

# BEYOND AMBITION



## Abu Dhabi Commercial Bank PJSC

Pro forma preliminary condensed consolidated interim financial  
information for the six month period ended June 30, 2019

**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>