FitchRatings

Banks
Universal Commercial Banks
United Arab Emirates

Abu Dhabi Commercial Bank PJSC

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Long-Term IDR (xgs)	BBB-(xgs)
Short-Term IDR (xgs)	F3(xgs)
Viability Rating	bbb-
Government Support Rating	a+

Sovereign Risk	
Long-Term Foreign-Currency IDR	AA-
Long-Term Local-Currency IDR	AA-
Country Ceiling	AA+

Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

Sukuk Rating Criteria (June 2022)
Bank Rating Criteria (March 2024)

Related Research

Fitch Affirms Abu Dhabi Commercial Bank at 'A+'/Stable; Upgrades VR to 'bbb-' (September 2024)
UAE Bank Metrics Underpinned by Improved Operating Environment (September 2024)
United Arab Emirates (July 2024)
UAE's ADCB Reported Strong Semi-Annual Profits in 1H24; GRE Lending Increased (August 2024)
EM Banks Tracker – End-2023 (June 2024)
Middle East Banks: Where Are Banks in the Cycle (June 2024)
UAE Banks –Peer Review 2024 (February 2024)

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Key Rating Drivers

Abu Dhabi Commercial Bank PJSC's (ADCB) Issuer Default Ratings (IDRs) reflect potential support from both the United Arab Emirates (AA-/Stable) and Abu Dhabi (AA/Stable) authorities, as reflected in its Government Support Rating (GSR) of 'a+'. This reflects the authorities' strong ability for, and record of, supporting the banking system if needed. ADCB's GSR is in line with the Abu Dhabi domestic systemically important banks' GSRs of 'a+'.

ADCB's Viability Rating (VR) reflects its strong domestic franchise, good funding and liquidity and improved asset-quality metrics counterbalanced by accelerated lending growth, albeit predominately in lower risk segments, and only adequate capitalisation.

Improved Operating Conditions: Operating conditions have been solid for UAE banks in recent years, and Fitch Ratings expects these to remain strong in the medium term. The operating environment is supported by high interest rates and healthy liquidity conditions due to population growth and money transfers into the UAE.

Large Abu Dhabi Bank: ADCB is the third-largest bank in the UAE, with a broad domestic franchise, including market shares of about 16% of sector loans. Its franchise also benefits from strong links to the Abu Dhabi government.

Diluted Exposure to Risky Segments: We view some of ADCB's large exposures as potentially risky as they have had only limited amortisation in recent years; however, the share of such exposures has decreased due to expansion into less risky sectors. Government-related entities (GREs) and public companies made up 55% of the corporate lending increase over 2023–1H24, while real estate sector lending has fallen by 28% since end-2020 (end-1H24: 15% of loans).

Reduced Impaired Loans Ratio: ADCB's impaired (Stage 3 plus purchased or originated credit-impaired) loans ratio declined to 3.2% at end-1H24 (end-2022: 5.5%) due to recoveries, write offs and loan sales, but were also affected by the accelerated loan growth. Loans accounted at fair value made up 1% of total loans, while the Stage 2 ratio declined to 4.5% (end-2022: 5.5%). We expect the impaired loans ratio to remain at 3%–4% in the medium term.

Good Profitability: ADCB's operating profit/risk-weighted assets (RWAs) ratio improved to 2.5% in 1H24 (2023: 2%). ADCB's expansion into lower-risk segments led the net interest margin (NIM) to fall to 2.5% in 1H24 (sector average: 3.1%) after spiking in 2H23. We expect performance to remain reasonable in 2H24–2025, with the operating profit/RWAs ratio fluctuating between 2% and 2.5% over the next couple of years.

Adequate Capitalisation: At end-1H24, ADCB's common equity Tier 1 (CET1) ratio was 13.2% (end-2023: 12.9%). Impaired loans net of total provisions accounted for a low 2% of CET1 capital at end-1H24, while the fair-value exposure, in combination with other loans viewed by Fitch as potentially risky, accounted for about 0.5x CET1. We expect the CET1 ratio to decline in 2H24 as lending growth exceeds internal capital generation, and in our base case we forecast the ratio after dividend payments to fluctuate between 12% and 13%.

Stable Funding, Healthy Liquidity: The 7% customer deposit growth in 1H24 was mainly due to higher time deposits, and a slight decrease in the share of CASA accounts (end-1H24: 44%; end-1H24 (end-2023: 46%; sector average: 60%). The large share of government and public-sector deposits and diversified wholesale funding further strengthen funding stability. ADCB's liquidity position was strong at end-1H24, as expressed by a fairly low 88% ratio of gross loans/deposits. The liquidity coverage ratio was also a good 130%.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

ADCB's Long-Term IDR would be downgraded following a downgrade of its GSR. The latter would be likely to stem from either a weaker ability of the UAE and Abu Dhabi authorities to support the bank, which would be reflected in a UAE or Abu Dhabi sovereign downgrade, or a weaker propensity to support banks.

ADCB's VR is primarily sensitive to our assessment of the bank's risk profile and capitalisation. A sustained decrease of ADCB's CET1 ratio below 12% due to high lending growth, or an increase in provisions caused by asset-quality deterioration, could result in a VR downgrade. Increased appetite to riskier segments or relaxation of underwriting standards would also be credit negative.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade of ADCB's Long-Term IDR could come from an upgrade of its GSR. The latter would be likely to stem from a stronger ability of the UAE authorities to provide support, reflected in a UAE and Abu Dhabi sovereign upgrade, although this is unlikely in the near term, given the Stable Outlook on the sovereign rating.

ADCB's VR could be upgraded in case of a sustained improvement of its CET1 ratio (post dividend distribution) above 13% and a considerable and sustainable reduction of the bank's exposure to large loans viewed by Fitch as potentially risky, but not accounted as impaired.

Other Debt and Issuer Ratings

Rating Level	Rating
Abu Dhabi Commercial Bank PJSC	
Senior unsecured: long-term	A+
Senior unsecured: short-term	F1
Senior unsecured: long-term (xgs)	BBB-(xgs)
Senior unsecured: short-term (xgs)	F3(xgs)
Subordinated: long-term	A-
AHB Sukuk Company Ltd	
Senior unsecured: long-term	A+
Senior unsecured: short-term	F1
Senior unsecured: long-term (xgs)	BBB-(xgs)
Senior unsecured: short-term (xgs)	F3(xgs)
ADCB Finance (Cayman) Limited	
Senior unsecured: long-term	A+
Senior unsecured: long-term (xgs)	BBB-(xgs)

Source: Fitch Ratings

ADCB's Short-Term IDR of 'F1' is the lower of the two options corresponding to a 'A+' Long-Term IDR, as described in our rating criteria, because a significant proportion of its funding is related to the government, and stress on ADCB would be likely to come when the sovereign itself is experiencing some form of stress.

ADCB's Long-Term IDR (xgs) is driven by its VR. Its Short-Term IDR (xgs) is driven by its Long-Term IDR (xgs).

The ratings of the bank's unsecured debt, including that issued by ADCB's special-purpose vehicles (SPVs) ADCB Finance (Cayman) Limited and AHB Sukuk Company Ltd, are in line with the bank's IDRs and IDRs (xgs), as a default on these obligations would be considered a default of the bank according to Fitch's rating definitions.

ADCB's subordinated debt 'A-' rating is notched down twice from its Long-Term IDR, reflecting loss-severity, the subordinated status of the bonds and Fitch's view of a heightened likelihood of poor recoveries in the event of non-viability. Fitch uses ADCB's Long-Term IDR rather than its VR as the anchor rating for notching, as allowed in the Bank Rating Criteria for issuers in highly supportive jurisdictions such as the UAE, as Fitch believes that potential government support for ADCB is likely to flow through to the holders of ADCB's subordinated Tier 2 bonds.

Significant Changes from Last Review

VR Upgraded

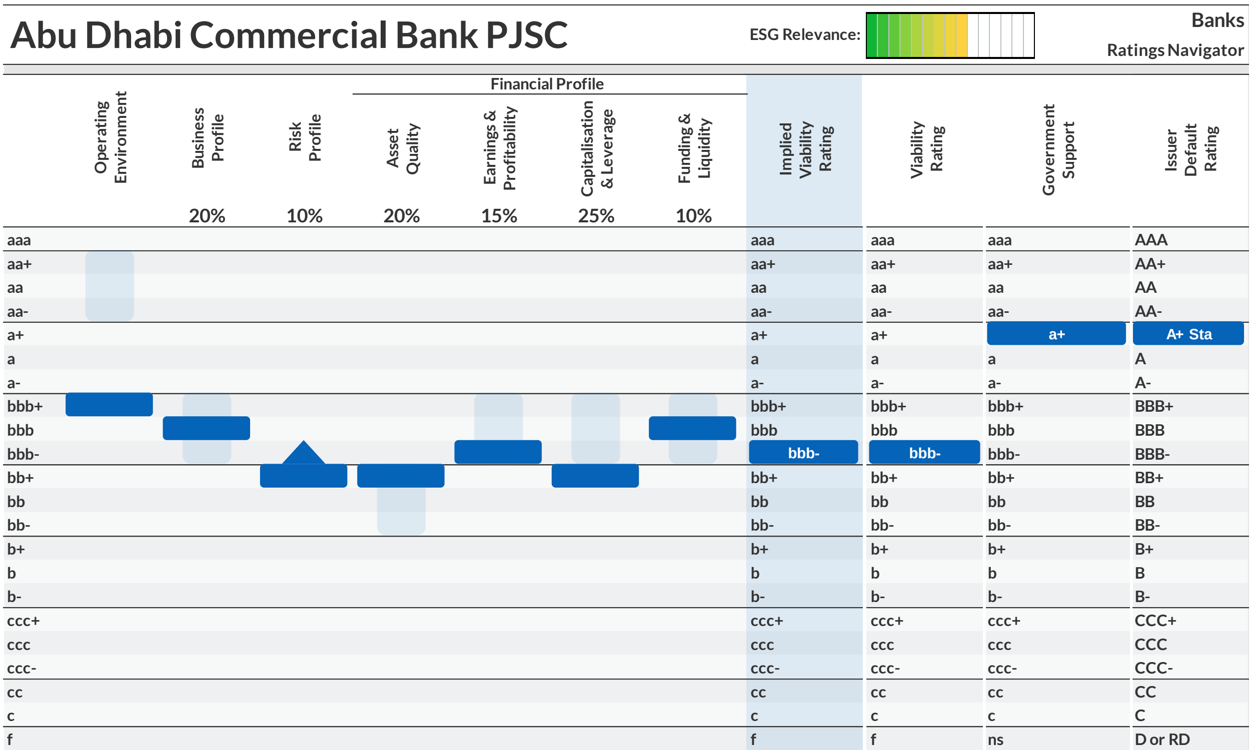
Fitch's upgrade of ADCB's VR to 'bbb-' from 'bb+' in September 2024 reflected decreased loan concentrations to high-risk segments, due to increased appetite for low-risk GREs, improved asset-quality metrics, and maintained adequate capitalisation and healthy liquidity.

UAE Bank Operating Score Upgraded to 'bbb+'

Fitch's upgrade of the UAE domestic bank operating environment score to 'bbb+' from 'bbb' in September 2024 reflected a favourable economic environment in the UAE, including continued expansion of non-oil sectors, strong liquidity in the banking sector, the positive sensitivity of most banks' NIMs to high interest rates, and improved asset-quality metrics at most banks in recent years. The continuing strengthening of the regulatory framework and legal system effectiveness is also positive for our assessment as we view the UAE authorities as having strong adherence to international best practices. We therefore removed the 'regulatory and legal framework' negative adjustment from the list of the adjustments deriving the 'bbb+' assigned operating environment score from the implied 'aa' category.

The UAE bank operating environment score is now at the highest 'bbb+' level for emerging-market banking sectors globally (similar to that of Saudi Arabia, Chile and Malaysia).

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of 'bbb+' has been assigned below the 'aa' category implied score for the UAE due the following adjustment reasons: size and structure of economy (negative) and financial market development (negative).

The capitalisation & leverage score of 'bb+' has been assigned below the 'bbb' category implied score due to the following adjustment reason: risk profile and business model (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Strong Operating Conditions for UAE Banks

UAE banks have strong operating conditions, supported by high oil prices, contained inflation and high interest rates. We expect banks to continue their strong performance of 2023–1H24 for the rest of the year, although it will probably moderate slightly for 2025. Most UAE banks are well-positioned for higher interest rates and, since 2021, their earning assets yields have risen more than their funding costs due to a share of cheap current and savings accounts which is still high, and a large percentage of floating lending on their loan books.

We expect the strong business and operating environment for UAE banks to remain supportive in 2H24 and 2025, underpinned by high oil prices (2024F: USD80/barrel; 2025F:USD70/barrel). Fitch forecasts slower real GDP growth for 2024 (3.1%; 2023: 3.6%), but for this to accelerate again to 4.9% in 2025. The high oil prices and recovered economic activity since 2021 underpinned strong GRE spending and resulted in strong non-oil GDP growth, which averaged 6.2% a year over 2021–2023. We expect non-oil growth to slow (2024F: 4.3%; 2025F: 3.4%) as new resident inflows taper off, and oil prices slow. However, performance is strong despite global challenges – including the slowdown in China, high interest rates, and geopolitical risks – underpinned by GRE spending, an attractive business environment and GCC demand. In our view, the visa reforms and the large-scale immigration to the UAE make a new real-estate market crash less likely. A large list of planned and budgeted development and infrastructural projects should underpin banks' business growth over the next five years.

Good liquidity and higher interest rates resulted in a notable widening of the sector average net interest margin NIM, which improved in 2023 (3.2%; 2021: 2.3%) and was largely sustained in 1H24 (3.1%). The strong NIM, in combination with reduced cost of risk (1H24: 30bp; 2023: 70bp; 2022: 90bp), resulted in the strongest-ever profitability metrics for most major UAE banks in 1H24. The sector average annualised return on equity ratio was 20% in 1H24, up from 14.5% in 2022.

Lending growth accelerated in 1H24 (5.7%, unannualised; 2023: 7.7%), and we expect the growth for the whole year to reach 8%–10%, mainly driven by stronger expansion at some of the larger banks. The average impaired loans ratio for Fitch-rated UAE banks declined to 4.7% at end-1H24 (end-2022: 6%) due to recoveries, write-offs and lending growth. The coverage of impaired loans by total provisions was good (95% at end-1H24); however, it was weaker at some rated banks due to reliance on collateral.

The sector average CET1 ratio fluctuated around 14% in 1H24 (end-1H24: 14.1%) as most banks grew in line with internal capital generation, on average. Fitch expects UAE banks' financial metrics (asset quality, performance, capitalisation and profitability) to be stable in 2024, and profitability metrics will moderate in 2025 from high levels following expected interest rate cuts by the US Treasury, which will be followed by the Central Bank of the UAE.

Business Profile

Abu Dhabi D-SIB; Strong Franchise in the UAE

ADCB is recognised as a D-SIB by the Central Bank of the UAE. It was 60.7%-owned by Mubadala Investment Company, an Abu Dhabi sovereign wealth fund, with the remainder in free float (21.6%-owned domestically and 17.7% by foreign shareholders) at end-1H24. In the UAE the bank operates through 48 own branches and eight Al Hilal Bank branches (its digital Islamic window, which also has three branches in Kazakhstan). The group also has a subsidiary in Egypt, ADCB Egypt, with about USD2 billion in assets, representing only 1.5% of consolidated group assets. ADCB Egypt operates through 50 branches. At end-1H24 ADCB had 1.9 million retail clients.

Universal Business Focus; UAE-Centric Strategy, Increased Focus on GREs

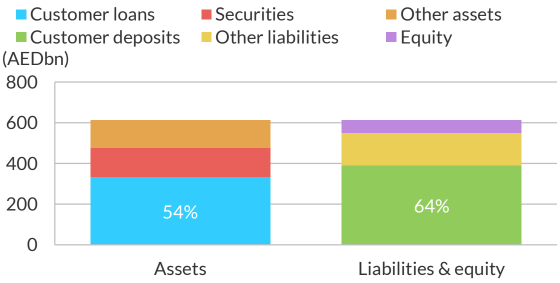
ADCB operates as a universal commercial bank and has well-diversified revenue streams by operating segments. In 1H24, corporate and investment banking represented 37% of total operating income, followed by the retail and private banking segments (combined 36%), while treasury and investments segment accounted for another 27%.

Revenues are derived mainly from net interest income (71% of operating income in 1H24), with non-interest income about equally split between commission income and income on trading and derivatives. Net loans made up 54% of assets at end-1H24. The securities portfolio share (24%) was stable in 1H24 despite accelerated lending growth, as the bank continued maintaining a good liquidity level. ADCB is primarily funded with customer deposits (78% of total funding), but also has good access to wholesale markets. Government-related assets and deposits have been historically high. Furthermore, the bank has tightened its risk appetite since the pandemic, with a higher focus on GREs, particularly in Abu Dhabi. Together with public sector lending, GREs represented about half of the net gross loans increase in 2023–1H24, which Fitch considers as positive for risk appetite. However, there is a high competition for GRE lending from other UAE banks, and therefore ADCB's NIM expanded less than for other UAE banks, with the sector average NIM having improved by 80bp over 2022–1H24, while ADCB's NIM improved by only 10bp.

ADCB aims to maintain its focus on the UAE, where over 95% of operating income is originated. However, a considerable share of ADCB's loans (20%) are extended to borrowers from outside of the UAE, particularly to other GCC markets. Digital transformation remains a key strategic objective, in particular for Al Hilal as the subsidiary is purely retail focused.

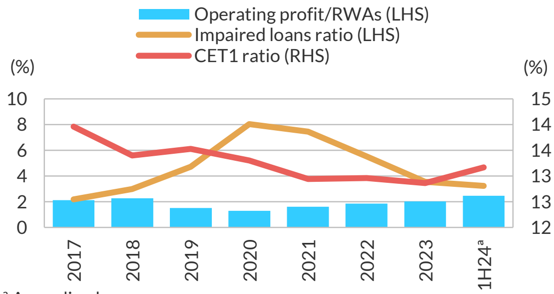
Balance Sheet

End-June 2024



Source: Fitch Ratings, Fitch Solutions, ADCB

Performance Through the Cycle



ª Annualised
Source: Fitch Ratings, Fitch Solutions, ADCB

Risk Profile

Accelerated Growth in GRE Segment Reduces Concentration to Risky Borrower and Sectors

ADCB's loan growth accelerated to 15.7% in 2023 (2022: 5.9%), and we expect that to be close to 15% in 2024 (1H24: 9.5%, above the sector average of 5.7%).

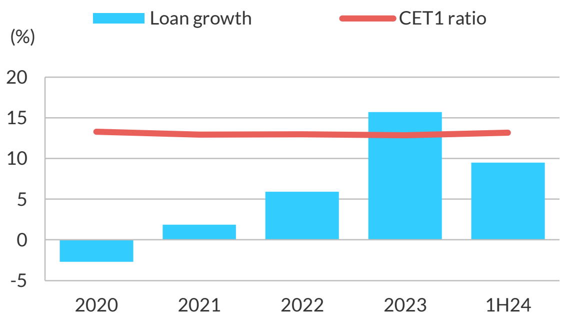
Concentrations in ADCB's loan book, by both sector and borrower are considerable, as captured in the 'bb+' risk profile score, although they have reduced in recent years. ADCB has increased its appetite for GRE lending, the share of which increased to 27% of total gross loans at end-1H24 (end-2020: 21%), while real-estate sector lending declined to 15% (0.8x of equity) by end-1H24 (end-2020: 29% loans; 1.4x equity) due to repayments and low new originations in the segment.

The largest 20 loans equalled 23% of total gross loans at end-1Q24 (end-2019: 34%), which now is below the Fitch estimated 34% average for the UAE banks. However, some of the largest exposures have shown fairly slow amortisation in recent years, and are mostly structured with a balloon repayment in the end of loan term. The total balance of these loans is estimated by Fitch at about 0.4x of equity at end-1H24 (end-2019: 0.8x) due to some repayments, but also due to growth in other segments.

Strong Quality of Non-Loan Exposures

Net loans accounted for 54% of total assets at end-1H24, followed by securities (24%; 2.3x of equity). Bonds accounted for 99% of total securities. ADCB's bond portfolio has a fairly long duration (50% of bonds mature in four years or more), but 74% of bonds are accounted in the held-to-maturity category, and therefore changes in market risk and interest rates will be neutral for a majority of ADCB's bond investments. The credit quality of the bank's bond portfolio is strong: 97% of bonds are investment-grade rated, and 84% are rated 'A-' or higher.

Loan Growth



Source: Fitch Ratings, Fitch Solutions, ADCB

Financial Profile

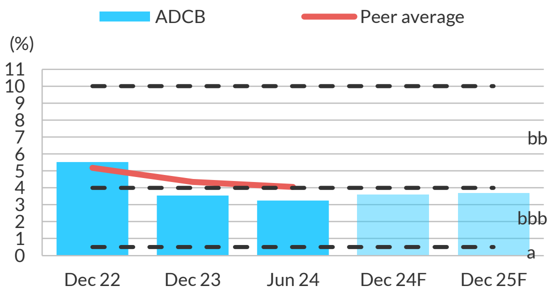
Asset Quality

The impaired loans balance was stable in 1H24 (AED11 billion), whilst the underlying ratio decreased (3.2%; end-2023: 3.5%; end-2022: 5.5%). The bank had written off AED1.8 billion of impaired loans (about 0.5% of end-2023 gross loans) in 1H24, but simultaneously reclassified some of its Stage 2 loans to Stage 3. The Fitch-calculated impaired loans origination ratio (a net increase in impaired loans plus write offs in the period to average gross loans, annualised) therefore spiked to 1.1% in 1H24 (2023: 0.1%, 2022: 0.3%).

We calculate total loan-loss allowances covered 92% of total Stage 3 and POCI loans at end-1H24. ADCB's Stage 2 loans, largely comprising real-estate exposures, fell to 4.5% of gross loans at end-1H24 (end-2022: 6.2%), reflecting accelerated growth, improved economic prospects compared to 2020–2021, considerable property price growth, and loan reclassifications. We expect loan quality metrics to stay stable over 2H24–2025, as new impairments would likely be offset by portfolio growth.

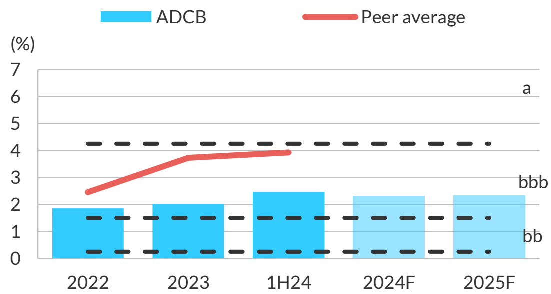
ADCB's exposure to a defaulted company (AED3.3 billion; 1% of gross loans) is treated as a loan at fair value, so it is not classified as a Stage 3 loan and is not captured by the impaired loans ratio, while its fair-value adjustment is quite low. We view this exposure as weak and high-risk. In addition, we view some of the large Stage 1 and 2 exposures as potential risky, given their limited amortisation in recent years.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

The improvement in ADCB's operating profit/RWAs ratio (1H24: 2.5%, annualised; 2023: 2%) was driven mainly by a moderation in credit costs, with the impairment charges/average gross loans ratio decreasing to 83bp in 1H24, annualised (2023: 118bp). NIMs also decreased slightly, to 2.5% in 1H24 (2023: 2.7%).

ADCB's cost/income ratio (1H24: 32%) was similar to the average for Fitch-rated UAE banks, due to stronger revenues and the bank's mostly corporate business focus. Non-interest income (29% of total operating income in 1H24) is mainly generated from loan and credit card-related fees and will likely benefit from higher loan volumes and its proportion in total operating income will remain around 30% depending on NIM developments, which in turn depend on interest rate cuts.

ADCB posted a reasonable 14.6% (annualised) return on equity in 1H24, and Fitch forecasts a similar ratio for the full year in 2024.

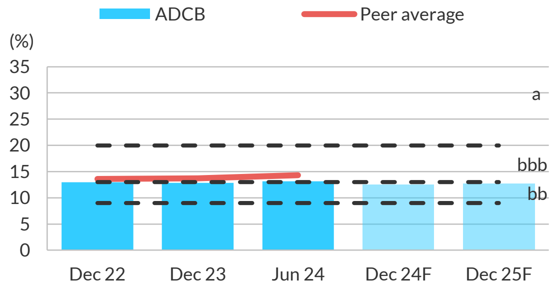
Capitalisation and Leverage

ADCB's CET1 ratio has been around 13% for the past few years (end-1H24: 13.2%; Fitch-rated UAE bank average: 14.1%), above the bank's target of 12%. Fitch considers ADCB's CET1 ratio as only adequate when considering the bank's risk profile.

We expect the post-dividend CET1 ratio to be at 12%–13% by end-2024 due to the targeted 40%–50% dividend pay-out and the growth guidance of 15% for full 2024. ADCB's regulatory capital ratios have reasonable headroom over statutory minimums.

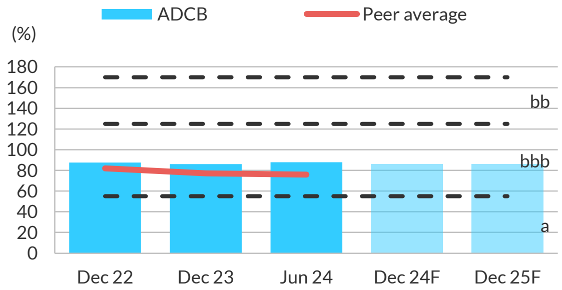
ADCB's RWA density (calculated as RWAs divided by total assets) declined to 67% at end-1H24 (end-2022: 72%) due to the increased appetite to GRE lending, which attracts lower risk weights. Our assessment of ADCB's capitalisation also reflects high asset concentrations, as well as the potential benefits of ordinary support, which ADCB may get from the Abu Dhabi authorities, in case of need.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

ADCB is predominantly funded with customer deposits (78% of total funding at end-1H24). The bank's share of low-cost CASA deposits declined to 44% (end-2023: 46%) as the bank has been growing above the sector average and most new customer funding was in the form of term deposits. Related-party deposits made up a high 26% of customer accounts at end-1H24, reflecting ADCB's links to the Abu Dhabi government, and we view this funding source as stable. ADCB's largest deposits are moderately concentrated, as is the case for most peers, although a high share of these are government-linked, which mitigates risks.

The gross loans/customer deposits ratio fell to 88% at end-1H24 (end-2021: 96%), due to strong deposit growth and healthy liquidity conditions in the banking sector. We expect the ratio to stay strong in the medium term, fluctuating between 85% and 90%.

Wholesale funding (18% of total liabilities, excluding bank deposits) amounted to AED89 billion at end-1H24, and is well diversified by instrument. Most of the wholesale funding is short- to medium-term, maturing in 2H24 and 2025. ADCB's liquidity position is robust, with liquid assets (cash, due from banks, short-term reverse repo placements and bonds) equalled 31% of total assets, covering the total funding balance by 39% at end-1H24.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may differ significantly from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or M&A activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category.

Peer average includes Emirates NBD Bank PJSC (VR: bbb), First Abu Dhabi Bank P.J.S.C. (a-), Dubai Islamic Bank (Public Joint Stock Company) (bb+), HSBC Bank Middle East Limited (bbb), Mashreqbank PSC (bbb-). Unless otherwise stated, financial year (FY) end is 31 December for all banks in this report.

Financials

Financial Statements

	30 Jun 24 1st half (USDm) Reviewed – unqualified	30 Jun 24 1st half (AEDm) Reviewed – unqualified	31 Dec 23 12 months (AEDm) Audited – unqualified	31 Dec 22 12 months (AEDm) Audited – unqualified	31 Dec 21 12 months (AEDm) Audited – unqualified
Summary income statement					
Net interest and dividend income	1,795	6,593	12,414	10,230	8,890
Net fees and commissions	409	1,501	2,427	2,110	1,899
Other operating income	330	1,210	2,026	1,996	1,477
Total operating income	2,533	9,304	16,866	14,336	12,267
Operating costs	804	2,951	5,453	4,888	4,257
Pre-impairment operating profit	1,730	6,352	11,414	9,448	8,010
Loan and other impairment charges	362	1,329	3,477	2,779	2,646
Operating profit	1,368	5,024	7,937	6,669	5,363
Other non-operating items (net)	–	–	490	-100	-16
Tax	155	568	221	135	100
Net income	1,213	4,456	8,206	6,434	5,247
Other comprehensive income	-156	-573	528	-1,637	-490
Fitch comprehensive income	1,057	3,883	8,735	4,797	4,757
Summary balance sheet					
Assets					
Gross loans	93,229	342,384	312,683	270,251	255,113
– Of which impaired	3,024	11,106	11,069	14,908	18,974
Loan loss allowances	2,784	10,226	10,689	11,758	10,830
Net loans	90,445	332,158	301,995	258,493	244,282
Interbank	14,185	52,095	58,853	34,755	26,670
Derivatives	4,766	17,504	13,859	15,183	6,488
Other securities and earning assets	39,926	146,627	140,444	119,182	100,158
Total earning assets	149,322	548,385	515,150	427,612	377,598
Cash and due from banks	8,040	29,527	24,148	39,429	33,746
Other assets	9,348	34,331	27,897	30,801	28,934
Total assets	166,710	612,242	567,195	497,842	440,278
Liabilities					
Customer deposits	106,184	389,961	362,905	308,931	265,052
Interbank and other short-term funding	16,664	61,198	53,236	41,454	36,428
Other long-term funding	10,401	38,197	39,990	44,136	49,476
Trading liabilities and derivatives	5,451	20,017	16,240	16,225	6,563
Total funding and derivatives	138,699	509,373	472,371	410,745	357,520
Other liabilities	8,758	32,162	23,571	25,671	23,389
Preference shares and hybrid capital	2,384	8,755	8,755	6,000	6,000
Total equity	16,869	61,953	62,499	55,426	53,370
Total liabilities and equity	166,710	612,242	567,195	497,842	440,278
Exchange rate		USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725

Source: Fitch Ratings, Fitch Solutions, ADCB

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.5	2.0	1.9	1.6
Net interest income/average earning assets	2.5	2.7	2.5	2.4
Non-interest expense/gross revenue	31.7	32.3	34.1	34.7
Net income/average equity	14.6	14.1	12.1	10.2
Asset quality				
Impaired loans ratio	3.2	3.5	5.5	7.4
Growth in gross loans	9.5	15.7	5.9	1.9
Loan loss allowances/impaired loans	92.1	96.6	78.9	57.1
Loan impairment charges/average gross loans	0.8	1.2	1.1	1.0
Capitalisation				
Common equity Tier 1 ratio	13.2	12.9	13.0	12.9
Tangible common equity/tangible assets	9.1	9.9	9.8	10.6
Basel leverage ratio	9.5	9.6	–	–
Net impaired loans/common equity Tier 1 capital	1.6	0.8	6.8	18.9
Funding and liquidity				
Gross loans/customer deposits	87.8	86.2	87.5	96.3
Liquidity coverage ratio	129.9	158.1	138.9	124.1
Customer deposits/total non-equity funding	78.3	78.1	77.1	74.3
Net stable funding ratio	105.7	107.7	–	–

Source: Fitch Ratings, Fitch Solutions, ADCB

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	a or a-
Actual jurisdiction D-SIB GSR	a+
Government Support Rating	a+
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Positive
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Positive

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Fitch's view of support factors in the authorities' strong ability to support the banking system, underpinned by solid net external asset positions, still-strong fiscal metrics, and recurring hydrocarbon revenues. It also reflects the authorities' very strong, timely, and predictable record of supporting domestic banks and their strategic ownership of a number of banks, including ADCB (60.7% owned by Mubadala Investment Company, an Abu Dhabi sovereign wealth fund).

ADCB's 'a+' GSR is at the Abu Dhabi D-SIB GSR level, reflecting its high systemic importance and government ownership. The Abu Dhabi D-SIB GSR is one notch above that of other UAE banks, given Abu Dhabi's superior financial flexibility.

Environmental, Social and Governance Considerations

FitchRatings **Abu Dhabi Commercial Bank PJSC**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Abu Dhabi Commercial Bank PJSC has 5 ESG potential rating drivers

- Abu Dhabi Commercial Bank PJSC has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.