

**ABU DHABI COMMERCIAL BANK PJSC REPORTS**  
**FIRST QUARTER 2021 NET PROFIT OF AED 1.121 BILLION**  
**UP 436% YoY AND 11% QoQ**

**Abu Dhabi, 25 April 2021** – Abu Dhabi Commercial Bank PJSC (“ADCB” or the “Bank”) today reported its financial results for the first quarter of 2021 (“Q1’21”).

- ▶ **Strong financial performance driven by aggressive cost management discipline, significantly higher non-interest income and marked improvement in cost of risk**

**Q1’21 Key highlights**

- Net profit of AED 1.121 billion increased 436% year on year and 11% sequentially
- Net interest income of AED 2.119 billion was 10% lower sequentially and 24% lower year on year mainly on account of the low interest rate environment and subdued macro-economic conditions. This was partially offset by higher non-interest income of AED 802 million, which was up 14% sequentially and 17% year on year
- Operating expenses of AED 1.061 billion decreased 20% year on year and 1% sequentially as the Bank continued to invest in digital offerings. Cost to income ratio of 36.3% in Q1’21 improved 180 basis points from a year earlier, driven by aggressive realisation of merger synergies, efficiencies derived from digital transformation and an additional programme of cost control measures
- The Bank is firmly on track to exceed its AED 1 billion cost synergy target for 2021, having captured cost synergies of AED 917 million in 2020
- ADCB continues to take a prudent approach to provisioning. Net impairment charges were AED 704 million in Q1’21, a decrease of 25% sequentially and 63% lower year on year

- ▶ **Robust balance sheet, with strong capital and liquidity positions. Current and savings account (CASA) deposits increased significantly to 58% of total customer deposits**

- CASA deposits increased by AED 10.5 billion during the quarter to AED 138 billion and accounted for 58% of total customer deposits compared to 51% at year end. Total customer deposits decreased 5% quarter on quarter to AED 239 billion as at 31 March 2021, as the Bank continued to replace expensive time deposits. Average deposit balance was AED 246 billion during the quarter
- Net loans decreased 1% quarter on quarter to AED 236 billion as at 31 March 2021, resulting primarily from corporate repayments in the real estate sector as well as significant provisioning levels. Average loan balance was AED 233 billion during the quarter
- The Bank’s active engagement with customers who have benefitted from TESS and other deferrals has resulted in repayments of AED 6.716 billion
- Total shareholders’ equity stood at AED 56 billion as at 31 March 2021
- Capital adequacy (Basel III) and CET1 ratios were 16.64% and 13.39% (post dividend payment) respectively and liquidity coverage ratio (LCR) of 139.3% as at 31 March 2021

- NPL ratio of 6.5% and provision coverage ratio of 88% while the coverage ratio including collateral held was 139% as at 31 March 2021. Including net POCI (purchase or originated credit impaired) assets, the NPL ratio was 8.10%. Cost of risk was 0.84% for Q1'21
- Given the headwinds faced by certain counterparties in the construction industry, ADCB remained proactive in working with contractors, developers and other stakeholders to achieve beneficial commercial outcomes. The Bank has been prudent in taking increased provisions reflective of stress in the sector

▶ **Launch of new five-year strategy focused on accelerated digital transformation to gain market share and enhance group-wide efficiencies**

- Creation of significant shareholder value through growth in market share and enhanced efficiencies, including additional savings beyond integration. The strategy impacts all aspects of the organisation, including ensuring appropriate risk appetite and best practice governance, a robust balance sheet, with optimised cost of funds
- Focus on market-leading digitisation, advanced analytics and artificial intelligence through implementation of a comprehensive roadmap across the Bank to drive customer acquisition, engagement and experience. The Bank is adopting an agile and efficient operating model, leveraging technology to enable delivery of digital and analytical capabilities with speed and improved productivity
- Continuation of successful strategy to attract CASA deposits. Further development of Consumer Banking business through growth in mortgages and credit cards, enabled by a revamped digital value proposition. Expansion of Wholesale Banking through a wide range of fee-generating services and broadening to new customer segments

▶ **Digital transformation builds on continued increase in customer engagement**

- The Bank launched 9 digital customer releases during the quarter, bringing the cumulative total to 71 releases since inception of the digital transformation programme\*
- New developments in Q1'21 for Consumer Banking included the introduction of credit card loans on the ADCB Mobile Banking app and the launch of a new e-KYC portal to allow customers to easily update identity documents
- Consumer Banking subscribers and active digital users as at 31 March 2021 were 22% higher than a year earlier while digital bill payments and fund transfers were up 42% year on year in Q1'21
- Wholesale Banking introduced enhanced self-service capabilities, including enabling a bulk transactions approval feature on the ProCash digital cash management platform; APIs were launched to extend virtual account opening and closing to additional customers

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\*Digital transformation programme commenced in 2018

- ▶ **ADCB Egypt delivering double digit growth in net profit and a return on equity of 22% in line with enhanced strategy to achieve greater efficiencies and capture growth in a high potential market**
  - ADCB Egypt finalised its 5 year strategy and is implementing a new operating model to achieve accelerated growth and greater efficiency, while stepping up recruitment of new talent in key areas of the Bank
    - Q1'21 net profit of EGP 170 million, an increase of 28% year on year and equivalent to return on equity of 22.2%
    - Net loans stood at EGP 19 billion, up 15% from year end
    - Total deposits reached EGP 33 billion, up 12% from year end
  - The Consumer Banking business, which is focused on the affluent segment, is preparing to launch credit card and remittance payment solutions as well as a new digital banking platform to increase share of digital transactions and enhance customer experience
  - The Wholesale Banking business, which serves the SME, mid-corporate and large corporate segments, is capturing synergies with the ADCB Group through facilitation of cross-border services, and plans to introduce a new online banking platform
  
- ▶ **Al Hilal Bank enhancing its digital proposition with new platform to become the first fully digital Sharia'ah-compliant retail bank in the UAE, with regional growth ambitions**
  - Al Hilal Bank is preparing to launch a new Islamic Digital Financial services platform in Q4'21. It will offer seamless digital financial solutions for customers and their families to meet their lifestyle needs
  - In addition to regular banking products such as accounts, payment cards and loans, the platform will harness state-of-the-art technology to enable non-banking financial solutions through an ecosystem of partnerships. The proposition is driven by customer insight provided by advanced data analytics, machine learning and artificial intelligence
  - The scalable offering is built on a cloud-based platform to ensure agility, enabling the Bank to respond to evolving customer needs and to extend access to customers in key regional markets post successful launch in the UAE
  
- ▶ **Strong momentum in NMC Health Group restructuring and provisioning levels reflect potential for recoveries**
  - **Update on restructuring process:** Following the entry into administration in 2020 of NMC Health Group (NMC) and its UAE subsidiaries, the restructuring process has gathered strong momentum. ADCB continues to work closely with the joint administrators and other creditors to approve and implement a restructuring plan that preserves and builds value at NMC and maximises recoveries
  - ADCB, together with a syndicate of lenders, participated in a US\$ 325 million Administration Funding Facility (AFF) to ensure operational continuity of NMC and to pave the way for restructuring. Participation in the AFF confers super senior status to an equivalent amount contributed to the facility, placing the Bank in a strong position to maximise the potential for its recoveries

- **Update on financial performance:** NMC has adopted a three-year business plan and has been outperforming its financial projections on revenue and EBITDA metrics\*\*. Also, the company has embarked on the sale of non-core assets and the divestment of Luarmia and Boston IVF to Fresenius for a total enterprise value of EUR 430 million, which is expected to be completed in Q2'21. Proceeds will be used to repay a portion of the AFF and for operating expenditure
- **Update on potential recoveries:** To date, the Bank has recorded significant provisions and interest in suspense on the NMC Group. ADCB is comfortable with these provisioning levels, which are in line with independent assessments on value and recoverability and are consistent with information on potential recoveries disclosed to creditors by NMC under the Entity Priority Model (EPM)
- Implementation of a Plan of Reorganisation (PoR) requires the support of at least 50.1% of unsecured creditors by value for each of the 29 entities under administration, with a 28 May 2021 deadline set for creditors to agree to proceed. The proposed alternative option is a sale of core assets

### **Ala'a Eraiqat, Group Chief Executive Officer, commented:**

“ADCB had a strong start to 2021, recording net profit of AED 1.121 billion in the first three months, growth of 11% sequentially and significantly higher than in the first quarter of 2020, largely due to improved cost of risk compared to Q1'20.

ADCB's institutional strength has underpinned the resilience of our Consumer and Wholesale Banking businesses. Merger synergies, acceleration of digital transformation and additional cost initiatives have resulted in greater efficiency across our operations.

ADCB benefits from a robust balance sheet and in March, the recommended cash dividend of AED 1.9 billion, equivalent to 49% of net profit, was approved at the Bank's Annual General Meeting. The Bank continues to pursue growth opportunities in line with its prudent risk management framework. During Q1'21, we announced the acquisition of the retail and SME mortgage portfolios of Abu Dhabi Finance, with a gross book value of AED 1.130 billion. The transaction, which further diversifies our asset and customer base, is expected to complete in Q2'21.

Having successfully integrated UNB and Al Hilal Bank into the ADCB Group and exited non-core assets and geographies, the Bank is driving further growth through a new five-year strategy to increase market share and enhance efficiency. The strategy, which is being delivered through a detailed road map with clear targets for each business unit, will deliver a superior digital offering and deeper customer engagement.

In our core-UAE market, where ADCB has a strong franchise, we will continue our successful strategy of attracting current and savings account (CASA) deposits, which increased to AED 138 billion at the end of March, accounting for 58% of total deposits compared to 51% at year end.

The Consumer Banking Group will grow its customer base, particularly through the mortgage and credit card businesses, while the Wholesale Banking Group will leverage its network of corporate relationships to expand fee-generating services. Building on its digital strategy, Al Hilal Bank continues to invest in innovation to provide a high-quality Sharia'ah-compliant retail banking offering. ADCB continues to invest in its sizeable and profitable operation in Egypt, where we see high growth potential, and we will continue to expand our presence and product offerings in the market.

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\*\* Further information on the restructuring process, financial performance and projections is available in the Investor Relations section of the NMC website – nmc.ae

## Medium term guidance and outlook

Through this strategy, we remain committed to creating sustainable shareholder value. In the medium term, ADCB is targeting a dividend payout ratio in the range of 50% of net profit and a CET-1 ratio greater than 12%.

The operating environment in the UAE continues to improve gradually. Nevertheless, we recognize that conditions remain challenging for some sectors. The Bank therefore remains committed to supporting individuals and corporates impacted by the Covid-19 pandemic through TESS and other deferrals. Our active approach to engaging with customers is enabling them to transition out of the schemes, and has resulted in AED 6.7 billion of repayments to the Bank over the last nine months.

We remain confident that the UAE economy is progressing well on the path to recovery from the impact of the Covid-19 pandemic, driven by a robust response guided by the country's leadership. The UAE Central Bank's support for the economy through TESS, in combination with the Government's strong fiscal position and rapid roll-out of an effective vaccination programme that has reached 103 doses per 100 people<sup>1</sup> in the UAE, are underpinning consumer and business confidence."

### Deepak Khullar, Group Chief Financial Officer, commented:

"ADCB delivered a solid financial performance in the first quarter, reflecting the Bank's strong resolve over the last 12 months in the face of global economic disruption.

We have continued to focus on delivering a sustained improvement in the efficiency ratio. Operating expenses in the first quarter were 20% lower year on year, as we realised further merger synergies, continued our programme of additional cost control measures and benefited from efficiencies stemming from digital transformation. The Bank is firmly on track to exceed its AED 1 billion cost synergy target for 2021, having captured cost synergies of AED 917 million in 2020.

While the UAE economy is broadly on an upward trajectory, a number of sectors, such as real estate contracting, aviation, and retail are expected to take longer to recover. The Bank continues to proactively manage sectoral concentration risk in a prudent manner and has reduced exposure to the construction and real estate sector. The real estate loan portfolio remains well diversified with a conservative LTV ratio, and completed properties account for the majority of the book.

We continue to be prudent in providing for expected credit losses for businesses that are likely to experience stress in the medium to long term due to the current challenging macro-economic environment. The Group recorded gross impairments of AED 4.3 billion in 2020, including significant one-off charges on NMC Group and on exposure to the real estate and contracting sector. In addition, the Bank took fair value adjustments of AED 5.7 billion on performing loans<sup>2</sup>, including historical ECL, at the date of their acquisition through the merger with UNB and Al Hilal Bank. Considering all prevailing factors and progress in NMC's restructuring process, the Bank views existing provisioning levels to be prudent and appropriate.

ADCB's financial position remains strong, with robust capital and liquidity positions. We remain confident that the Bank is well positioned to pursue opportunities for growth in 2021 as the UAE economy continues to recover."

<sup>1</sup> UAE Ministry of Health and Prevention, as at 24 April 2021

<sup>2</sup> Stage 1 and Stage 2 loans