this pandemic.



**Covid-19 and implications for the banking sector**



**Covid-19 and its implications on business continuity and operational resilience**



**Covid-19: Banking and lending relief measures for businesses**



**Covid-19: How can banks and insurance companies stay cyber secure?**

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## Glossary

**ADCB** – Abu Dhabi Commercial Bank

**ENBD** – Emirates NBD

**FAB** – First Abu Dhabi Bank

**DIB** – Dubai Islamic Bank

**NPL** – Non Performing Loans

**CAR** – Capital Adequacy Ratio

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