ABU DHABI COMMERCIAL BANK PJSC

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Second quarter 2023

Earnings press release and management discussion & analysis

20 July 2023

بنك أبوظبي التجاري
ADCB

ADCB reports record half-year net profit of AED 3.811 bn, up 25%, and Q2 net profit of AED 1.932 bn, up 23%

Abu Dhabi, 20 July 2023 – Abu Dhabi Commercial Bank PJSC ("**ADCB**" or the "**Bank**") today reported its financial results for the second quarter of 2023 ("Q2'23").

Strong performance in Q2'23 driven by broad-based income growth and improved efficiency metrics

Selected financial metrics for Q2'23

1.932 bn Net profit (AED)	**15.6%** Return on average tangible equity	**2.73%** Net interest margin
13.39% CET1 ratio	**130.4%** Liquidity coverage ratio	**71 bps** Cost of risk



Key highlights – Q2'23

- Net profit of AED 1.932 bn increased 3% QoQ and 23% YoY
- Net interest income of AED 2.930 bn increased 3% QoQ and 14% YoY
- Non-interest income of AED 1.129 bn increased 6% QoQ and 22% YoY
- Operating income of AED 4.059 bn increased 4% QoQ and 16% YoY
- Cost to income ratio improved 260 basis points YoY to 32.5%
- Operating profit before impairment allowances of AED 2.740 bn increased 2% QoQ and 21% YoY

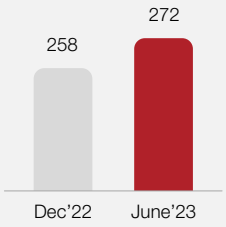
Key highlights – H1'23 vs. H1'22

- Net profit of AED 3.811 bn increased 25%
- Net interest income of AED 5.782 bn increased 23%
- Non-interest income of AED 2.190 bn increased 28%
- Operating income of AED 7.971 bn increased 24%
- Cost to income ratio improved 450 basis points YoY to 32.0%
- Operating profit before impairment allowances of AED 5.421 bn increased 33%

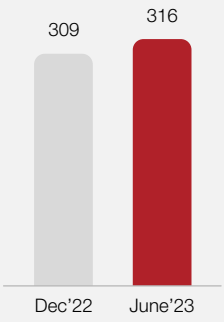
Net loan growth of 5% in H1’23, while capital position strengthened

- Total assets of AED 521 bn increased 9% from June’22 and 5% from Dec’22
- Net loans of AED 272 bn were 12% higher from June’22 and up 5% from Dec’22. New credit extended totalled AED 38 bn in the first half of the year
- Total customer deposits of AED 316 bn were 8% higher from June’22 and up 2% from Dec’22. CASA (Current and Savings account) deposits were AED 150 bn at June-end, and comprised 48% of total customer deposits
- Capital adequacy and CET1 ratios were 16.11% and 13.39% respectively
- Liquidity coverage ratio (LCR) was 130.4%
- Cost of risk was 71 bps for Q2’23 and 73 bps for H1’23, while NPL ratio of 5.10% (5.68% including POCI) was at the lowest level since Dec’20. Provision coverage ratio improved to 98.5% from 93.0% at Dec-end. Including collateral, provision coverage ratio increased to 150% from 144% at Dec-end

Net loans (AED bn)



Customer deposits (AED bn)



ALA'A ERAIQAT

Group Chief Executive Officer

"ADCB is experiencing solid growth momentum and continues to set new records, with first half net profit up 25% year on year at AED 3.811 billion, which translates into a return on average tangible equity of 14.8%.

The Bank's strong market position and digital innovation are driving growth against a backdrop of the UAE's robust economic fundamentals. In the first half, ADCB extended AED 38 billion in new credit across diverse economic sectors and to the retail segment, resulting in net loan growth of 5% during the period. In tandem, deposits have also increased by AED 7 billion, reflecting the trust that customers place in our franchise.

Our digital-led strategy is underpinning the Bank's expansion and approach to risk management. For example, the Bank is leading on data security, rolling out ADCB FacePass authentication to over 286,000 of our digital subscribers within just one month. Deployment of this very latest biometric technology has streamlined onboarding and digital transactions, significantly enhancing the customer experience.

The Bank's focus on service excellence is translating into strong growth in our customer base. In the first half, ADCB attracted a record of over 260,000 new retail customers through its UAE operations(1), and over 3,500 new corporate clients.

In parallel, ADCB has achieved a series of successful product launches this year that have been closely attuned to customer behaviour and needs. We have been trending at approximately 30,000 new digital account openings per month and Q2 was the Bank's most successful quarter ever for our cards business. Over 50,000 new primary credit cards were issued, with our newest product, the "365 Cashback Card", proving highly popular with customers.

ADCB has rebranded its Wholesale Banking business as the "Corporate and Investment Banking Group" (CIBG) to better reflect our full client proposition, including structured finance, risk management and capital markets. This year, the Bank has advised on three major UAE IPOs as well as eight debt capital market transactions, reinforcing our standing as a regional leader in investment banking. CIBG reported record fee income in the second quarter, with growth driven by an enhanced product and service offering.

Amid global economic uncertainty, the UAE economy continues to benefit from consistent investment flows as well as robust consumer and business confidence. Our strong growth trajectory is reinforcing the Bank's financial position, enhancing resilience and creating significant shareholder value."

Record number of customers onboarded in H1'23

260,000+

Retail customers(1)

3,500+

Corporate clients

(1) ADCB Group's UAE operations, including Al Hilal Bank

DEEPAK KHULLAR

Group Chief Financial Officer

"ADCB is delivering high quality earnings growth, reporting a 23% year on year rise in Q2 net profit, characterised by a broad-based increase in revenues and disciplined cost management in the face of an inflationary environment.

Healthy loan growth, coupled with rising benchmark rates, have driven a 14% year on year increase in Q2 net interest income. It is also pleasing to see continued diversification in revenue streams. Quarterly fee and trading income were up 43% and 48% year on year, respectively. This contributed to a 22% rise in non-interest income, which represented 27.8% of total operating income in Q2, up from 26.4% a year earlier.

While successfully maintaining credit growth, we have retained a prudent approach to lending and continued to diversify our asset portfolio.

ADCB's UAE Retail Banking business[1] has experienced sustained momentum, with the cards business, personal loans, mortgages and auto loans delivering combined asset growth of 15% year on year in the first half. The Corporate and Investment Banking Group has continued to attract major GRE and corporate clients in the UAE and the wider region, with the business also reporting a year on year increase of 15% in gross loans.

Meanwhile, the Bank has reduced its cost to income ratio to 32.0% in H1'23, from 36.5% a year earlier, in line with our medium-term guidance. While top-line growth has been an important factor, we have also effectively managed our cost base, prioritising investment in people, technology and compliance required to drive further development of key businesses.

One of the key strengths of ADCB is its ability to adapt effectively to changes in the operating and regulatory landscape and the Bank is progressing well with preparations for the introduction of a 9% corporate income tax rate in January 2024.

We are also making strong progress on our ESG agenda, particularly in recognition of the urgency for coordinated action on climate change and its importance for our internal and external stakeholders.

During the second quarter, we initiated a programme to develop a comprehensive climate strategy in line with the UAE's Net Zero by 2050 Strategic Initiative. This involves Group-wide collaboration to set our ambition and commitments, and to develop our suite of green products and services. Importantly, a baseline assessment of financed emissions is being carried out in accordance with PCAF (Partnership for Carbon Accounting Financials) standards, which will allow us to measure progress on decarbonisation of our loan portfolio in the coming years.

With the Bank benefiting from robust capital and liquidity positions, we see continued progress on ESG as an integral part of building organisational resilience."

AED 38 bn

New credit extended in H1'23

(1) ADCB Group's UAE operations, including Al Hilal Bank

Q2/H1 2023 Management discussion & analysis

Q2/H1 2023 financial highlights

Income statement highlights (AED mn)	H1'23	H1'22	ΔYoY%	Q2'23	Q1'23	Q2'22	ΔQoQ%	ΔYoY%
Total net interest and Islamic financing income	**5,782**	4,718	23	**2,930**	2,851	2,571	3	14
Non-interest income	**2,190**	1,713	28	**1,129**	1,061	924	6	22
Operating income	**7,971**	6,431	24	**4,059**	3,912	3,495	4	16
Operating expenses	**(2,550)**	(2,345)	9	**(1,319)**	(1,231)	(1,227)	7	8
Operating profit before impairment allowances	**5,421**	4,086	33	**2,740**	2,681	2,268	2	21
Impairment allowances	**(1,496)**	(950)	57	**(748)**	(748)	(655)	(0)	14
Net profit for the period[1]	**3,811**	3,059	25	**1,932**	1,878	1,575	3	23

Balance sheet highlights (AED mn)	Jun'23	Jun'22	ΔYoY%	Jun'23	Mar'23	Dec'22	ΔQoQ%	ΔYTD%
Total assets	**521,301**	476,093	9	**521,301**	501,423	497,842	4	5
Net loans and advances	**271,960**	242,913	12	**271,960**	263,533	258,493	3	5
Deposits from customers	**315,908**	292,262	8	**315,908**	310,587	308,931	2	2

Key metrics (%)	H1'23	H1'22	YoY Δbps	Q2'23	Q1'23	Q2'22	QoQ Δbps	YoY Δbps
CAR (Capital adequacy ratio – Basel III)	**16.11**	15.22	89	**16.11**	15.67	15.22	44	89
CET1 (Common equity tier 1) ratio	**13.39**	12.37	102	**13.39**	12.93	12.37	46	102
Liquidity coverage ratio (LCR)	**130.4**	135.3	(490)	**130.4**	132.9	135.3	(250)	(490)
Loan to deposit ratio	**86.1**	83.1	300	**86.1**	84.9	83.1	120	300
CASA/total customer deposits	**48**	54	(600)	**48**	51	54	(300)	(600)
Non-performing loan (NPL) ratio	**5.10**	5.59	(49)	**5.10**	5.42	5.59	(32)	(49)
Provision coverage ratio[2]	**98.5**	89.8	870	**98.5**	92.4	89.8	610	870
NPL ratio including POCI[3]	**5.68**	6.74	(106)	**5.68**	6.06	6.74	(38)	(106)
Cost of risk (COR)[4]	**0.73**	0.54	19	**0.71**	0.75	0.78	(4)	(7)
Cost to income ratio	**32.0**	36.5	(450)	**32.5**	31.5	35.1	100	(260)
Net interest margin (NIM)[5]	**2.74**	2.43	31	**2.73**	2.74	2.57	(1)	16
Risk adjusted NIM[5]	**2.05**	1.92	13	**2.06**	2.03	1.86	3	20
Return on average tangible equity (ROATE)	**14.8**	13.2	160	**15.6**	14.3	14.2	130	140

Note: Figures may not add up due to rounding differences
(1) After share in profit of associates, overseas income tax charge, and profit/loss from discontinued operations
(2) Provisions on loans and advances, including fair value adjustments
(3) POCI: Purchased or originated credit-impaired financial assets
(4) COR: Net impairment charge on loans & advances and investments divided by net average loans & advances and investments
(5) Q1'23, Q2'23 and H1'23 NIM, risk adjusted NIM and yield exclude 'Financial assets at fair value through profit or loss' and 'Loans and advances to customers at fair value through profit or loss' from interest earning assets

Improved cost to income ratio, with strong revenue growth marked by expansion in fee and trading income over the previous year

- Net interest income increased 14% YoY and 3% sequentially to AED 2.930 billion in Q2'23 supported by higher volumes and rising benchmark rates. Net interest margin (NIM) was 16 basis points (bps) higher YoY at 2.73% in Q2'23, while risk-adjusted NIM increased 20 bps YoY to 2.06% in the quarter, with both metrics broadly stable on a sequential basis. H1'23 net interest income was AED 5.782 billion, up 23% YoY, with NIM 31 bps higher YoY at 2.74% for the period and risk-adjusted NIM[1] rising 13 bps to 2.05%.

- Higher benchmark rates resulted in a rise in cost of funds to 3.73% in Q2'23 compared to 3.37% in Q1'23 and 1.04% in Q2'22. Cost of funds in H1'23 rose by 267 bps YoY to 3.55%, significantly below the increases of 393 bps in three-month EIBOR and 416 bps in three-month LIBOR, reflecting effective management of the Bank's funding.

- Non-interest income increased 22% YoY and 6% sequentially to AED 1.129 billion in Q2'23, partly driven by strong growth in net fee and commission income, which was up 43% YoY and 36% QoQ at AED 724 million. Net trading income was AED 383 million in Q2'23, up 48% YoY and 16% lower than in Q1'23.

- H1'23 non-interest income was AED 2.190 billion, up 28% from a year earlier, and represented 27.5% of total operating income in the six-month period, compared to 26.6% in H1'22. Net fees and commission income of AED 1.256 billion was up 27% YoY, driven by a 31% increase in card-related fees (gross), a 13% rise in loan processing fees (gross), as well as increased DCM and ECM mandates in the Corporate and Investment Banking Group. H1'23 net trading income was up 123% to AED 838 million mainly on account of gains on derivatives and foreign exchange, and financial assets at fair value through profit or loss (FVTPL).

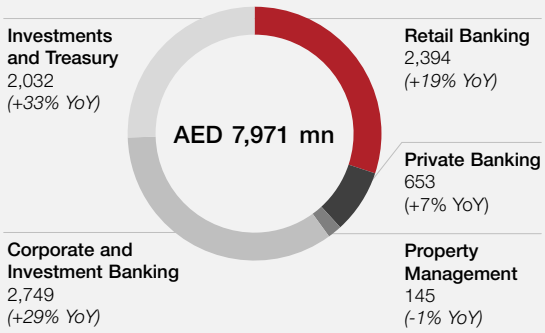
- Cost to income ratio was 32.0% in H1'23, 450 bps lower YoY, and in line with medium-term guidance. The improvement was primarily driven by a 24% increase in operating income, while the Bank has also maintained cost discipline amid an inflationary environment. Cost to income ratio was 32.5% in Q2'23, an improvement of 260 bps YoY and 100 bps higher sequentially. Operating expenses in Q2'23 were 8% higher YoY and up 7% sequentially at AED 1.319 billion on continued investment in people and technology to support future growth.

- Net impairment charge in H1'23 was AED 1.496 billion, compared to AED 950 million a year earlier, when the Bank recorded significant releases in Q1'22 as the UAE economy rebounded from the global pandemic. For the quarter, impairment charges were steady on a sequential basis and 14% higher YoY at AED 748 million due to provisioning on a few corporate accounts.

- Net profit increased 23% YoY and 3% sequentially to AED 1.932 billion in Q2'23 and was up 25% at AED 3.811 billion in H1'23. Return on average tangible equity was 15.6% for Q2'23 and 14.8% for H1'23.

Diversified growth by business streams

H1'23 operating income (AED mn)



(1) Risk adjusted NIM: Net interest income less impairment charge on loans and advances to customers, banks, and investments securities divided by average interest earning assets

Strengthening capital position, with CET1 ratio of 13.39%, while the Bank maintains a healthy lending pipeline

- The Group's balance sheet remains strong, with total assets of AED 521 billion as at 30 June 2023, up 5% YTD and up 9% YoY.
- The Bank continued to deliver on a robust lending pipeline, with net loans and advances increasing 5% YTD and 12% YoY to AED 272 billion as at June-end. Floating interest rate loans represented 74% of total loans.
- ADCB extended AED 38 billion in new credit in H1'23 to diverse economic sectors, including GREs, trading, energy, financial institutions and manufacturing, as well as to retail customers. The Bank received AED 27 billion in repayments during the period. Exposure to the real estate sector decreased to 20% from 22% in Dec'22, while lending to GREs remained stable at 23%. Loans outside of the UAE comprised 18% of the portfolio as at June-end, up from 14% a year earlier, mainly driven by growth in lending to GREs in regional markets.
- Investment securities were AED 122 billion at June-end, up 9% YTD and 12% YoY, with 63% accounted for at amortised cost and 37% at fair value through other comprehensive income (FVTOCI) and mark to market on a daily basis. The Bank was a net lender of AED 11 billion in the interbank markets as at June-end.
- Total customer deposits rose 2% YTD and 8% YoY to AED 316 billion. Amid a rising interest rate environment, CASA deposits decreased by 2% during H1 to AED 150 billion, while time deposits were up 6% to AED 166 billion. CASA deposits were well balanced across the business, with Corporate and Investment Banking accounting for 52%, and Retail and Private Banking representing 48%. CASA accounted for 48% of total customer deposits as at June-end.
- The average loan balance (net) was AED 258 billion, and the average deposit balance was AED 308 billion in H1'23.
- Total shareholders' equity stood at AED 64 billion as at 30 June 2023, compared to AED 61 billion at Dec-end.
- The Bank remains well-capitalised with capital adequacy (Basel III) and CET1 ratios of 16.11% and 13.39% respectively as at 30 June 2023, versus 15.77% and 12.96% at Dec-end.
- ADCB's liquidity position remained robust, with a liquidity coverage ratio of 130.4%, a liquidity ratio of 32.6% and a loan to deposit ratio of 86.1% as at 30 June 2023.

NPL ratio at lowest level since Dec'20, with cost of risk remaining in line with medium-term guidance

- Cost of risk improved to 71 bps in Q2'23 from 75 bps in the previous quarter and 78 bps in Q2'22, remaining in line with medium-term guidance of 80 bps. For the first half, cost of risk increased to 73 bps, from 54 bps a year earlier when significant releases were recorded in Q1'22.
- The NPL ratio was at its lowest level since December 2020, improving to 5.10%, from 5.42% at March-end and 5.25% at Dec-end. Including POCI (purchased or originated credit-impaired) assets, the NPL ratio was 5.68%, compared to 6.06% at March-end and 6.07% at Dec-end.
- The provision coverage ratio improved to 98.5%, from 92.4% in the previous quarter and 93.0% at Dec-end. Including collateral held, the ratio increased to 150%, from 143% at March-end and 144% at Dec-end.

Quarterly record of 147,000+ new retail customers[1] as digital drives growth, accounting for 86% of onboarding

- ADCB Group's UAE operations, including Al Hilal Bank, welcomed 147,699 new retail banking customers in Q2'23, the highest ever in a quarter, with 86% onboarded digitally. ADCB's onboarding app, Hayyak, welcomed a record 98,000 new customers during the quarter.
- Digital engagement has continued to accelerate in Q2'23, with digital banking subscribers increasing 31% and active users up 38% YoY. 87% of customers are now registered for digital banking (internet and mobile) platforms. In Q2'23, approximately 45 million retail transactions were conducted electronically, representing an increase of 32% YoY, while mobile fund transfer transactions were up 62% YoY. Self-service retail transactions represented 97% of all customer transactions in Q2'23.
- ADCB FacePass, a new facial recognition security feature facilitated by the Ministry of Interior, has been introduced to digital channels to enhance data security, helping to further streamline customer onboarding and transaction processes. Its adoption has rapidly gained traction, with 62,000 customers using FacePass for digital onboarding since its launch in May. Within one month of introduction on the ADCB mobile app and personal internet banking, over 286,000 enrolments to FacePass were registered, and the feature has facilitated more than 953,000 transactions.
- Over 5,200 IPO applications, representing AED 398 million of demand, were received digitally through ADCB's portal for the ADNOC Logistics and Services IPO, accounting for 90% of total subscriptions received by the Bank.
- ADCB implemented 15 digital releases in Q2'23, including the launch of fixed deposits on the mobile banking app for retail customers.
- Transactions on the ProCash and ProTrade corporate banking digital platforms accounted for 97% of all cash management transactions and 63% of trade finance transactions, respectively.
- The Bank introduced new alerts to allow users to effectively monitor transactions in real time on the ProCash platform. Upgrades to the ProCash Mobile app streamlined the onboarding process for SMEs and enhanced the transaction experience through the introduction of real-time validation of beneficiaries.
- ADCB launched the Virtual Corporate Credit Card, a digital payment solution that provides greater efficiency, security and convenience for Corporate and Investment Banking clients.

Effective execution of ESG strategy, with progress on climate agenda and assessment of financed emissions in accordance with PCAF

- In Q2'23, the Group Sustainability Committee approved a project to develop ADCB's climate strategy in line with the UAE's Net Zero by 2050 Strategic Initiative. Project working groups have been established to set the Bank's ambition level, define strategic activities, identify partnerships and commitments.
- A baseline assessment of financed emissions covering ADCB's lending portfolio is being carried out in accordance with Partnership for Carbon Accounting Financials (PCAF) standards. The Bank has also undertaken its first climate stress test and scenario analysis, and incorporated climate-related qualitative responses within its Internal Capital Adequacy Assessment Process (ICAAP) submission to the Central Bank of the UAE.
- The Bank continued to develop a sustainable/green finance proposition, with potential new products and services being evaluated by the Corporate and Investment Banking Group (CIBG), Retail Banking Group (RBG), Asset Management and Treasury.
- ADCB published its 2022 ESG Report in May in accordance with international and national reporting standards and guidelines.
- ADCB was recognised for its positive social impact by the UAE's Federal Government, which awarded the Bank the 'Impact Seal – Platinum Tier' under the Majra (National CSR Fund). Criteria were based on the UN Sustainable Development Goals and national strategic priorities.
- The Bank continued to embed ESG awareness among employees, with a dedicated induction programme for all new joiners and role-specific training and awareness workshops conducted with various departments.

(1) ADCB Group's UAE operations, including Al Hilal Bank

Strong financial performance by ADCB Egypt with digital transformation gaining traction

- ADCB Egypt produced a strong financial performance despite macro-economic challenges and continued to drive digital transformation across the Bank. Subscribers to digital banking platforms were 53% higher than a year earlier.

Net profit[1] in Q2'23 increased 93% YoY to EGP 414 million, representing a return on equity of 23.7%

Net profit[1] in H1'23 increased 92% YoY to EGP 777 million, representing a return on equity of 22.7%

Net loans increased 4% during H1'23 to EGP 31 billion as at 30 June 2023

Total deposits decreased 2% to EGP 74 billion as at 30 June 2023

Al Hilal super app continues to enhance data security and personalisation, attracting 30,000 new banking customers in Q2'23

- Since its launch in February 2022, Al Hilal Bank's new cloud-based super app featuring a virtual marketplace has acquired approximately 510,000 registered users and momentum continues to grow, with 85,000 joining the platform in Q2'23. Over 30,000 new banking customers were onboarded by the app during the quarter, bringing the total to c.190,000.
- Al Hilal Bank continued to increase the app's features and offerings in Q2'23, including the introduction of new anchor partners on the marketplace. The product suite was widened to include takaful Shari'ah-compliant Islamic insurance products, while the range of instant bill payments available to customers was expanded. Emirates Face Recognition authentication has been introduced to provide best-in-class biometric security for onboarding and digital transactions, further enhancing the customer experience.
- The Bank has invested in a hyper-personalisation solution based on artificial intelligence (AI), which provides customers with bespoke offers from the virtual marketplace as well as relevant products and services based on past behaviour and engagement. In Q2'23, an average of c.8,000 daily transactions were conducted, with an average engagement time of c.25 minutes per visit to the app.
- Through the app, Al Hilal Bank is extending its reach beyond its core Abu Dhabi market. Abu Dhabi residents account for 49% of customers, while Dubai and the Northern Emirates represent 28% and 23%, respectively.

(1) Based on IFRS

ADCB H1 2023 awards and recognition

Business Continuity Awards 2023

- Global Award Category

Recognition by the UAE Federal Government through the Majra (National CSR Fund)

- Impact Seal – Platinum Tier

The Digital Banker - Digital CX Awards 2023

- Outstanding Digital CX – Cash Management Platform
- Outstanding Digital CX – Trade Finance Initiative

The Digital Banker Award - Middle East & Africa Innovation Awards 2023

- Best Bank for Cash Management
- Best Mobile App for Corporates

International Financial - International Finance Awards 2023

- Best Corporate Customer Service Bank – UAE 2023

The Asian Banker Excellence in Retail Financial Services Awards 2023

- Best Retail Bank in Middle East
- Best Retail Bank in UAE

ADCB Egypt H1 2023 awards and recognition

World Business Outlook

- Best New Bank Egypt 2023
- Fastest Growing Retail Bank Egypt 2023
- Fastest Growing Corporate Bank Egypt 2023
- Fastest Growing Bank Egypt 2023
- Best Digital Banking Services Provider Egypt 2023

International Business Magazine

- Best New Bank Egypt 2023
- Most Innovative Digital Bank 2023
- Best Internet Banking Egypt 2023

International Finance Magazine

- Most Innovative New Digital Bank - Egypt 2023
- Best Financial Inclusion Package Towards People With Disabilities - Erada - Egypt 2023

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