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بنك أبوظبي التجاري
ADCB

ABU DHABI COMMERCIAL BANK PJSC REPORTS

FIRST QUARTER 2019 NET PROFIT OF AED 1.152 BILLION

Abu Dhabi, 06 May 2019 – Abu Dhabi Commercial Bank PJSC ("**ADCB**" or the "**Bank**") today reported its financial results for the first quarter of 2019 ("Q1'19"). The results are for the standalone ADCB entity for the first quarter of 2019, prior to the merger with Union National Bank and the subsequent acquisition of Al Hilal Bank.

Key highlights (31 March 2019)

- **Strong operating performance underpinned by robust growth in gross interest and Islamic financing income and non-interest income**

  (Q1'19 vs. Q1'18)

  - Gross interest and Islamic financing income of AED 3.116 billion was up 17%
  - Net interest and Islamic financing income of AED 1.707 billion was 7% lower, primarily attributable to a change in the composition of the liability base over Q1'18 and competitive pricing, partially offset by rising benchmark rates and higher volumes
  - Non-interest income of AED 566 million was up 8%
  - Net fees and commission income of AED 379 million was up 8%
  - Operating expenses of AED 793 million were up 3%, mainly attributable to ongoing investments in digital transformation initiatives and integration related expenses
  - Impairment allowances of AED 330 million were 13% lower
  - Net profit of AED 1.152 billion was 5% lower, impacted by higher cost of funds, partially offset by higher non-interest income and lower impairment charges

- **Customer deposit growth continued to outpace loan growth; significant growth in CASA* deposits at the end of the quarter**
  - Total assets grew 4% to AED 292 billion and net loans to customers increased 2% to AED 169 billion over 31 December 2018
  - Deposits from customers increased 4% to AED 184 billion over 31 December 2018
  - Low cost CASA (current and savings account) deposits increased by AED 10 billion to AED 80 billion over 31 December 2018 and comprised 43.3% of total customer deposits compared to 39.4% as at 31 December 2018
  - Loan to deposit ratio improved to 91.7% from 94.2% as at 31 December 2018

- **Strong capital and liquidity position**
  - Capital adequacy ratio (Basel III) of 15.76% and common equity tier 1 (CET1) ratio of 12.07% 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 193% compared to a minimum ratio of 100% prescribed by the UAE Central Bank (LCR as at 31 December 2018: 186% compared to a minimum ratio of 90% prescribed by the UAE Central Bank)
  - Liquidity ratio of 30.3% compared to 28.3% as at 31 December 2018
  - Net lender of AED 16 billion in the interbank markets

* Current and Savings account

- **Asset quality metrics remain strong, committed to maintaining a disciplined risk profile**
  - NPL ratio of 3.09% compared to 2.88% as at 31 December 2018
  - Provision coverage ratio of 118.9% compared to 130.2% as at 31 December 2018
  - Cost of risk of 0.64% compared to 0.57% as at 31 December 2018
  - Collective impairment allowances were 2.10% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank

On 1 May 2019, ADCB combined with Union National Bank (UNB) and Al Hilal Bank to form a larger and stronger banking group called ADCB. Al Hilal Bank continues to operate as a separate Islamic banking entity within the group under its own brand, mainly providing Shari'ah-compliant retail banking products and services through digital platforms.

The Bank's operations, processes and infrastructure will be integrated in phases over the next 18 to 24 months. The combination is expected to deliver annual cost synergies of approximately AED 615 million. ADCB will continue to keep the market fully apprised of progress with the integration.

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

"Following our strong results in 2018, we are pleased to announce a net profit of AED 1.152 billion in Q1'19. We have made good progress in a number of key areas in the first quarter of 2019. In particular, we have delivered a strong and sustainable return on equity, increased fee income and continued to grow our market share in deposits. In a rising interest rate environment, our low cost CASA deposits grew by AED 10 billion to AED 80 billion, reporting an increase of 15% over the year end.

The Bank maintains a robust risk governance structure. Our prudent approach to risk management has given us the flexibility to adjust to the challenges of the operating environment in an increasingly competitive market. We remain committed to preserving and protecting the long-term financial strength of the Bank and continue to place high priority on maintaining adequate sources of funding and liquidity.

Fast-paced changes in technology continue to impact customers' expectations and behaviour, and the Bank's strategy is evolving in parallel to maintain our position as a progressive player. We have sustained our investment in digital transformation, with key initiatives such as the recent launch of the "Hayyak" onboarding app for new customers, which offers instant account opening.

I am also pleased to announce that the combination of ADCB with UNB and Al Hilal Bank has taken effect, and we are already making rapid progress in integrating the three organisations. Looking ahead to the future of the Bank, our priorities are to maintain the highest standards of customer service throughout the integration, while delivering cost synergies and sustainable long-term growth."

Deepak Khullar, Group Chief Financial Officer, commented on the results:

"We have delivered a strong set of results in the first quarter of 2019. The Bank's fundamentals remain solid. Bottom line was impacted by higher cost of funds underpinned by a conscious decision to increase long term time deposits and wholesale funding to meet the evolving regulatory liquidity requirements.

This was partially offset by higher non-interest income as the Bank remains committed to diversifying its revenue stream. Non-interest income contribution to operating income was 25% compared to 20% in Q4'18 and 22% compared to Q1'18.

Loan to deposit ratio at 91.7% stands at its lowest levels, reporting a significant improvement as deposit growth continued to outpace loan growth. Year to date, Wholesale Banking loans increased 4%, while Consumer Banking loans contracted 1% resulting from the continued de-risking of the unsecured retail loan portfolio.

Balance sheet remains strong, whilst our liquidity and capital positions are comfortably above the minimum regulatory requirements."

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Q1'19 Financial highlights

				Change%	
Income statement highlights (AED mn)	**Q1'19**	Q4'18	Q1'18	QoQ	YoY
Total net interest and Islamic financing income	**1,707**	1,803	1,828	(5)	(7)
Non - interest income	**566**	442	526	28	8
Operating income	**2,273**	2,244	2,354	1	(3)
Operating expenses	**(793)**	(740)	(770)	7	3
Operating profit before impairment allowances	**1,480**	1,505	1,584	(2)	(7)
Impairment allowances	**(330)**	(148)	(380)	122	(13)
Share in profit of associate	**3**	3	3	NA	NA
Profit before taxation	**1,153**	1,359	1,207	(15)	(4)
Overseas income tax expense	**(0)**	(2)	0	NA	NA
Net profit for the period	**1,152**	1,357	1,207	(15)	(5)

				Change%	
Balance sheet highlights (AED mn)	**March'19**	Dec'18	March'18	QoQ	YoY
Total assets	**292,113**	279,830	266,649	4	10
Net loans and advances	**169,076**	166,426	162,824	2	4
Deposits from customers	**184,408**	176,654	166,881	4	11

Ratios (%)	**March'19**	Dec'18	March'18	bps	bps
CAR (Capital adequacy ratio – Basel III)	**15.76**	17.26	17.48	(150)	(172)
Tier I ratio	**13.88**	15.28	14.32	(140)	(44)
Loan to deposit ratio	**91.7**	94.2	97.6	(250)	(590)

Figures may not add up due to rounding differences

Key indicators (Q1'19)

Net profit (AED billion)	**Return on average equity** (ROAE %)*	**Return on average assets** (ROAA %)*	**Basic earnings per share** (EPS – AED)
1.152	15.0	1.49	0.20

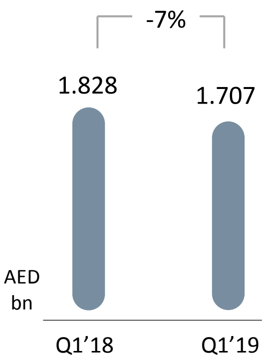
* For ROAE/ROAA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting interest expense on Tier I capital notes

Strong operating performance underpinned by robust growth in gross interest and Islamic financing income and non-interest income

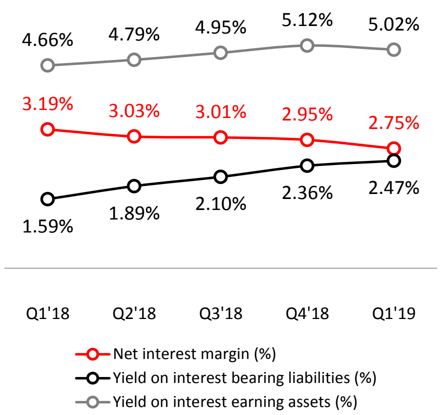
- Gross interest and Islamic financing income of AED 3.116 billion was up 17% over Q1'18, driven by higher volumes and rising benchmark rates. Net interest and Islamic financing income of AED 1.707 billion was 7% lower, primarily attributable to a change in the composition of the liability base over Q1'18 and competitive pricing.

- Cost of funds for the period was 2.47% compared to 1.59% in Q1'18, resulting from a conscious decision to increase long term time deposits and wholesale funding to meet the evolving regulatory liquidity requirements. The increased cost of carrying high quality liquid assets (HQLA), the unwinding of the unsecured retail loan portfolio, and interest in suspense charges compared to one-off reversals in Q1'18, resulted in a net interest margin (NIM) contraction of 44 basis points from 3.19% in Q1'18 to 2.75% in Q1'19.

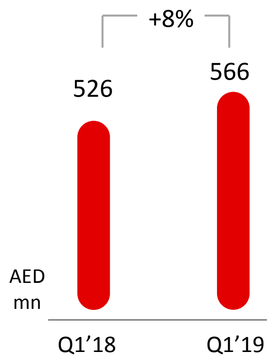
Net interest income



Evolution of yields



Non-interest income

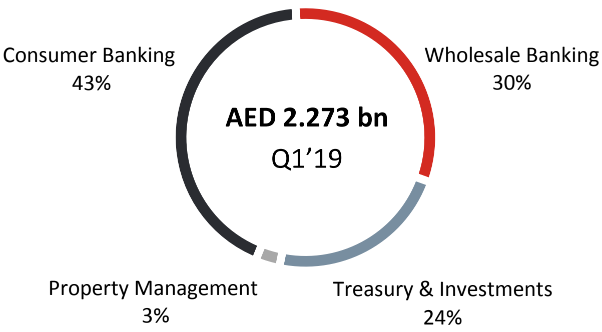


The Bank remains committed to maintaining a diversified revenue stream

- Non-interest income of AED 566 million was up 8% year on year, mainly on the back of higher fees and commission income. Net fees and commission income of AED 379 million was up 8% over Q1'18, largely attributable to higher card related fees and higher income from the fast growing merchant acquiring business. Trading income of AED 133 million was up 1% over Q1'18, on account of higher gains from dealing in derivatives, whilst other operating income of AED 55 million was up 23%, primarily on account of higher gains arising from retirement of hedges, compared to a loss reported in Q1'18. Non-interest income accounted for 25% of operating income in Q1'19, compared to 22% in Q1'18 and 20% in Q4'18.

- Operating income of AED 2.273 billion was 3% lower on account of lower net interest and Islamic financing income, partially offset by an improvement in non-interest income. Consumer Banking Group comprised 43% of the Bank's operating income in the first quarter of 2019, whilst Wholesale Banking Group contributed 30%. Treasury & Investments and Property Management comprised 24% and 3% of total operating income respectively.

Percentage contribution to operating income



- Operating expenses of AED 793 million were up 3% over the prior year, mainly attributable to ongoing investments in digital transformation initiatives and integration related expenses.

Cost to income ratio

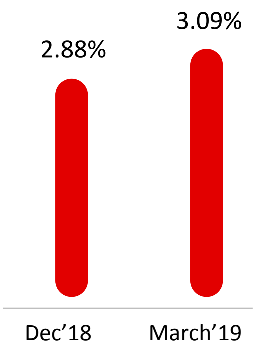
32.7%	34.9
Q1'18	Q1'19

Asset quality metrics remain strong, committed to maintaining a disciplined risk profile

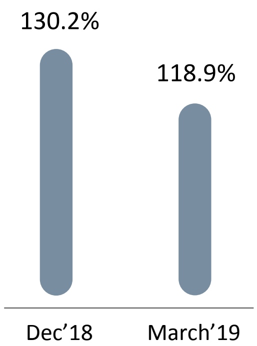
- Net impairment charges were AED 330 million, 13% lower than Q1'18. As at 31 March 2019, cost of risk was 0.64% compared to 0.71% as at 31 March 2018, supported by the continued de-risking of the unsecured retail portfolio.

- As at 31 March 2019, stage 3/non-performing loan ratio (NPL) was 3.09% while provision coverage ratio was 118.9%. Stage 1 and 2 expected credit loss allowances were 2.10% of credit risk weighted assets, well above the minimum 1.5% stipulated by the UAE Central Bank.

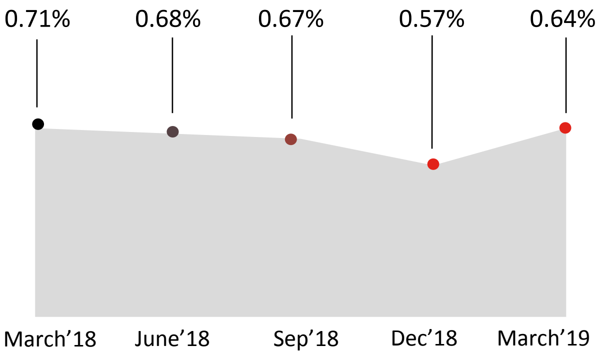
NPL ratio



Provision coverage ratio



Cost of risk



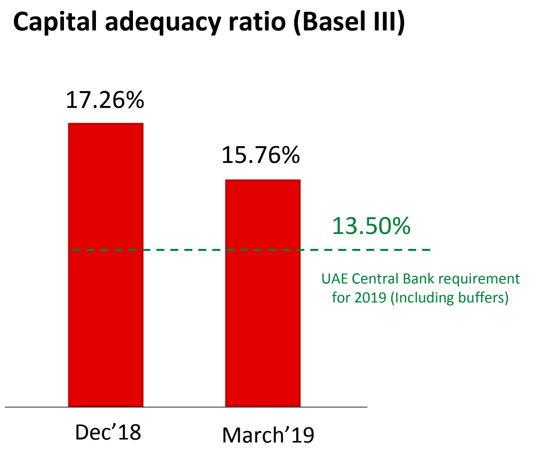
Customer deposit growth continued to outpace loan growth; significant growth in CASA deposits at the end of the quarter

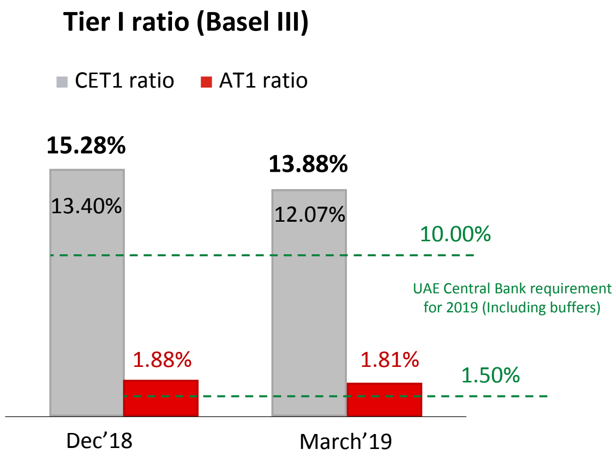
- Total assets grew 4% to AED 292 billion and net loans to customers increased 2% to AED 169 billion over 31 December 2018. Total customer deposits increased to AED 184 billion, up 4% over the year end. CASA balances increased at the end of the quarter by 15% to AED 80 billion and comprised 43.3% of total customer deposits, compared to 39.4% as at 31 December 2018. Loan to deposit ratio improved significantly to 91.7% from 94.2% as at 31 December 2018.

Strong liquidity position and capital ratios comfortably above the minimum regulatory levels

- The Bank continues to maintain a comfortable liquidity position, with a liquidity coverage ratio of 193%, compared to a minimum ratio of 100% prescribed by the UAE Central Bank. Liquidity ratio was 30.3% compared to 28.3% as at 31 December 2018, led by an increase in deposits and balances due from banks and an increase in quoted investments.

- The Bank remains well capitalised with a Basel III capital adequacy ratio (CAR) of 15.76% and a common equity tier 1 (CET1) ratio of 12.07%, comfortably above the minimum capital requirements of 13.50% and 10.00% (including buffers) respectively, as prescribed by the UAE Central Bank.





Recent awards (Q1'19 and 2018)

Best Trade Finance Provider in the UAE **GLOBAL FINANCE**	Trade Finance Market Leader in the UAE **EUROMONEY**	Best Trade Finance Service in the UAE **EUROMONEY**	
Best Cash Management Bank in The UAE and Middle East **GLOBAL FINANCE**	Ranked 2nd in S&P/Hawkamah ESG Pan Arab Index for Leadership in Corporate Sustainability **HAWKAMAH**	Best Affinity Card in Middle East & North Africa **MASTERCARD LEADERSHIP FORUM**	
Most Popular Credit Card of The Year 2018 **SOUQALMAL.COM**	Credit Card Product of The Year in Middle East **THE ASIAN BANKER**	Best Affinity Credit Card in Middle East & Asia/Oceania **FREDDIE AWARDS 2018**	Best Domestic Trade Finance Bank of The Year **GLOBAL FINANCE**
Best Online Portal Services in The UAE **GLOBAL FINANCE**	Best Service Cash Management in The UAE-Non FI **EUROMONEY CASH MANAGEMENT SURVEY**	Best Islamic Wholesale Banking Solutions **FINGLOBAL ISLAMIC FINANCE AWARDS**	Investors in People Award 2018 **ISLAMIC RETAIL BANKING AWARDS**
Best Trade Finance Bank in UAE **THE ASIAN BANKER**	Best Integrated Corporate Banking Site in The UAE And Middle East **GLOBAL FINANCE**	Best Trade Finance Provider in UAE **GLOBAL FINANCE AWARD**	Best Trade Finance Portal Services in The UAE And Middle East **GLOBAL FINANCE**

About ADCB (1 May 2019):

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 423 billion based on pro forma financial information as at 31 December 2018.

The Group serves approximately 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 1 May 2019, ADCB's market capitalisation was AED 67 billion.

Further information on ADCB can be found at adcb.com and information on the transaction between ADCB, UNB and Al Hilal Bank can be found at beyondambition.com

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By their nature, these forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond ADCB's control, including, among others, the UAE domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact and other uncertainties of future acquisition or combinations within relevant industries.

As a result, ADCB's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in ADCB's forward-looking statements and persons reading this document should not place reliance on forward-looking statements. Such forward-looking statements are made only as at the date on which such statements are made and ADCB does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.