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بنك أبوظبي التجاري
ADCB

ABU DHABI COMMERCIAL BANK PJSC REPORTS
FIRST HALF 2019 PRO-FORMA NET PROFIT OF AED 2.782 BILLION

Abu Dhabi Commercial Bank PJSC ("**ADCB**" or the "**Bank**") today reported its half-year financial results for 2019 ("H1'19"). The results below are based on the six-month pro-forma financial statements for the combined entity, following the merger between ADCB and Union National Bank (UNB), and the subsequent acquisition of Al Hilal Bank on 1 May 2019.

H1'19 Financial highlights

	Half-yearly trend			Quarterly trend				
			Change %				Q2'19 Change %	
Income statement highlights (AED mn)	**H1'19**	H1'18	YoY	**Q2'19**	Q1'19	Q2'18	QoQ	YoY
Total net interest and Islamic financing income	**5,219**	5,551	(6)	**2,596**	2,623	2,786	(1)	(7)
Non-interest income	**1,428**	1,518	(6)	**656**	772	718	(15)	(9)
Operating income	**6,647**	7,069	(6)	**3,252**	3,395	3,504	(4)	(7)
Operating expenses	**(2,671)**	(2,519)	6	**(1,366)**	(1,304)	(1,267)	5	8
Operating profit before impairment allowances	**3,976**	4,549	(13)	**1,886**	2,091	2,236	(10)	(16)
Impairment allowances	**(1,174)**	(1,254)	(6)	**(429)**	(745)	(602)	(42)	(29)
Share in profit/(loss) of associate	**10**	(2)	NM	4	6	3	NM	NM
Overseas income tax expense and loss from discontinued operations	**(30)**	(34)	NM	**(13)**	(17)	(15)	NM	NM
Net profit for the period	**2,782**	3,259	(15)	**1,448**	1,334	1,622	9	(11)

			Change%
Balance sheet highlights (AED mn)	**June'19**	Dec'18	YoY
Total assets	**416,967**	423,419	(2)
Net loans and advances	**250,964**	260,340	(4)
Deposits from customers	**272,976**	285,417	(4)

			Change
Ratios (%)	**June'19**	Dec'18	bps
Basel III Capital adequacy ratio (CAR)	**15.88**	17.74	(186)
Tier I ratio	**14.3**	16.09	(179)
Loan to deposit ratio (LTD)	**91.9**	91.2	70

Figures may not add up due to rounding differences

Key indicators (H1'19)

Net profit (AED billion)	**Return on average tangible equity** (ROATE %)*	**Return on average assets** (ROAA %)*	**Basic earnings per share** (EPS – AED)
2.782	12.2	1.24	0.37

* For ROATE/ROAA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting interest expense on Tier I capital notes

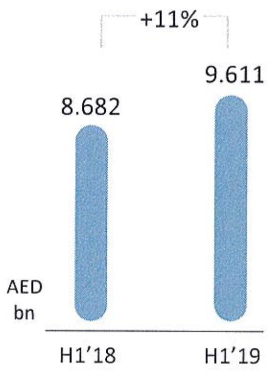
As would be expected, certain matters arose during the due diligence process associated with the transaction. ADCB Group will carry out a thorough assessment of the probable impact, which will be fully quantified and reported at the year end.*

Strong growth in gross interest income and double-digit return on tangible equity, while net profit was impacted by an increase in cost of funds and lower non-interest income

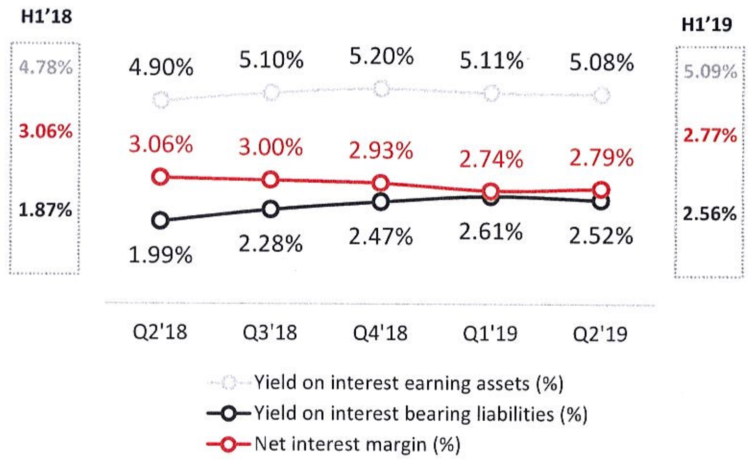
- Gross interest and Islamic financing income of AED 9.611 billion was up 11% over H1'18, primarily driven by rising benchmark rates and higher volumes over H1'18. H1'19 average interest earning assets increased by 4% over H1'18 to AED 380 billion. Net interest and Islamic financing income of AED 5.219 billion was 6% lower, primarily attributable to the harmonisation of the combined entity's liquidity management standards and intense competition on loan yields. H1'19 average interest bearing liabilities increased by 2% over H1'18 to AED 345 billion.

- Cost of funds for the half year was 2.56% compared to 1.87% in H1'18, primarily on account of a change in the composition of the liability base. Net interest margin contracted by 29 basis points to 2.77% in H1'19, due to an increased cost of carrying high quality liquid assets (HQLA), lower balances in the unsecured retail loan book, and higher interest in suspense charges, compared to one-off reversals in H1'18.

Gross interest income



Evolution of yields



- Non-interest income of AED 1.428 billion was down 6% year on year, and comprised 21% of operating income, which was at par with the prior year. The decline in non-interest income was primarily due to a 4% decrease in net fees and commission income to AED 997 million, largely attributable to lower loan processing fees, partially offset by higher card related fees. Trading income of AED 278 million was 9% lower, mainly on account of lower gains from dealing in foreign exchange, partially offset by higher gains of AED 16 million from dealing in derivatives.

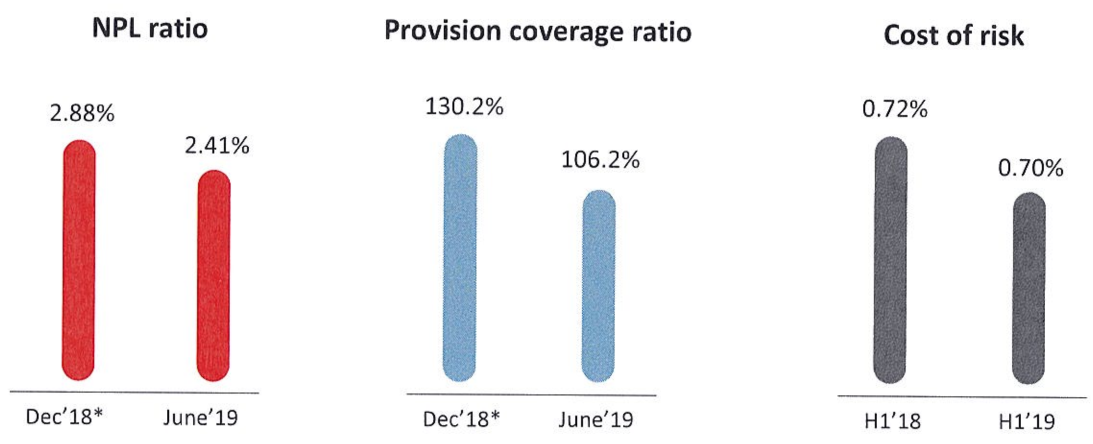
- Operating expenses of AED 2.671 billion were up 6% year on year. Excluding one-off integration costs of AED 87 million, operating expenses were 3% higher over H1'18 at AED 2.584 billion. Cost to income ratio of 38.9% (excluding integration costs) compared to 35.6% in H1'18.

- The increase in the ADCB Group's pro-forma cost to income ratio compared to ADCB's stand-alone cost to income ratio was primarily driven by higher cost to income ratios of Al Hilal Bank and Union National Bank. The Group's cost to income ratio is expected to improve as merger-related synergies are realised.

Healthy asset quality metrics, committed to maintaining a disciplined risk profile

- Net impairment charges were AED 1.174 billion, 6% lower than H1'18. As at 30 June 2019, cost of risk was 0.70% compared to 0.72% as at 30 June 2018.

- As at 30 June 2019, stage 3/non-performing loan ratio (NPL) was 2.41%, while provision coverage ratio stood at 106.2%. Non-performing loans increased to AED 6.469 billion, on account of a few corporate loans. Stage 1 and 2 expected credit loss allowances were 1.74% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank.



* ADCB standalone

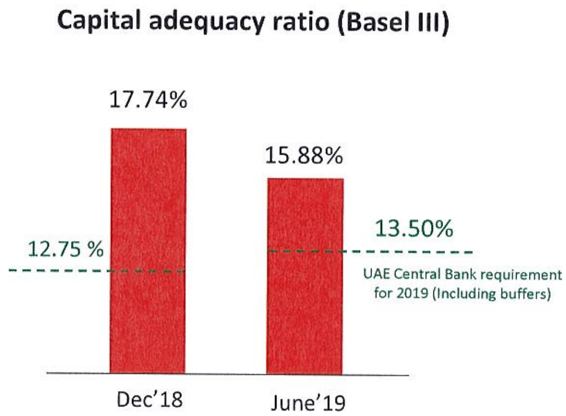
Net loans lower primarily on account of corporate repayments, continued focus on growing CASA deposits

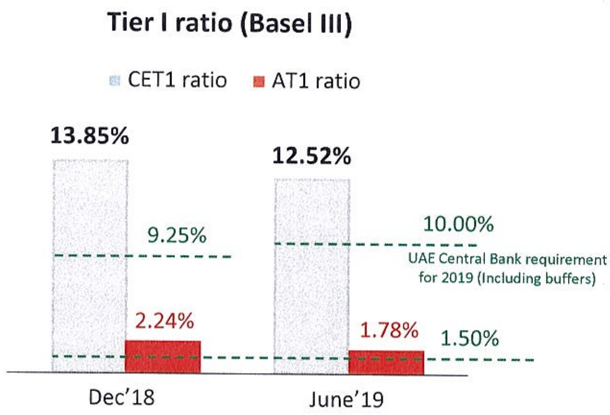
- Total assets declined 2% to AED 417 billion and net loans to customers declined 4% to AED 251 billion over 31 December 2018, mainly on account of corporate repayments. Total customer deposits decreased 4% to AED 273 billion, driven by the Bank's conscious decision to exit expensive deposits. CASA balances increased by 4% to AED 98 billion and comprised 36% of total customer deposits compared to 33.1% as at 31 December 2018. Loan to deposit ratio was 91.9% compared to 91.2% at year end.

Robust liquidity position, capital ratios comfortably above the minimum regulatory requirements

- The Bank continues to maintain a comfortable liquidity position, with a liquidity coverage ratio of 163.1%, compared to a minimum ratio of 100% prescribed by the UAE Central Bank. Liquidity ratio was 28.5% and the Bank was a net lender of AED 23 billion in the interbank markets.

- The Bank remains well capitalised with a Basel III capital adequacy ratio (CAR) of 15.88% and a common equity tier 1 (CET1) ratio of 12.52%, comfortably above the minimum capital requirements of 13.50% and 10.00% (including buffers) respectively, as prescribed by the UAE Central Bank.





Integration update

Guided by a robust governance structure, ADCB Group is making strong progress on integration with a timeline that is more aggressive than industry precedents. The Bank is implementing an ambitious plan to unify the customer experience under the ADCB brand in Q4 2019. Full systems and operational integration is expected to be delivered by Q4 2020.

The Bank has launched initiatives that will lead to cost synergies of AED 222 million per annum of the AED 615 million run rate target to be reached by 2021. Cost synergies of AED 69 million have already been realised, representing 11% of the target. One-off integration costs, at AED 87 million to date, are in line with planned expenditure of AED 800 million to complete integration.

The Group has made significant steps in all areas, including governance, organisational structure, customer experience, systems and culture.

An Integration Steering Committee, chaired by the Group CEO and consisting of senior executives with strong regional and international M&A credentials, guides the integration process. The Committee is supported by a central Integration Management Office which plans, drives and monitors progress through 19 workstreams.

An integrated organisational structure was implemented immediately after the legal completion of the transaction, with updated delegation of authorities across all relevant business functions.

Within one month of legal completion of the transaction, credit policies were harmonised to ensure best practice across the Group, and the treasury functions fully integrated, with centralised management of liquidity and funding.

A comprehensive culture health survey was conducted across the banks. The results revealed strong organisational health and cultural compatibility, and the assessment outcomes will be used to formulate new initiatives to bring the organisations together under shared common values.

A key achievement has been the fast-tracked integration of Al Hilal Bank, which is now close to completion. Operating under its own brand, Al Hilal Bank will focus on providing Islamic retail banking services through digital channels. The Bank has revamped its mobile app to provide an enhanced customer experience and has launched a new onboarding mobile app to fully digitise customer acquisition and sales. In line with this strategy, 98% of the wholesale portfolio has been migrated to the ADCB Islamic Wholesale Banking platform to date, providing clients with best-in-class products and services. Previously outsourced back office functions have been transferred to ADCB to improve efficiency and customer service levels. The Bank is continuing its track record in developing UAE national talent, with its Emiratisation rate of over 50% among the highest in the UAE banking industry.

Preparations are well advanced for implementation of interoperability of ADCB and UNB branches, ATMs and CDMs in Q4 2019, which will be accompanied by a roll out of the ADCB brand across all physical and digital channels.

While integration work continues at a rapid pace to deliver key milestones on schedule, the Group remains focused on protecting and growing its businesses through an unwavering commitment to excellent customer service.

Nabil Juma
Head of Strategic Relations