ABU DHABI COMMERCIAL BANK PJSC

Q4/FY 2022 EARNINGS PRESS RELEASE AND MANAGEMENT DISCUSSION & ANALYSIS

31 January 2023

Investor Relations | بنك أبوظبي التجاري ADCB

adcb.com/ir

ADCB reports record full-year net profit of AED 6.434 bn, up 23%, and Q4'22 net profit of AED 1.784 bn, up 23% YoY

Recommended dividend of AED 0.55 per share, equivalent to 60% of net profit

Abu Dhabi, 31 January 2023 – Abu Dhabi Commercial Bank PJSC ("**ADCB**" or the "**Bank**") today reported its financial results for 2022 ("FY'22") and the fourth quarter of 2022 ("Q4'22").

Record earnings driven by credit growth, higher net interest margin and diversified income streams

Key highlights – FY'22 vs. FY'21

- **Net profit** of AED 6.434 bn increased 23%
- **Net interest income** of AED 10.194 bn increased 15%
- **Non-interest income** of AED 4.151 bn increased 22%
- **Net fees and commission income** of AED 2.110 bn increased 11%
- **Operating income** of AED 14.344 bn increased 17%
- **Cost to income ratio** of 34.1% improved by 60 bps
- **Operating profit before impairment charge** of AED 9.456 bn increased 18%

Key highlights – Q4'22 vs. Q4'21

- **Net profit** of AED 1.784 bn increased 23%
- **Net interest income** of AED 2.918 bn increased 30%
- **Net fees and commission income** of AED 620 mn increased 19%
- **Non-interest income** of AED 1.486 bn increased 45%
- **Operating income** of AED 4.403 bn increased 34%
- **Cost to income ratio** of 29.6% improved 480 bps
- **Operating profit before impairment charge** of AED 3.101 bn increased 44%

FY'22 key highlights

6.434 bn
Net profit (AED)

13.3%
Return on average tangible equity

12.96%
CET1

138.9%
Liquidity coverage ratio

76 bps
Cost of risk

Strong balance sheet supported by robust growth in loans and customer deposits

(All numbers are as at 31 December 2022 unless otherwise stated)

- **Total assets** of AED 498 bn increased 13% from Dec'21
- **Net loans** were AED 258 bn, up 6% (AED 14 bn) from Dec'21. New credit extended totalled AED 65 bn over the course of the year
- **Total interest earning assets** of AED 406 bn were up 11% (AED 41 bn) over Dec'21
- **Total customer deposits** of AED 309 bn increased 17% (AED 44 bn) from Dec'21. CASA (Current and savings account) deposits were AED 153 bn at December-end, and comprised 50% of total customer deposits
- **Capital adequacy** and **CET1** ratios were 15.77% and 12.96% respectively
- **Liquidity coverage ratio** (LCR) of 138.9%
- **Cost of risk** was 76 bps for FY'22. **NPL ratio** improved to 5.25% (6.07% including POCI)[1] from 5.46% (including POCI 6.48%) as at September-end
- **Provision coverage ratio** improved to 93% (144% including collateral held) from 87% (140% including collateral held) as at September-end

Continued focus on strong total shareholder returns with recommended dividend[2] payout of 60%

- **The Board has recommended a dividend of AED 0.55 per share** (2021: AED 0.37 per share), **equivalent to 60% of net profit** (2021: 49%), translating to a pay out of AED 3.827 bn (2021: AED 2.574 bn)
- **The proposed dividend will consist of cash and a stock dividend** in the ratio of 33% (cash dividend of AED 0.18 per share) and 67% (stock dividend in lieu of cash of AED 0.37 per share) respectively. The issuance of stock dividend will strengthen the capital position of the Bank to support reinvestment into further growth of core businesses
- **The shares will be issued at a price of AED 7.10 per share arrived by applying a c.22% discount** on the six month average share price of the Bank for the period from 1 July 2022 to 31 December 2022. This is subject to approvals by the Central Bank of the UAE, Securities and Commodities Authority (SCA) and by shareholders at the Annual General Meeting

(1) POCI: Purchase or originated credit-impaired financial assets
(2) Subject to approval by regulators and shareholders at the Annual General Meeting

KHALDOON AL MUBARAK Chairman

"As one of the UAE's largest financial institutions, ADCB performs a vital role in supporting the United Arab Emirate's economic growth and momentum.

Through broad-based growth, consistent operating performance, and record net profits in 2022, ADCB demonstrated resilience and an ongoing ability to navigate complex macroeconomic challenges.

ADCB begins 2023 as a financial institution fully aligned with the nation's ambitious future priorities, including ensuring economic growth and a commitment to diversified, sustainable business practices.

On behalf of the Board, I would like to express our sincere appreciation to His Highness Sheikh Mohamed Bin Zayed Al Nahyan, the UAE President and Ruler of Abu Dhabi; and to His Highness Sheikh Mansour Bin Zayed Al Nahyan, Deputy Prime Minister, Minister of Presidential Court, and Chairman of the UAE Central Bank, for their continued guidance and support."

(Continued on next page)

ALA'A ERAIQAT — Group Chief Executive Officer

"Two years into our new strategy to drive digital-enabled growth, I am pleased to report record results for the Bank. Full-year and quarterly net profit both increased by 23% to AED 6.434 billion and AED 1.784 billion respectively. This translated to a return on average tangible equity of 13.3% for 2022.

ADCB is making significant progress to maintain a leadership position in customer service – from digital innovation and enhancement of data protection, to nurturing talent and applying best practice in ESG.

In 2022, the Bank achieved loan growth of 6%, with AED 65 billion of new credit extended to diverse economic sectors. We delivered double-digit growth in net interest income and fee income, while our leading franchise attracted AED 44 billion growth in customer deposits to exceed the AED 300 billion milestone. Additionally, the Bank's cost to income ratio improved 480 basis points year on year to 29.6% in the fourth quarter, at the lower end of our medium-term guidance, partially supported by one-off gains recorded in the quarter.

The Group's major subsidiaries are also performing well, with Al Hilal Bank welcoming over 350,000 registered users in the first year since the launch of its super app, while ADCB Egypt reported a strong rise in 2022 net profit.

ADCB continues to invest significantly to automate processes and facilitate digital access to products and services. In 2022, the ADCB mobile banking subscriptions surpassed the one million mark for registrations, and our onboarding app allowed customers to open more than 250,000 new accounts digitally.

Our focus on nurturing talent and a positive culture is reflected in ADCB's inclusion in the Forbes 'World's Best Employers' survey in 2022. We are particularly pleased that the Bank is achieving tangible business benefits by prioritising Emiratisation. Our reputation as an employer of choice supported the recruitment of over 250 UAE nationals in 2022, taking the total to 1,910 -- 38% of the Group's employee base.

As the UAE develops its climate agenda further by hosting the COP28 conference this year, ADCB stands ready to make a significant contribution to mobilise capital and to support our clients transition to a low-carbon economy. We took a significant first step in 2022 through the issuance of our inaugural USD 500 million green bond to drive investment into green initiatives.

Looking ahead, we are excited about the opportunities for ADCB to help drive the dynamic transformation of the UAE economy."

+23%

YoY increase in FY'22 and Q4'22 net profit

Q4/FY 2022 Management discussion & analysis

Q4/FY 2022 financial highlights

Income statement highlights (AED mn)	FY'22	FY'21	ΔYoY%	Q4'22	Q3'22	Q4'21	ΔQoQ%	ΔYoY%
Total net interest and Islamic financing income	**10,194**	8,864	15	**2,918**	2,558	2,250	14	30
Non-interest income	**4,151**	3,396	22	**1,486**	952	1,027	56	45
Operating income	**14,344**	12,259	17	**4,403**	3,510	3,277	25	34
Operating expenses	**(4,888)**	(4,257)	15	**(1,302)**	(1,241)	(1,128)	5	15
Operating profit before impairment allowances	**9,456**	8,002	18	**3,101**	2,269	2,149	37	44
Impairment allowances	**(2,779)**	(2,646)	5	**(1,193)**	(636)	(669)	88	78
Net profit for the period[1]	**6,434**	5,247	23	**1,784**	1,591	1,448	12	23

Balance sheet highlights (AED mn)	Dec'22	Dec'21	ΔYoY%	Dec'22	Sep'22	Dec'21	ΔQoQ%	ΔYoY%
Total assets	**497,842**	440,278	13	**497,842**	486,365	440,278	2	13
Net loans and advances	**258,493**	244,282	6	**258,493**	251,202	244,282	3	6
Deposits from customers	**308,931**	265,052	17	**308,931**	302,262	265,052	2	17

Key metrics (%)	FY'22	FY'21	YoY Δ bps	Q4'22	Q3'22	Q4'21	QoQ Δ bps	YoY Δ bps
CAR (Capital adequacy ratio – Basel III)	**15.77**	15.97	(20)	**15.77**	15.44	15.97	33	(20)
CET1 (Common equity tier 1) ratio	**12.96**	12.94	2	**12.96**	12.60	12.94	36	2
Liquidity coverage ratio (LCR)	**138.9**	124.1	1,480	**138.9**	124.5	124.1	1,440	1,480
Loan to deposit ratio	**83.7**	92.2	(850)	**83.7**	83.1	92.2	60	(850)
CASA/total customer deposits	**50**	58	(800)	**50**	53	58	(300)	(800)
Non-performing loan (NPL) ratio	**5.25**	5.41	(16)	**5.25**	5.46	5.41	(21)	(16)
Provision coverage ratio[2]	**93.0**	93.4	(40)	**93.0**	87.0	93.4	600	(40)
NPL ratio including POCI[3]	**6.07**	6.87	(80)	**6.07**	6.48	6.87	(41)	(80)
Cost of risk[4]	**0.76**	0.77	(1)	**1.21**	0.73	0.70	48	51
Cost to income ratio	**34.1**	34.7	(60)	**29.6**	35.4	34.4	(580)	(480)
Net interest margin (NIM)	**2.51**	2.43	8	**2.72**	2.46	2.37	26	35
Risk adjusted NIM	**1.81**	1.69	12	**1.61**	1.79	1.70	(18)	(9)
Return on average tangible equity (ROATE)	**13.3**	11.4	190	**15.1**	13.1	12.6	200	250

Note: Figures may not add up due to rounding differences
(1) After share in profit/loss of associates, overseas income tax charge, and profit/loss from discontinued operations
(2) Provisions on loans and advances, including fair value adjustments
(3) POCI: Purchase or originated credit-impaired financial assets
(4) COR: Net impairment charge on loans and investments divided by net average loans & advancements and investments

Key highlights

Strong growth across diversified income streams as the UAE economy displays resilience against a challenging global backdrop

- Net interest income of AED 10.194 billion for FY'22 increased 15% driven by loan growth and a higher benchmark rate environment. Net interest margin (NIM) was 8 bps higher at 2.51% for FY'22. Q4'22 net interest income increased 30% year-on-year to AED 2.918 billion, while quarterly NIM stood at 2.72%, up 35 bps year-on-year and 26 bps quarter-on-quarter, supported by a reduction in interest in suspense. Full-year risk adjusted NIM increased to 1.81% from 1.69% the previous year.
- The Bank continues to benefit from significant growth in diversified income streams, with non-interest income increasing 22% to AED 4.151 billion in FY'22, while Q4'22 non-interest income was up 45% year-on-year and 56% quarter-on-quarter to AED 1.486 billion. Non-interest income accounted for 29% of total operating income in FY'22, up from 28% in the previous year.
- Net fees and commission income increased 11% to AED 2.110 billion in FY'22, and was 19% higher year-on-year at AED 620 million in Q4'22. Card-related fees (gross) were up 25% in FY'22 and loan processing fees (gross) increased 7% over the prior year. Net trading income increased 35% to AED 913 million in FY'22 on account of higher FX, derivatives and trading gains. Other operating income increased by AED 424 million sequentially in Q4'22, primarily on account of gains related to the sale of NPLs.
- Cost to income ratio was 29.6% in Q4'22, an improvement of 480 bps from a year earlier, partially supported by one-off gains recorded in the quarter. The Bank maintained prudent cost management, while continuing to invest in people, technology and regulatory compliance to drive growth. Operating expenses stood at AED 1.302 billion in Q4'22, representing an increase of 15% over Q4'21, and up 5% sequentially mainly on account of higher marketing costs to drive revenues and commission to agents on increased sales volumes. FY'22 cost to income ratio was 34.1%, an improvement of 60 bps over previous year, with operating expenses up 15% at AED 4.888 billion.
- Impairment charges were AED 2.779 billion in FY'22, 5% higher than the previous year. In Q4'22, impairment charges were AED 1.193 billion, up from AED 636 million in Q3'22, due to a number of corporate accounts and reflecting the Bank's prudent approach to provisioning in the context of global economic uncertainty and rising interest rates.
- The Bank reported record quarterly and full-year earnings, with net profit up 23% year-on-year to AED 6.434 billion in FY'22 and AED 1.784 billion in Q4'22. Return on average tangible equity was 13.3% for FY'22 and 15.1% for Q4'22.

Loan growth of 6% driven by Retail and Wholesale Banking, while ADCB franchise continues to attract strong inflow of customer deposits

- The Group's balance sheet remains robust, with total assets increasing 13% year-on-year to AED 498 billion at December-end.
- Net loans and advances to customers increased 6% to AED 258 billion, with increased lending to diverse economic sectors including energy, financial institutions, personal, trading and manufacturing.
- Investment securities increased 16% to AED 112 billion as at 31 December 2022, mainly on account of an increase in government bonds. In the interbank markets, ADCB was a net lender of AED 21.2 billion at the end of 2022.
- Total customer deposits were up 17% to AED 309 billion, with time deposits increasing 39% to AED 156 billion. CASA deposits were AED 153 billion, representing 50% of total customer deposits.
- Total shareholders' equity stood at AED 61 billion as at 31 December 2022, compared to AED 59 billion a year earlier.
- The Bank remains well-capitalised with capital adequacy (Basel III) and CET1 ratios of 15.77% and 12.96% respectively as at 31 December 2022, versus 15.97% and 12.94% at the end of 2021.
- ADCB maintains a strong liquidity position, with a liquidity coverage ratio of 138.9%, a liquidity ratio of 33% and a loan to deposit ratio of 83.7% as at 31 December 2022.

Full-year cost of risk remained steady and in line with medium-term guidance

- Cost of risk for FY'22 remained steady at 76 bps, versus 77 bps in FY'21, in line with medium-term guidance of 80 bps.
- The NPL ratio decreased to 5.25% from 5.46% at September-end, and including POCI (purchase or originated credit-impaired) assets, the NPL ratio declined to 6.07% from 6.48% the previous quarter.
- In 2022, ADCB concluded the sale of a AED 5.5 billion portfolio of non-performing loans in two tranches in one of the largest transactions of this nature in the UAE to date.
- The provision coverage ratio was 93% compared to 87% in Q3'22, while including collateral held, it was 144% compared to 140% at September-end.

Digital driving strong customer acquisition and engagement; 260,000+ accounts opened through onboarding app in FY'22

- ADCB experienced a high volume of new account openings via its onboarding app, with over 73,000 accounts opened digitally in Q4'22 bringing the total to more than 260,000 for FY'22, representing 78% of all new-to-bank retail customers.
- Subscriptions to the ADCB Mobile Banking app increased 31% year-on-year to more than 1,125,000 customers at December-end.
- Self-service transactions continued to increase, with retail digital transactions rising 33% to more than 137 million in FY'22, while digital fund transfers through mobile banking were up 64%. Wholesale Banking transactions on the ProCash and ProTrade platforms accounted for 96% of all cash management transactions and 64% of trade finance transactions, respectively.
- The Bank introduced 46 digital enhancements for customers during the year. Improvements introduced for retail customers during the year included facilitating registration on the Bank's IPO subscription platform as well as enhancements to notifications and campaigns on the mobile banking app. The Bank also introduced a digital signature function for customers in the 'Excellency' segment to improve convenience.
- In 2022, the Bank introduced wide-ranging improvements to the digital user experience for corporate banking customers. The ProCash platform enhanced transaction tracking, facilitated app usage for people of determination, and launched upgrades to strengthen consumer protection, mitigate security risks and improve the tax payment journey.

Key steps taken to adopt and implement ESG strategy reflected in highest regional rankings[1] from Sustainalytics and MSCI

- In 2022, ADCB adopted a formal ESG strategy and in parallel approved a Sustainability Governance Framework with full Board oversight. The Bank issued a Group Sustainability Policy and launched its Environment and Social Risk Management (ESRM) Policy, setting out the ESG risk parameters.
- In recognition of the significant progress the Bank has made on ESG over the last 18 months, leading ESG ratings agency Sustainalytics upgraded ADCB's ESG risk score to 21.0 in September 2022 from 30.1 in March 2021. As a result, ADCB is now the highest-ranked diversified bank in the GCC; and is placed among the top 10 banks within the Sustainalytics ratings universe globally for its approach to managing risks related to data privacy and security.
- The Bank has adopted a Green Bond Finance Framework aligned with the UN Sustainable Development Goals (SDGs) and based on the International Capital Markets Association (ICMA) Green Bond Principles. This provided the foundation for ADCB's inaugural USD 500 million green bond issuance in Q3'22 to support the financing of low-carbon initiatives. The bond, which was 3.8x oversubscribed after attracting a range of local, regional, and international investors, has been selected to feature in the Bloomberg MSCI Green Bond Index.
- A key area of focus is the development of new products and services to support clients in their transition to a low-carbon economy. This initiative deploys ADCB's expertise in sustainable financing solutions, which include green bonds, renewable energy project finance and sustainability-linked loans.
- In Q4'22, a bespoke ESG induction programme was rolled out for all new employees, while the Bank's revamped ESG website was launched in January 2023 – adcb.com/esg

(1) ADCB is the highest ranked diversified bank in the GCC by Sustainalytics as at 26.01.23 Source: Sustainalytics Ratings Portal
ADCB is the highest ranked diversified bank in MENA by MSCI as at 19.01.23 Source: MSCI Ratings Portal

ADCB Egypt reports a strong increase in net profit driven by growth in loans and deposits

> ADCB Egypt achieved well balanced growth in 2022, with institutional strength and a reputable brand attracting greater market share, despite the backdrop of increased economic uncertainty. The Bank delivered a robust financial performance by increasing the customer base, expanding its network, and continuing to diversify its loan portfolio.

- Net profit[1] in FY'22 increased 108% year-on-year to EGP 799 million, representing a return on equity of 12.7%
- Net loans increased 40% in FY'22 to EGP 30 billion as at 31 December 2022
- Total deposits increased 84% in FY'22 to EGP 75 billion as at 31 December 2022
- Digital transformation continues to gain momentum, with active digital users increasing by 80% in 2022

Al Hilal Bank has attracted over 350,000 registered users in the first year, since the launch of its disruptive super app

> Al Hilal Bank disrupted the banking landscape with the launch of a new "super app" in February 2022.

> The Al Hilal app has attracted over 350,000 registered users and over 132,000 new banking customers in its first year, who conducted over 12,000 transactions on average daily. It is a portal to a wide range of banking and family-focused services, including access to a virtual marketplace powered by a growing ecosystem of strategic commercial partnerships.

> The app has enhanced engagement and extended Al Hilal Bank's reach beyond its core Abu Dhabi market, with residents of Dubai and the Northern Emirates accounting for 28% and 32% of banking customers, respectively. The new platform builds on a track record of increasing digital engagement, with active users of Al Hilal's digital platforms in Q4'22 up 88% year-on-year.

(1) Based on IFRS

ADCB 2022 awards and recognition

THE ASIAN BANKER MIDDLE EAST AND AFRICA 2022 EXCELLENCE

Best Mobile Banking Service in the UAE

ABF WHOLESALE BANKING AWARDS 2022

UAE Domestic Trade Finance Bank of the Year

THE DIGITAL BANKER MIDDLE EAST AND AFRICA RETAIL BANKING INNOVATION AWARDS 2022

Best eKYC for Self-Service KYC Update Initiative via Internet Banking, Mobile Banking and KYC portal

Highly Acclaimed in the Best Digital Transformation Program category (for IPO Portal)

GLOBAL FINANCE 2022

Best Trade Finance Provider in the UAE

MEA FINANCE

Best Online Banking Service

INTERNATIONAL BUSINESS MAGAZINE 2022

Best Trade Bank in MENA

CAMBRIDGE INTERNATIONAL FINANCIAL ADVISORY, UK

Best Islamic Retail Banking Window in the UAE 2022

FORBES

ADCB ranked top GCC bank in Forbes 2022 survey "World's Best Employers"

THE MARTECH POWER LIST 2022

Loyalty Leaders

PFI AWARD

Global Deal of the Year

EUROMONEY CASH MANAGEMENT SURVEY 2022

Best Service: Overall, Business Functions, Financial Facilities, Personnel, Services, Tech Provisions in the Middle East

Best Service: Overall in the UAE

MENA BANKING EXCELLENCE AWARDS 2022

Excellence in Employee Engagement

ARC AWARDS 2022

Gold Award
Best International Annual Report

GTR LEADERS IN TRADE AWARDS

Best Trade Bank in MENA

ADCB Egypt 2022 awards and recognition

THE DIGITAL BANKER

Best Graduate Employment Program 2022

Excellence in Digital Innovation 2022

Best Financial Inclusion Initiatives 2022

WORLD BUSINESS OUTLOOK

Best New Bank Egypt 2022

Fastest Growing Retail Bank Egypt 2022

Fastest Growing Corporate Bank Egypt 2022

Fastest Growing Bank Egypt 2022

INTERNATIONAL FINANCE

Best Finance Inclusion Package Towards People with Disabilities Egypt 2022

Most Innovative New Digital Bank Egypt 2022

GLOBAL FINANCE 2022

Best User Experience 2022

INTERNATIONAL BUSINESS MAGAZINE

Best Digital Banking Services Provider Egypt 2022

Best Mobile Banking Egypt 2022

Best Online Banking Egypt 2022

Best Financial Inclusion Initiative Egypt 2022

WORLD UNION OF ARAB BANKERS

The Fastest Bank in Terms of Growth and Development

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