

# BEYOND AMBITION

ADCB Q2/H1 2019 Financial Results

Earnings Press Release  
Management Discussion & Analysis  
Pro-forma Financial Statements

Abu Dhabi Commercial Bank PJSC



## ABU DHABI COMMERCIAL BANK PJSC REPORTS

### FIRST HALF 2019 PRO-FORMA NET PROFIT OF AED 2.782 BILLION

**Abu Dhabi, 28 July 2019** – 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.

The combination, which reinforced ADCB Group’s position as the third largest bank by assets in the UAE, has created a resilient platform for sustainable growth through greater scale.

The focus of the ADCB Group in 2019 and 2020 is to create significant value by unlocking the full potential of the combination between the three banks. The Group is driving a structured consolidation process, harmonising products, channels, policies and systems, as well as effectively implementing initiatives to achieve target cost synergies. The Bank is placing strong emphasis on cultivating a healthy organisational culture based on a robust governance framework.

This imperative process is laying the solid foundations for the enlarged ADCB Group to thrive in an increasingly competitive environment.

#### ► **Integration progress fully on track, key milestones achieved within aggressive timelines**

- Integration is progressing rapidly and is on track for completion by the end of 2020
- Established integration governance structure in line with international best practice
- Cost synergies of AED 69 million have already been realised, representing 11% of the total target of AED 615 million scheduled for FY 2021
- Achieved harmonisation of credit policies across the enlarged ADCB Group
- Treasury functions of the three entities fully integrated, with liquidity and funding centralised
- Preparations are well advanced for interoperability of ADCB and UNB branches in Q4 2019, which will be accompanied by a roll-out of the ADCB brand across all physical and digital channels
- Integration of Al Hilal Bank mostly completed

#### ► **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**

Pro-forma half year comparison for the combined entity (H1’19 vs.H1’18)

- Gross interest and Islamic financing income of AED 9.611 billion was up 11%, mainly driven by higher benchmark rates
- 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
- Non-interest income of AED 1.428 billion was down 6%, mainly on account of lower net fees and commission income and lower foreign exchange income, offset by higher gains from dealing in derivatives
- Operating expenses of AED 2.671 billion were up 6%, primarily attributable to integration-related expenses and continued investments in digital transformation. Excluding one-off integration-related cost of AED 87 million, operating expenses of AED 2.584 billion were up 3%. Cost to income ratio of 38.9% (excluding integration costs) compared to 35.6% in H1’18.
- Impairment allowances of AED 1.174 billion were 6% lower
- Net profit of AED 2.782 billion was 15% lower
- Annualised return on tangible equity of 12.2% compared to 12.9% in H1’18

- ▶ **Net loans lower on account of corporate repayments, continued focus on growing CASA deposits**
  - Total assets declined 2% to AED 417 billion and net loans to customers decreased 4% to AED 251 billion over 31 December 2018, primarily on account of corporate repayments
  - Deposits from customers decreased 4% to AED 273 billion over 31 December 2018, while CASA (current and savings account) deposits increased by AED 3.8 billion to AED 98.4 billion over 31 December 2018 and comprised 36% of total customer deposits compared to 33% as at 31 December 2018
  - Loan to deposit ratio of 91.9% compared to 91.2% as at 31 December 2018
  
- ▶ **Robust liquidity position, capital ratios comfortably above the minimum regulatory requirements**
  - Capital adequacy ratio (Basel III) of 15.88% and common equity tier 1 (CET1) ratio of 12.52% compared to minimum capital requirements of 13.50% and 10.00% (including buffers) respectively prescribed by the UAE Central Bank
  - Liquidity coverage ratio (LCR) of 163.1% compared to a minimum ratio of 100% prescribed by the UAE Central Bank and liquidity ratio of 28.5%
  - Net lender of AED 23 billion in the interbank markets
  
- ▶ **Asset quality metrics remain healthy, committed to maintaining a disciplined risk profile**
  - NPL ratio of 2.41% compared to 2.88%\* as at 31 December 2018
  - Provision coverage ratio of 106.2% compared to 130.2%\* as at 31 December 2018
  - Cost of risk of 0.70% compared to 0.72% as at 31 December 2018

\*ADCB standalone

**Commenting on the results, Eissa Mohamed Al Suwaidi, Group Chairman said:**

“The combination of ADCB, UNB and Al Hilal Bank, which is still at an early stage, is a significant development and landmark transaction for the UAE. The new banking group has the strength and expertise to play a central role in the country’s economic development in the years ahead. The enlarged ADCB Group has the power to invest significantly in its infrastructure to remain at the forefront of a fast-changing industry, providing the excellence and convenience that customers demand, while staying ahead of an evolving regulatory environment. The Bank is making good progress on the execution of a well-planned integration, while continuing to pursue new initiatives for growth.”

**Commenting on the Bank’s performance, Ala’a Eraiqat, Group Chief Executive Officer and Board Member said:**

“Following the merger, ADCB Group is pleased to report its first consolidated financial results, which reflect the scale and strength of our balance sheet. With AED 417 billion of total assets and over 1 million customers, the Group is well-positioned to thrive in a highly competitive banking industry, and drive further shareholder value through greater efficiency and new opportunities.

Our performance in the first half demonstrates the robust fundamentals of the combined entity, against a backdrop of weaker operating conditions. ADCB Group continues to deliver a double-digit return on equity, and benefits from healthy capital ratios and liquidity positions, with a liquidity coverage ratio of 163%, and a loan-to-deposit ratio of 92% as at 30 June 2019. As a Domestic Systemically Important Bank (DSIB), with a CET1 ratio of 12.52%, the Group remains well-capitalised. The Bank reported a pro-forma half-year net profit of AED 2.782 billion, compared to AED 3.259 billion in the same period 2018. While gross interest income showed a solid increase in the first half, higher cost of funds weighed on the bottom line. The Bank has made a conscious decision to exit expensive time deposits, whilst continuing to focus on growing CASA deposits, which have increased to 36% of total deposits at the end of June, from 33% at year end. As would be expected in such transactions, certain matters arose during the due diligence process. ADCB Group will carry out a thorough assessment of the probable associated impact, which will be fully quantified and reported at the year end.

The recent re-affirmation of our ratings by S&P and Fitch is testament to the well-established franchise of the combined entity, recognising the benefits of the merger to further strengthen ADCB's business proposition and financial profile.

Following in-depth preparation, backed by our strong governance framework, the Bank is implementing a highly effective integration strategy. At this early stage in our integration journey, the Bank has already made significant progress towards accomplishing key milestones. Since the legal completion of the merger, the Bank has implemented initiatives to deliver over a third of the final cost synergy target, and our meticulous execution will enable us to realise the full potential of the transaction.

We are on track to create a strong and efficient platform for growth, which will serve our shareholders, customers and employees well in the coming years."

### **Integration update**

ADCB Group has made strong progress on integration, making significant steps in all areas, including governance, organisational structure, customer experience, systems and culture. The Group is on track to unify the customer experience under the ADCB brand in the fourth quarter of 2019, with full systems and operational integration expected to be delivered by the fourth quarter of 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.

As expected, the Group's cost to income ratio is higher than pre-merger ADCB levels, primarily due to the higher cost to income ratios of Al Hilal Bank and Union National Bank. The Group is tightly managing its cost base, as well as pursuing merger-related synergies.

A notable achievement is the fast-tracked integration of Al Hilal Bank, which is almost complete. The Bank will operate under its own brand, focusing on providing Islamic retail banking services through digital channels. The wholesale banking portfolio has been largely migrated to the ADCB Islamic Wholesale Banking platform. In the last few months, Al Hilal Bank has revamped its mobile app to provide an enhanced customer experience and has launched a new app to fully digitise customer acquisition. 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.

The Group is making strong headway in its preparations for the interoperability of ADCB and UNB branches in the fourth quarter of 2019, which will be accompanied by a roll out of the ADCB brand across physical and digital channels. This will be a key milestone in the Bank's strategy to provide excellent customer service and a suite of high-quality products and services, unified across the enlarged customer base.

While integration work continues at a rapid pace, the Group remains focused on protecting and growing its businesses through an unwavering commitment to serving our customers.

## ABU DHABI COMMERCIAL BANK PJSC REPORTS

### FIRST HALF 2019 PRO-FORMA NET PROFIT OF AED 2.782 BILLION

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#### H1’19 Financial highlights

Income statement highlights (AED mn)	Half-yearly trend			Quarterly trend				
	H1’19	H1’18	Change % YoY	Q2’19	Q1’19	Q2’18	Q2’19 Change % 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
<b>Net profit for the period</b>	<b>2,782</b>	<b>3,259</b>	<b>(15)</b>	<b>1,448</b>	<b>1,334</b>	<b>1,622</b>	<b>9</b>	<b>(11)</b>

Balance sheet highlights (AED mn)	Change%			Ratios (%)	Change		
	June’19	Dec’18	YoY		June’19	Dec’18	bps
Total assets	416,967	423,419	(2)	Basel III Capital adequacy ratio (CAR)	15.88	17.74	(186)
Net loans and advances	250,964	260,340	(4)	Tier I ratio	14.3	16.09	(179)
Deposits from customers	272,976	285,417	(4)	Loan to deposit ratio (LTD)	91.9	91.2	70

Figures may not add up due to rounding differences

#### Key indicators (H1’19)

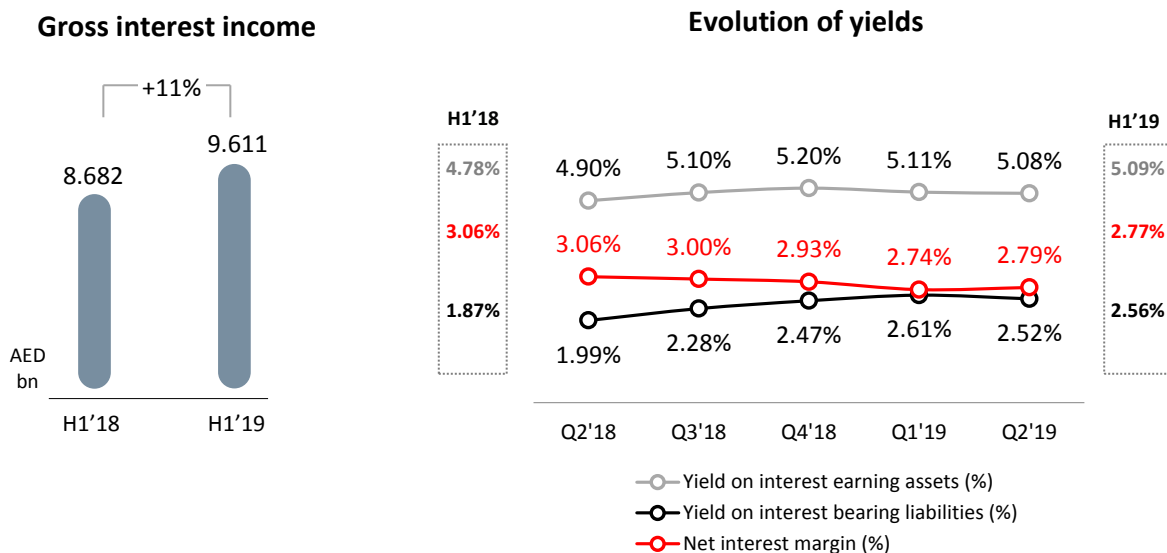
Net profit (AED billion)	Return on average tangible equity (ROATE %)*	Return on average assets (ROAA %)*	Basic earnings per share (EPS – AED)
<b>2.782</b>	<b>12.2</b>	<b>1.24</b>	<b>0.37</b>

\* 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**

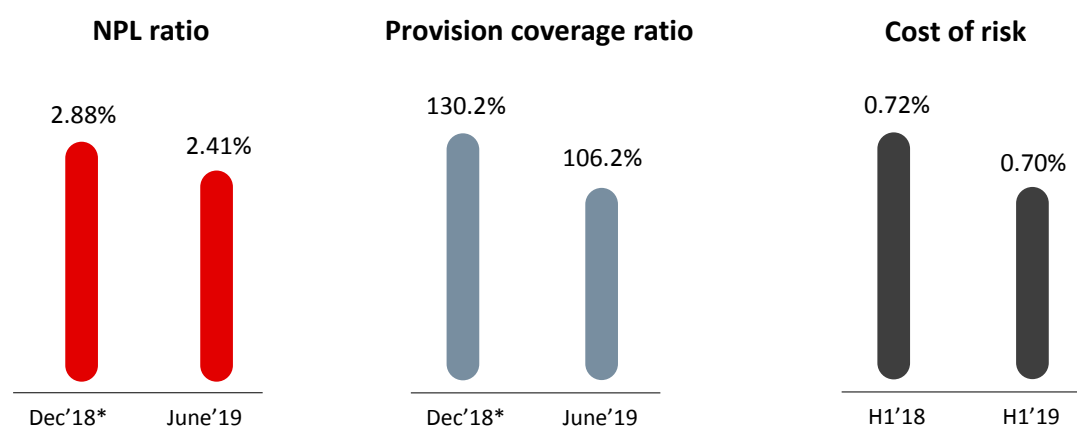
- ▶ Gross interest and Islamic financing income of AED 9.611 billion was up 11% over H1'18, primarily driven by rising benchmark rates and higher volumes over H1'18. H1'19 average interest earning assets increased by 4% over H1'18 to AED 380 billion. Net interest and Islamic financing income of AED 5.219 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.



- ▶ 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

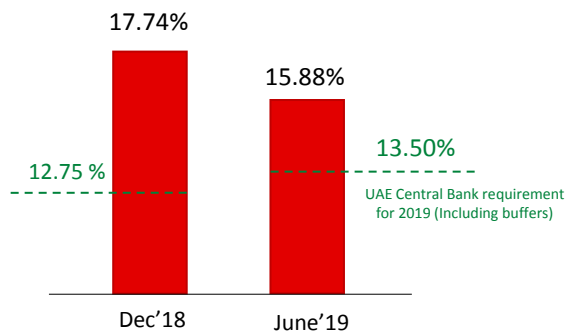
## Net loans lower primarily on account of corporate repayments, continued focus on growing CASA deposits

- ▶ 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.

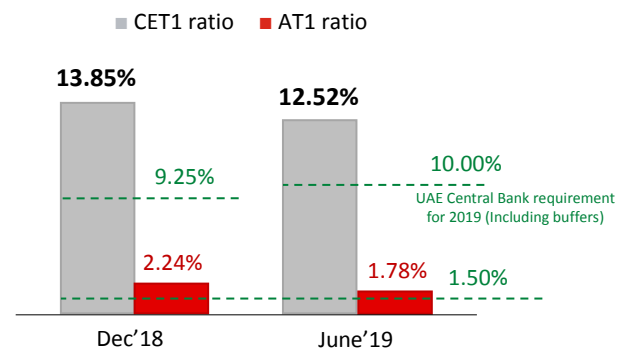
## Robust liquidity position, capital ratios comfortably above the minimum regulatory requirements

- ▶ 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.

### Capital adequacy ratio (Basel III)



### Tier I ratio (Basel III)



## 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.

## About ADCB:

ADCB Group is a leading UAE banking group that provides a full suite of award-winning products and services, spanning Consumer Banking, Wholesale Banking, Treasury & Investments and Property Management.

On 1 May 2019, ADCB and Union National Bank merged and the combined entity acquired Al Hilal Bank, which operates as a separate Islamic banking entity under its own brand within the Group. The transaction reinforced ADCB's position as the third largest bank in the UAE, with assets of AED 417 billion based on pro-forma financial information as at 30 June 2019.

The Group serves over 1 million customers.

ADCB Group, which is 60.2% owned by the Government of Abu Dhabi through the Abu Dhabi Investment Council, trades on the Abu Dhabi Securities Exchange (ADX) under the ticker of ADCB. As at 30 June 2019, ADCB's market capitalisation was AED 58 billion.

Further information on ADCB can be found at [adcb.com](http://adcb.com) and information on the transaction between ADCB, UNB and Al Hilal Bank can be found at [beyondambition.com](http://beyondambition.com)

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# BEYOND AMBITION

Pro-forma preliminary condensed  
consolidated interim financial information  
June 30, 2019

Abu Dhabi Commercial Bank PJSC



**PRO FORMA PRELIMINARY CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

The following pro forma preliminary condensed consolidated financial information and related notes (“pro forma financial information”) illustrates the effects on the statement of financial position of the combination (merger) between Abu Dhabi Commercial Bank PJSC and its subsidiaries (together referred to as “ADCB”) and Union National Bank PJSC and its subsidiaries (together referred to as “UNB”) along with the subsequent acquisition of Al Hilal Bank PJSC and its subsidiaries (together referred to as “AHB”). Further, ADCB, UNB and AHB are together referred to as the “Group”.

The pro forma financial information consists of the unaudited pro forma condensed consolidated interim income statement for six month periods ended June 30, 2019 and June 30, 2018 which give effect to the merger and acquisition as if it had occurred on January 1, 2018, the unaudited pro forma condensed consolidated statement of financial position as at December 31, 2018 which give effect to the merger and acquisition as if it had occurred on December 31, 2018 and the unaudited condensed consolidated interim statement of financial position as at June 30, 2019.

The purpose of the pro forma financial information is to illustrate the material effects that ADCB and UNB merger with subsequent acquisition of AHB would have had on the historical consolidated statement of financial position and on the historical consolidated income statement. They are not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The presentation of the pro forma financial information of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the pro forma condensed consolidated statement of financial position and condensed consolidated income statement addresses a hypothetical situation and, therefore may not give a true picture of the financial position of the Group. Furthermore, the pro forma financial information is only meaningful in conjunction with the historical consolidated financial statements of ADCB, UNB and AHB for the financial year ended December 31, 2018 and condensed consolidated interim financial information of the Group for the six month period ended June 30, 2019.

The pro forma financial information has been prepared based on figures extracted from the condensed consolidated interim financial information for the six month periods ended June 30, 2019 and June 30, 2018, and audited consolidated financial statements for the year ended December 31, 2018 of ADCB, UNB and AHB, all prepared in line with International Financial Reporting Standards.

The pro forma financial information has been compiled based on the accounting policies of ADCB, being the accounting acquirer, as disclosed in its condensed consolidated interim financial information for the six month period ended June 30, 2019.

The pro forma financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the acquisition/combination. The pro forma financial information gives no indication of the results and future financial situation of the activities of the Group.

Under IFRS 3 Business Combinations, ADCB has been identified as the acquirer and the Group has adopted the acquisition method of accounting for the merger and acquisition and is required to fair value the assets, liabilities and contingent liabilities acquired at the date of acquisition and to reflect the difference between their fair value and the purchase consideration as goodwill or gain on acquisition. The fair value exercise (“purchase price allocation”) is not completed as at the date of this document.

Under the terms of the merger, ADCB issued 0.5966 ADCB shares for every UNB share, corresponding to a total of 1,641,501,087 new shares issued to UNB shareholders. Based on ADCB’s closing share price of AED 9.88 on April 30, 2019, this translates to a consideration of AED 16,218 million.

**PRO FORMA PRELIMINARY CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION** (continued)

AHB was acquired by the combined entity (ADCB and UNB) for a consideration of AED 1,000 million by issuing mandatory convertible bond which was converted to 117,647,058 post-merger ADCB shares.

Pending the completion of full purchase price allocation exercise and based on an initial assessment of the management, the difference between book value and consideration has been allocated to various assets with the residual value treated as goodwill.

The Group is in the process of undertaking comprehensive purchase price allocation which is expected to complete within twelve months from the date of business combinations and may result in different values being attributed to the assets, liabilities and contingent liabilities acquired than those that are shown in the pro forma financial information that may or may not result in significant variances.

**Pro forma condensed consolidated interim statement of financial position**

As at June 30, 2019

	<b>As at June 30 2019 unaudited AED'000</b>	As at December 31 2018 unaudited AED'000
<b>Assets</b>		
Cash and balances with central banks, net	31,105,378	33,317,150
Deposits and balances due from banks, net	28,403,556	26,941,745
Reverse-repo placements, net	2,605,370	2,203,800
Trading securities	-	377,293
Derivative financial instruments	6,396,125	4,773,040
Investment securities	72,829,860	73,941,966
Loans and advances to customers, net	250,963,737	260,339,569
Investment in associates	391,260	394,359
Investment properties	2,540,405	2,528,424
Other assets, net	14,988,895	15,284,962
Property and equipment, net	2,218,072	2,003,879
Goodwill	4,278,449	565,073
Assets held for sale	246,335	747,429
<b>Total assets</b>	<b>416,967,442</b>	<b>423,418,689</b>
<b>Liabilities</b>		
Due to banks	6,623,072	9,067,789
Derivative financial instruments	6,826,416	5,851,233
Deposits from customers	272,975,801	285,417,201
Euro commercial paper	2,280,802	3,279,302
Borrowings	55,103,322	50,232,395
Other liabilities	20,187,653	18,131,169
Liabilities related to assets held for sale	311,083	270,414
<b>Total liabilities</b>	<b>364,308,149</b>	<b>372,249,503</b>
<b>Equity</b>		
Share capital	6,957,379	6,839,732
Share premium	17,878,882	14,173,147
Other reserves	7,526,877	6,865,281
Retained earnings	14,145,086	14,328,461
Mandatory convertible bond	-	1,000,000
Capital notes	6,000,000	7,813,244
<b>Equity attributable to equity holders of the Bank</b>	<b>52,508,224</b>	<b>51,019,865</b>
Non-controlling interests	151,069	149,321
<b>Total equity</b>	<b>52,659,293</b>	<b>51,169,186</b>
<b>Total liabilities and equity</b>	<b>416,967,442</b>	<b>423,418,689</b>

**Pro forma condensed consolidated interim income statement (unaudited)**

For the six month period ended June 30, 2019

	3 months ended June 30		6 months ended June 30	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Interest income	3,945,057	3,623,309	8,012,713	7,029,574
Interest expense	(1,859,129)	(1,455,271)	(3,805,097)	(2,687,740)
<b>Net interest income</b>	<b>2,085,928</b>	<b>2,168,038</b>	<b>4,207,616</b>	<b>4,341,834</b>
Income from Islamic financing	779,223	844,049	1,598,160	1,652,215
Islamic profit distribution	(269,075)	(226,551)	(586,761)	(443,202)
<b>Net income from Islamic financing</b>	<b>510,148</b>	<b>617,498</b>	<b>1,011,399</b>	<b>1,209,013</b>
<b>Total net interest and Islamic financing income</b>	<b>2,596,076</b>	<b>2,785,536</b>	<b>5,219,015</b>	<b>5,550,847</b>
Net fees and commission income	479,352	506,038	997,413	1,043,557
Net trading income	105,698	137,674	278,026	305,459
Other operating income	71,002	74,526	152,406	168,852
<b>Operating income</b>	<b>3,252,128</b>	<b>3,503,774</b>	<b>6,646,860</b>	<b>7,068,715</b>
Operating expenses (*)	(1,366,477)	(1,267,283)	(2,670,898)	(2,519,495)
<b>Operating profit before impairment allowances</b>	<b>1,885,651</b>	<b>2,236,491</b>	<b>3,975,962</b>	<b>4,549,220</b>
Impairment allowances	(428,628)	(601,936)	(1,173,634)	(1,253,858)
<b>Operating profit after impairment allowances</b>	<b>1,457,023</b>	<b>1,634,555</b>	<b>2,802,328</b>	<b>3,295,362</b>
Share in profit/(loss) of associates	4,373	2,961	10,005	(2,355)
<b>Profit before taxation</b>	<b>1,461,396</b>	<b>1,637,516</b>	<b>2,812,333</b>	<b>3,293,007</b>
Overseas tax expense	(6,948)	(13,685)	(19,918)	(26,158)
<b>Net profit for the period from continuing operations</b>	<b>1,454,448</b>	<b>1,623,831</b>	<b>2,792,415</b>	<b>3,266,849</b>
Loss from discontinued operations	(6,238)	(1,660)	(10,110)	(7,612)
<b>Net profit for the period</b>	<b>1,448,210</b>	<b>1,622,171</b>	<b>2,782,305</b>	<b>3,259,237</b>
<b>Attributable to:</b>				
Equity holders of the Bank	1,447,197	1,619,667	2,781,557	3,252,927
Non-controlling interests	1,013	2,504	748	6,310
<b>Net profit for the period</b>	<b>1,448,210</b>	<b>1,622,171</b>	<b>2,782,305</b>	<b>3,259,237</b>

(\*) includes non-recurring expenses pertaining to integration costs of AED 86,728 thousand (for the six month period ended June 30, 2018: AED Nil)

**Pro forma preliminary condensed consolidated interim financial information**
**Segmental information – Operating segments**

For the six month period ended June 30, 2019 (unaudited)

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	1,771,542	1,315,104	1,082,465	38,505	4,207,616
Net income from Islamic financing	508,325	316,159	181,061	5,854	1,011,399
<b>Total net interest and Islamic financing income</b>	<b>2,279,867</b>	<b>1,631,263</b>	<b>1,263,526</b>	<b>44,359</b>	<b>5,219,015</b>
Non-interest income	586,299	524,383	174,734	142,429	1,427,845
Operating expenses	(1,591,352)	(791,543)	(202,957)	(85,046)	(2,670,898)
<b>Operating profit before impairment allowances</b>	<b>1,274,814</b>	<b>1,364,103</b>	<b>1,235,303</b>	<b>101,742</b>	<b>3,975,962</b>
Impairment (allowances)/releases	(611,791)	(573,295)	11,452	-	(1,173,634)
<b>Operating profit after impairment allowances</b>	<b>663,023</b>	<b>790,808</b>	<b>1,246,755</b>	<b>101,742</b>	<b>2,802,328</b>
Share in profit of associates	10,005	-	-	-	10,005
<b>Profit before taxation</b>	<b>673,028</b>	<b>790,808</b>	<b>1,246,755</b>	<b>101,742</b>	<b>2,812,333</b>
Overseas tax expense	(7,085)	(2,069)	(10,764)	-	(19,918)
Loss from discontinued operations	(10,110)	-	-	-	(10,110)
<b>Net profit for the period</b>	<b>655,833</b>	<b>788,739</b>	<b>1,235,991</b>	<b>101,742</b>	<b>2,782,305</b>

**As at June 30, 2019 (unaudited)**

<b>Segment assets</b>	<b>112,698,634</b>	<b>171,880,345</b>	<b>129,896,505</b>	<b>2,491,958</b>	<b>416,967,442</b>
<b>Segment liabilities</b>	<b>85,637,775</b>	<b>135,377,207</b>	<b>143,166,511</b>	<b>126,656</b>	<b>364,308,149</b>

For the six month period ended June 30, 2018 (unaudited)

	Consumer banking AED'000	Wholesale banking AED'000	Investments and treasury AED'000	Property management AED'000	Total AED'000
Net interest income	1,891,800	1,456,675	956,746	36,613	4,341,834
Net income from Islamic financing	574,339	428,907	240,066	(34,299)	1,209,013
<b>Total net interest and Islamic financing income</b>	<b>2,466,139</b>	<b>1,885,582</b>	<b>1,196,812</b>	<b>2,314</b>	<b>5,550,847</b>
Non-interest income	542,747	601,307	236,594	137,220	1,517,868
Operating expenses	(1,540,741)	(721,240)	(174,325)	(83,189)	(2,519,495)
<b>Operating profit before impairment allowances</b>	<b>1,468,145</b>	<b>1,765,649</b>	<b>1,259,081</b>	<b>56,345</b>	<b>4,549,220</b>
Impairment (allowances)/releases	(737,029)	(534,868)	18,039	-	(1,253,858)
<b>Operating profit after impairment allowances</b>	<b>731,116</b>	<b>1,230,781</b>	<b>1,277,120</b>	<b>56,345</b>	<b>3,295,362</b>
Share in loss of associates	(2,355)	-	-	-	(2,355)
<b>Profit before taxation</b>	<b>728,761</b>	<b>1,230,781</b>	<b>1,277,120</b>	<b>56,345</b>	<b>3,293,007</b>
Overseas tax expense	(1,657)	(5,070)	(19,431)	-	(26,158)
Loss from discontinued operations	(7,612)	-	-	-	(7,612)
<b>Net profit for the period</b>	<b>719,492</b>	<b>1,225,711</b>	<b>1,257,689</b>	<b>56,345</b>	<b>3,259,237</b>

**As at December 31, 2018 (unaudited)**

<b>Segment assets</b>	<b>111,354,630</b>	<b>176,695,987</b>	<b>132,896,781</b>	<b>2,471,291</b>	<b>423,418,689</b>
<b>Segment liabilities</b>	<b>80,555,087</b>	<b>154,066,251</b>	<b>137,503,168</b>	<b>124,997</b>	<b>372,249,503</b>