

Abu Dhabi Commercial Bank PJSC

**Pro forma consolidated financial
information for the year ended
December 31, 2019**

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following pro forma 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 consolidated income statement for the year ended December 31, 2019 and December 31, 2018 which give effect to the merger and acquisition as if it had occurred on January 1, 2018, the unaudited pro forma 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 audited consolidated statement of financial position as at December 31, 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 consolidated statement of financial position and 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 consolidated financial statements of the Group for the year ended December 31, 2019.

The pro forma financial information has been prepared based on figures extracted from the audited consolidated financial statements for the year ended December 31, 2019 and 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 consolidated financial statements for the year ended December 31, 2019.

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.

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.

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 consolidated statement of financial position

As at December 31, 2019

	As at December 31 2019 audited AED'000	As at December 31 2018 unaudited AED'000
Assets		
Cash and balances with central banks, net	24,904,966	33,317,150
Deposits and balances due from banks, net	23,064,974	26,941,745
Reverse-repo placements	-	2,203,800
Trading securities	-	377,293
Derivative financial instruments	6,789,717	4,773,040
Investment securities	73,440,113	73,941,966
Loans and advances to customers, net	250,017,326	260,339,569
Investment in associates	407,768	394,359
Investment properties	1,693,707	2,528,424
Other assets, net	16,750,208	15,284,962
Property and equipment, net	2,197,571	2,003,879
Intangible assets, net	5,332,497	565,073
Assets held for sale	535,830	747,429
Total assets	405,134,677	423,418,689
Liabilities		
Due to banks	5,732,779	9,067,789
Derivative financial instruments	6,949,891	5,851,233
Deposits from customers	262,093,782	285,417,201
Euro commercial paper	2,062,338	3,279,302
Borrowings	51,882,054	50,232,395
Other liabilities	20,302,794	18,131,169
Liabilities related to assets held for sale	413,395	270,414
Total liabilities	349,437,033	372,249,503
Equity		
Share capital	6,957,379	6,839,732
Share premium	17,878,882	14,173,147
Other reserves	9,257,919	6,865,281
Retained earnings	15,544,207	14,328,461
Mandatory convertible bond	-	1,000,000
Capital notes	6,000,000	7,813,244
Equity attributable to equity holders of the Bank	55,638,387	51,019,865
Non-controlling interests	59,257	149,321
Total equity	55,697,644	51,169,186
Total liabilities and equity	405,134,677	423,418,689

Pro forma consolidated income statement (unaudited)

For the year ended December 31, 2019

	2019	2018
	AED'000	AED'000
Interest income	15,560,811	14,893,189
Interest expense	(7,148,997)	(6,165,952)
Net interest income	8,411,814	8,727,237
Income from Islamic financing	3,126,268	3,367,028
Islamic profit distribution	(1,086,111)	(995,883)
Net income from Islamic financing	2,040,157	2,371,145
Total net interest and Islamic financing income	10,451,971	11,098,382
Net fees and commission income	1,995,950	2,081,723
Net trading income	525,773	583,949
Net losses from investment properties	(65,409)	(293,008)
Other operating income	303,676	314,618
Operating income	13,211,961	13,785,664
Operating expenses (*)	(5,235,072)	(5,125,704)
Operating profit before impairment allowances	7,976,889	8,659,960
Impairment allowances	(2,654,565)	(2,435,857)
Operating profit after impairment allowances	5,322,324	6,224,103
Share in profit/(loss) of associates	22,713	(5,876)
Profit before taxation	5,345,037	6,218,227
Overseas income tax expense	(56,678)	(60,821)
Profit for the year from continuing operations	5,288,359	6,157,406
Loss from discontinued operations	(44,178)	(31,281)
Profit for the year	5,244,181	6,126,125
Attributable to:		
Equity holders of the Bank	5,241,793	6,131,218
Non-controlling interests	2,388	(5,093)
Profit for the year	5,244,181	6,126,125

(*) includes non-recurring expenses pertaining to integration and transaction costs of AED 346,112 thousand (for the year ended December 31, 2018: AED 46,199 thousand)

Pro forma consolidated financial information
Segmental information – Operating segments

For the year ended December 31, 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	3,433,090	2,622,440	2,314,032	42,252	8,411,814
Net income from Islamic financing	1,111,891	530,715	389,335	8,216	2,040,157
Total net interest and Islamic financing income	4,544,981	3,153,155	2,703,367	50,468	10,451,971
Non-interest income	1,087,697	1,091,700	370,525	210,068	2,759,990
Operating expenses	(3,162,601)	(1,523,406)	(373,364)	(175,701)	(5,235,072)
Operating profit before impairment allowances	2,470,077	2,721,449	2,700,528	84,835	7,976,889
Impairment allowances	(1,379,442)	(1,218,615)	(56,508)	-	(2,654,565)
Operating profit after impairment allowances	1,090,635	1,502,834	2,644,020	84,835	5,322,324
Share in profit of associates	22,713	-	-	-	22,713
Profit before taxation	1,113,348	1,502,834	2,644,020	84,835	5,345,037
Overseas income tax expense	(14,913)	(12,366)	(29,399)	-	(56,678)
Loss from discontinued operations	(16,661)	(27,517)	-	-	(44,178)
Profit for the year	1,081,774	1,462,951	2,614,621	84,835	5,244,181

As at December 31, 2019 (audited)

Allocated assets	107,842,598	171,219,179	119,785,206	1,694,822	400,541,805
Unallocated asset – goodwill recognised on business combinations					4,592,872
Total assets					405,134,677
Total liabilities	85,941,571	128,805,940	134,561,783	127,739	349,437,033

For the year ended December 31, 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	3,696,363	2,998,429	1,974,537	57,908	8,727,237
Net income from Islamic financing	1,112,585	832,349	489,272	(63,061)	2,371,145
Total net interest and Islamic financing income	4,808,948	3,830,778	2,463,809	(5,153)	11,098,382
Non-interest income	1,063,263	1,203,539	437,882	(17,402)	2,687,282
Operating expenses	(3,072,044)	(1,507,625)	(380,676)	(165,359)	(5,125,704)
Operating profit/(loss) before impairment allowances	2,800,167	3,526,692	2,521,015	(187,914)	8,659,960
Impairment (allowances)/releases	(1,293,891)	(1,164,032)	22,066	-	(2,435,857)
Operating profit/(loss) after impairment allowances	1,506,276	2,362,660	2,543,081	(187,914)	6,224,103
Share in loss of associates	(5,876)	-	-	-	(5,876)
Profit/(loss) before taxation	1,500,400	2,362,660	2,543,081	(187,914)	6,218,227
Overseas income tax expense	(7,137)	(6,186)	(47,498)	-	(60,821)
Loss from discontinued operations	(31,283)	-	-	-	(31,281)
Profit/(loss) for the year	1,461,980	2,356,474	2,495,583	(187,914)	6,126,125

As at December 31, 2018 (unaudited)

Allocated assets	111,354,630	176,149,714	132,896,781	2,471,291	422,872,416
Unallocated asset – goodwill recognised on business combinations					546,273
Total assets					423,418,689
Total liabilities	80,555,087	154,066,251	137,503,168	124,997	372,249,503