



## ADCB, UNB & Al Hilal Bank to combine to create a powerful UAE banking group

- Third largest bank in the UAE, with total assets of AED 420 billion (USD 114 billion)<sup>1</sup>
- Second largest retail lender in the UAE by assets, with 21% share of retail loans<sup>2</sup>
- Strong Islamic banking platform; third largest Islamic banking franchise in the UAE<sup>2</sup>
- Superior shareholder value creation through significant synergy potential
- Well-diversified business and customer portfolio with a distinctive product offering
- 60.2% ownership by the Government of Abu Dhabi, through the Abu Dhabi Investment Council
- Larger, stronger and resilient bank better positioned to face regulatory changes

Further information on the proposed transaction can be found at: [beyondambition.com](http://beyondambition.com)

**Abu Dhabi, 29 January 2019:** The UAE banking sector is set to have a powerful new banking group following the decision of Abu Dhabi Commercial Bank (ADCB) and Union National Bank (UNB) to merge and together to acquire Al Hilal Bank.

The transaction, which has been recommended unanimously to shareholders by the boards of ADCB and UNB, is subject to regulatory and shareholder approvals to be sought in the coming weeks.

The new banking group will carry the ADCB identity and will continue to benefit from strong institutional backing, through the Government of Abu Dhabi's majority ownership. Al Hilal Bank will retain its existing name and brand and operate as a separate Islamic banking entity within the group.

ADCB will reinforce its position as the third largest financial institution in the UAE and will become the fifth largest in the Gulf Cooperation Council (GCC) region, with assets of AED 420 billion (USD 114 billion). It is expected to have around one million customers, with a significant share of the UAE market as follows (as at 30 September, 2018):

- 15% of total assets<sup>2</sup>
- 21% of retail loans<sup>2</sup>
- 16% of deposits<sup>2</sup>

The transaction will create a robust platform to grow the bank's consumer and wholesale businesses in both conventional and Islamic banking. The bank's strategic objective will be to increase market share by prioritising excellence in customer service and continually innovating its product and service offering, particularly through digital channels.

Greater scale will permit larger scope for financing to support the UAE's economic agenda for diversification and growth, and more investment in the bank's people, technology and infrastructure.

<sup>1</sup> Source: Company information as of 30 September 2018. Preliminary pro forma financials for ADCB, UNB and Al Hilal Bank take into account intercompany eliminations.

<sup>2</sup> Source: UAE Central Bank, company information as of 30 September 2018.

## TRANSACTION STRUCTURE

The proposed transaction between ADCB and UNB will be executed through a statutory merger.

ADCB will issue 0.5966 ADCB shares for every UNB share, corresponding to a total of 1,641,546,697 new shares issued to UNB shareholders. The exchange ratio implies a premium to UNB shareholders of 0.6% versus the closing price of the previous trading day (28 January 2019) and 13.7% versus the pre-leak share price<sup>3</sup>.

On the effective date of the merger, UNB shares will be delisted from the Abu Dhabi Securities Exchange. The combined bank will retain ADCB's legal registrations.

Al Hilal Bank will be acquired by the combined ADCB/UNB entity, for a consideration of approximately AED 1 billion, by issuing a mandatory convertible note for up to 117,647,058 post-merger ADCB shares to ADIC after the completion of the statutory merger.

The three banks will continue to operate independently until the combination becomes effective, which is expected within the first half of 2019. The combination is subject to approvals by shareholders and relevant regulators, including the UAE Central Bank. The transaction requires the approval of at least 75% by value of the shares represented at quorate general assembly meetings of each of ADCB and UNB.

Following completion of the merger of ADCB and UNB and the acquisition of Al Hilal Bank, the Government of Abu Dhabi, through the Abu Dhabi Investment Council, will own 60.2% of the combined bank. Other ADCB shareholders will own 28.0%, and other UNB shareholders will own 11.8% of the combined bank.

Eissa Mohamed Al Suwaidi is the Chairman designate of the new banking group, and His Excellency Mohamed Bin Dhaen Al Hamli is the Vice Chairman designate. Ala'a Eraiqat is the Group Chief Executive Officer designate of the new banking group. The new board and management of the combined bank will assume their new roles when the transaction becomes effective.

### **Eissa Mohamed Al Suwaidi, Chairman of ADCB and Chairman designate, commented:**

"This is a very exciting transaction that will create a larger, preeminent and resilient banking group. It is a landmark deal for the UAE that will contribute significantly to our national ambitions.

A robust and innovative financial sector is crucial to the long-term prosperity of the UAE, as the country forges its transition to a diversified economy, connected to global markets by business and personal networks, trade and investments.

The enlarged ADCB will have the scale and expertise to play a central role in the next stage of the UAE's economic development.

By building on past successes to produce an even stronger, performance-driven and customer-centric institution, the combined bank will continue to set high standards for the UAE banking sector and contribute to Abu Dhabi's development into a global financial centre.

We remain committed to contributing to the development of the UAE banking sector, and I thank His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the UAE President and Ruler of Abu Dhabi, His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces, His Highness Sheikh Mansour Bin Zayed Al Nahyan, Deputy Prime Minister and Minister of Presidential Affairs, and the UAE Central Bank for their continued support."

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<sup>3</sup> As of 2 September 2018, adjusted for ADCB share price increase since leak.

## **Ala'a Eraiqat, Group Chief Executive Officer and Member of the Board, ADCB, and Group Chief Executive Officer designate, commented:**

“This transaction is a confident and transformational move that creates a new, robust and agile financial institution, built on a strong track record in conventional and Islamic banking.

With a wide and balanced customer base, the ADCB Group will focus its customer-centric growth strategy on its home market of the UAE, with a selective international presence. The bank will take advantage of scale and efficiency to invest further in developing its people, products, services and channels, with the objective of gaining greater market share. Furthermore, we will anchor our operations in robust governance, compliance and risk management, to ensure that the bank continues to act as a force for stability and strength in the financial system.

The new bank is well-positioned to provide support for the UAE’s economic vision, and actively participate in the country’s growth and diversification.

We look forward to creating a bank that will thrive in the region’s fast changing economic environment, while creating sustainable value for customers, employees, investors and communities.”

## **TRANSACTION OVERVIEW**

### **Strategic rationale**

The proposed combination creates a major banking institution, which will play a central role in the UAE economic landscape, with a strong and optimised balance sheet that is well positioned to face global macro-economic challenges.

Increased productivity and economies of scale will contribute to greater profitability and allow the bank to be highly competitive in its offerings to corporate and individual customers, in both conventional and Islamic banking.

It will increase scope for customer financing and generate the capacity to invest efficiently in key drivers of future growth, including compliance systems, digital transformation, cybersecurity and next-generation branches.

The three banks have grown in the last decade to achieve a significant aggregate customer and asset base. The transaction will create significant scope for achieving cost efficiencies in the coming years. The combination is expected to deliver cost synergies of approximately AED 615 million (USD 167 million) annually on a run rate basis, which equates to around 13% of the three banks’ combined cost base, above the global benchmark of between 8% to 10% for similar domestic transactions<sup>4</sup>. These benefits are expected to be realised over two to three years.

The transaction has high potential for creation of shareholder value. It is expected to produce an uplift in earnings per share for the shareholders of the three banks in a steady state, with the combined bank expected to deliver double-digit returns on equity.

### **Financial benefits of the combination**

The combined bank will benefit from a strong balance sheet, solid financial metrics, and favourable access to capital markets. Its capital position will comfortably exceed Basel III regulatory requirements.

The combined bank’s funding profile will be diverse, with pro forma customer deposits accounting for 75% of total funding, including a strong low-cost CASA (current account savings account) base of AED 96 billion, and wholesale funding making up 18% of total funding as of 30 September 2018. The bank will also have a healthy pro forma net loan-to-deposit ratio of 96.5% as of 30 September 2018.

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<sup>4</sup> Source: Publicly available information in Investor Presentations and annual reports.

The bank's profitability metrics will be strong, with a pro forma cost-to-income ratio of 36.0%<sup>5</sup>, with significant potential for improvement thanks to substantial cost saving opportunities and expected double-digit returns on average equity. The pro forma net interest margin of the combined bank is 3.0%<sup>5</sup>.

### **Strategic priorities**

The combined bank will have a well-diversified business and customer portfolio. Corporate gross loans will represent 75%<sup>6</sup> of the total loan book, while consumer banking loans will account for 25% as of 30 September 2018.

The combined bank will embrace new opportunities created by the diversifying UAE economy, gaining market share by providing an excellent customer experience, while maintaining a selective international presence.

As the second largest retail lender in the UAE<sup>7</sup>, the combined bank's consumer business will provide an extended suite of market-leading products and services, backed by an approach that emphasises simplicity, convenience and high-quality service through digital channels and an extensive branch network.

The new banking group will operate the third largest Islamic banking franchise in the UAE, with a 13% market share<sup>7</sup>. Islamic banking customers will benefit from a distinctive offering with a wide range of Shari'ah-compliant products and services.

A stronger and expanded balance sheet will also provide greater scope for financing large and growing corporate clients. The consolidation of the corporate and SME client base of the three banks will open up opportunities for cross-selling and for broadening relationships across sophisticated offerings, from structured finance to transaction banking and treasury services. The combined bank will benefit from a state-of-the-art cash management platform, which will reinforce its capacity to attract CASA deposits.

Robust governance will be central to the creation of sustainable value for all stakeholders, and the bank will be driven by a disciplined approach to pricing risk and to managing exposure and concentration. The leadership of the bank is committed to stringent compliance with best international practices in the banking industry.

The combined bank will offer a platform for growth of exceptional talent, providing exciting opportunities within a high-performance environment and embedding the culture of putting customers first.

The transaction provides scope for investing further in capability-building programmes and development of the highly diverse employee base. The bank's aim is to contribute to the UAE's role as a centre of excellence in financial services by actively encouraging UAE nationals to pursue careers in the sector and facilitating the training and professional development needed for success.

### **TERMS OF THE COMBINATION**

The merger of ADCB and UNB is intended to be effected by way of a merger pursuant to the applicable provisions of UAE Federal Law No. 2 of 2015 concerning Commercial Companies (the "Companies Law"). Subject to the satisfaction of the conditions to the merger, upon the effective date of the merger, the assets and liabilities of UNB will be assumed by ADCB in consideration for the issue of new ADCB shares to UNB shareholders. Upon the merger becoming effective, shareholders of UNB will become shareholders in ADCB, the UNB shares will be delisted from the Abu Dhabi Securities Exchange.

ADCB will issue 0.5966 ADCB shares for every UNB share, corresponding to a total of 1,641,546,697 new shares issued to UNB shareholders. The exchange ratio implies a premium to UNB shareholders of 0.6% versus the closing price on the previous trading day (28 January 2019) and 13.7% versus the pre-leak share price<sup>8</sup>.

<sup>5</sup> Source: Company information as of 30 September 2018. Preliminary pro forma financials for ADCB, UNB and Al Hilal Bank take into account intercompany eliminations and exclude synergies. Net interest margin as annualised total net interest and Islamic financing income / average interest earning assets.

<sup>6</sup> Source: Include government, GREs and financial institutions.

<sup>7</sup> Source: UAE Central Bank, company information as of 30 September 2018.

<sup>8</sup> As of 2 September 2018, adjusted for ADCB share price increase since leak.

Al Hilal Bank will be acquired by the combined ADCB/UNB entity for a consideration of approximately AED 1 billion, by issuing a mandatory convertible note for up to 117,647,058 post-merger ADCB shares to ADIC after the completion of the statutory merger.

Following completion of the merger of ADCB and UNB and the acquisition of Al Hilal Bank, the Government of Abu Dhabi, through the Abu Dhabi Investment Council, will own 60.2% of the combined bank. Other ADCB shareholders will own 28.0%, and other UNB shareholders will own 11.8% of the combined bank.

## **CONDITIONS TO THE COMBINATION AND REQUIRED SHAREHOLDER ACTION**

The merger of ADCB and UNB is subject to, amongst other things, the following conditions being satisfied (or where applicable, waived):

- a) resolutions approving the merger of ADCB and UNB and certain ancillary matters having been passed by the requisite majority of the shareholders attending and entitled to vote at the general assembly meetings of ADCB and UNB respectively;
- b) all consents that have been identified by each of the ADCB and UNB boards of directors as necessary to the implementation of the merger (including all required consents by the UAE Central Bank and other regulators) having been obtained; and
- c) all the conditions to completion of the acquisition of Al Hilal Bank having been satisfied or waived (except for the condition relating to issuance of the certificate of the Securities and Commodities Authority approving the merger of ADCB).

Further details on the ADCB and UNB general assembly meetings will be sent to ADCB and UNB shareholders in due course and contained in the shareholder circular to be issued in connection with the transaction.

Following satisfaction of the conditions to the merger of ADCB and UNB listed above, the ADCB and UNB boards of directors will apply for a certificate of the Securities and Commodities Authority approving the merger and the associated steps required to implement the merger, the increase in the share capital of ADCB and the amendments to ADCB's articles of association (the "SCA Certificate"). It is currently anticipated that, subject to the satisfaction of these conditions, the merger of ADCB and UNB will become effective in the first half of 2019. This timeframe is indicative only and is subject to change.

The acquisition by the combined bank of Al Hilal Bank is subject to, amongst other things, the following conditions being satisfied (or waived):

- (a) all consents that have been identified by each of the ADCB and Al Hilal Bank boards of directors as necessary to the implementation of the acquisition (including all required consents by the UAE Central Bank and other regulators) having been obtained; and
- (b) the issuance of the SCA Certificate.

It is currently anticipated that, subject to the satisfaction of these conditions, the acquisition by the combined bank of Al Hilal Bank will become effective immediately following completion of the merger of ADCB and UNB. This timeframe is indicative only and is subject to change.

## **Advisors**

Barclays, Allen & Overy LLP, and KPMG are acting as the financial, legal, and transaction advisors to ADCB, respectively.

J.P. Morgan, Clifford Chance LLP, and EY are acting as the financial, legal, and transaction advisors to UNB, respectively.

Freshfields Bruckhaus Deringer LLP and Deloitte are acting as the legal and transaction advisors to Al Hilal Bank, respectively.

For full details on the transaction, investors should refer to the shareholder circular which will be published in due course.

## **ABOUT ADCB**

ADCB was formed in 1985 and as at 30 September 2018 employed over 5,000 people from over 80 nationalities, serving retail customers and corporate clients in 50 branches, in addition to the 2 SimplyLife Sales & Service Centers and 4 uBank Centers in the UAE, 2 branches in India, 1 branch in Jersey and representative offices in London and Singapore. As at 30 September 2018, ADCB's total assets were AED 273 billion.

ADCB is a full-service commercial bank which offers a wide range of products and services in both conventional and Shari'ah compliant banking, operating in four business segments including Consumer Banking, Wholesale Banking, Treasury and Investments and Property Management.

ADCB is owned 62.52% by the Government of Abu Dhabi (the Abu Dhabi Investment Council). Its shares are traded on the Abu Dhabi Securities Exchange. As at 30 September 2018, ADCB's market capitalisation was AED 42 billion.

## **ABOUT UNB**

Union National Bank (UNB) is one of the leading domestic banks in the United Arab Emirates. Established as a Public Joint Stock Company in 1982, UNB is headquartered in Abu Dhabi and is the only bank in the UAE with significant shareholders from both governments in Abu Dhabi and Dubai. The Bank has a wide network of around 75 branches distributed across the Emirates and has extended its global footprint in Egypt and the GCC region. In 2017, UNB became the first UAE bank to establish an official branch in China.

UNB offers a wide spectrum of banking and financial solutions addressing the various customers' needs ranging from basic requirements of individuals to the more complex requirements of SMEs and corporate entities. UNB's shares are traded on the Abu Dhabi Securities Exchange, and as of September 2018, the Bank' operating income was AED 2.645 billion, its capital adequacy ratio was 19.8% and its total assets were AED 105 billion.

## **ABOUT AL HILAL BANK**

Established in 2007, Al Hilal Bank is a progressive Islamic bank headquartered in Abu Dhabi (UAE) offering a wide range of client-centric Shari'ah compliant Wholesale Banking, Retail Banking, Treasury and Wealth Management. The bank is 100% owned by the Government of Abu Dhabi, through the Abu Dhabi Investment Council (ADIC), with issued capital of AED 4 billion and paid up capital of AED 3.5 billion. The Bank enjoys strong long-term credit ratings of A+ and A2 by Fitch and Moody's respectively. The Bank enjoys strong long-term credit ratings of A+ and A2 by Fitch and Moody's respectively. The Bank has 17 retail branches across the UAE and 3 branches in Kazakhstan through which

they offer digital-based services, enhancing the Bank's performance-driven culture. Al Hilal Bank has been recognised as the Safest Islamic Financial Institution in the GCC by Global Finance in 2016 and in 2017.

## FURTHER INFORMATION

Further information for investors, the financial community, the media and customers can be found on a dedicated transaction website at [beyondambition.com](http://beyondambition.com). The site will be updated, with new documents added as the transaction progresses.

## CONTACT INFORMATION

**For investor relations, please contact:**

### ADCB

Denise Caouki

E: [adcbir@adcb.com](mailto:adcbir@adcb.com)

### UNB

Rajesh Arora

[Rajesh.Arora@unb.ae](mailto:Rajesh.Arora@unb.ae)

### Al Hilal Bank

Adnan Badruddin Mithani

[Amithani@alhilalbank.ae](mailto:Amithani@alhilalbank.ae)

**For corporate communications, please contact:**

### ADCB

Dr Majdi Abd El Muhdi

[Majdi.a@adcb.com](mailto:Majdi.a@adcb.com)

### UNB

Sherif El Battouty

[Sherif.Elbattouty@unb.ae](mailto:Sherif.Elbattouty@unb.ae)

### Al Hilal Bank

Sultan Al Midfa

[salmidfa@alhilalbank.ae](mailto:salmidfa@alhilalbank.ae)

**For media inquiries, please contact:**

### Brunswick Group

[adbankmerger@brunswickgroup.com](mailto:adbankmerger@brunswickgroup.com)

Alex Blake-Milton

+971 (0) 50 694 7589

Dominic Whiting

+971 (0) 56 174 0293

## IMPORTANT NOTICES

*Shareholders in ADCB and UNB should not exercise voting rights at the general assembly meeting of ADCB or the general assembly meeting of UNB respectively, except on the basis of information in the shareholder circular to be published in due course in connection with the transaction (the Shareholder Circular). The Shareholder Circular will include a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the resolutions to be considered at the ADCB and UNB general assembly meetings to be convened to approve the transaction and certain related matters.*

*Instructions to shareholders of ADCB and UNB as to how to attend and vote in respect of the transaction at the general assembly meetings will be contained in the Shareholder Circular and in the Chairmen's letter (the Chairmen's Letter) to be posted to shareholders in due course. The Shareholder Circular will be available to view in due course at each of ADCB's and UNB's websites, [adcb.com](http://adcb.com) and [unb.com](http://unb.com) respectively or, alternatively, hard copies of the Shareholder Circular will be available (without charge) from the offices of each of ADCB (in the case of ADCB shareholders) and UNB (in the case of UNB shareholders).*

*The following documents will be sent to shareholders of ADCB and UNB: the Chairmen's Letter (which will include the notice of the general assembly meeting of ADCB to be convened for the purpose of, amongst other things, approving the transaction (the ADCB GAM) and the notice of the general assembly meeting of UNB to be convened for the purpose of, amongst other things, approving the transaction (the UNB GAM)) and a form of proxy in respect of the ADCB GAM (in the case of ADCB shareholders) or the UNB GAM (in the case of UNB shareholders).*

*This announcement is not intended to and does not constitute, or form part of, an offer to acquire, issue or sell or an invitation to acquire, subscribe for or sell any securities or the solicitation of any vote or approval in any jurisdiction in connection with or pursuant to the transaction or otherwise, nor will there be any acquisition, issue, sale, subscription or transfer of the securities referred to in this announcement in any jurisdiction, in contravention of applicable law or regulation. The Shareholder Circular will contain the full terms and conditions of the transaction, including details of how to vote at the ADCB GAM and the UNB GAM. Any vote or other response to the transaction should be made only on the basis of such document.*

*The publication or distribution of this announcement in jurisdictions other than the UAE may be restricted by law and/or regulation and therefore any persons who are subject to the laws and regulations of any jurisdiction other than the UAE should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the laws and/or regulations of any such jurisdiction.*

*Nothing contained in this announcement is intended to be or shall be deemed to be a forecast, projection or estimate of the future financial performance of ADCB, UNB or Al Hilal Bank and no statement in this announcement should be interpreted to mean that earnings per share for current or future financial periods of ADCB, UNB or Al Hilal Bank will necessarily match or exceed historical published earnings per share.*

*Neither the content relating to the merger on ADCB's website or UNB's website or any other website, nor the content of any website accessible from hyperlinks on any of such websites is incorporated into, or forms part of, this announcement.*

*Barclays Bank PLC, acting through its Investment Bank ("**Barclays**"), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, and which is regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority, is acting exclusively as financial adviser to ADCB and for no one else in connection with the merger of ADCB and UNB and the acquisition of Al Hilal Bank ("**Transaction**") and will not be responsible to anyone other than ADCB for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Transaction, the content of this announcement or any other matter referred to in this announcement.*

*J.P. Morgan Securities plc ("**J.P. Morgan**") which is authorized by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority is acting exclusively as financial adviser to UNB and for no one else in connection with the transaction and will not be responsible to anyone other than UNB for providing the protections afforded to clients of J.P. Morgan or for providing advice in relation to the transaction, the content of this announcement or matters referred to in this announcement. JPMorgan Chase Bank N.A Dubai Branch is regulated by the Dubai Financial Services Authority.*

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*This announcement contains certain forward-looking statements with respect to ADCB, UNB and Al Hilal. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "will", "goal", "believe", "aim", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements in this announcement include, without limitation, statements relating to the following: (i) preliminary synergy estimates, expenses, financial conditions and future prospects; (ii) business and management strategies and the expansion and growth of the operations of the bank (ADCB); and (iii) the transaction, the issue of the new ADCB shares, related matters and the dates on which events are expected to occur.*

*These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, industry results, strategies or events, to be materially different from any results, performance, achievements or other events or factors expressed or implied by such forward-looking statements. Many of the risks and uncertainties relating to forward-looking statements are beyond ADCB, UNB's and Al Hilal Bank's ability to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements. Forward-looking statements are not guarantees of future performance. They have not, unless otherwise indicated,*

*been reviewed by the auditors of ADCB, UNB or Al Hilal Bank. Forward-looking statements are based on numerous assumptions, including assumptions regarding the present and future business strategies of ADCB, UNB, Al Hilal Bank and the environment in which each will operate in the future. All subsequent oral or written forward-looking statements made by or attributable to ADCB, UNB, Al Hilal Bank or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above.*

*More information about such risks and uncertainties will be included in the Shareholder Circular.*

*None of ADCB, UNB or Al Hilal Bank assume any obligation to, and do not intend to, update any forward-looking statements, except as required pursuant to applicable law and regulation.*