FitchRatings

Banks
Universal Commercial Banks
United Arab Emirates

Abu Dhabi Commercial Bank PJSC

Ratings

Foreign Currency

Long-Term IDR	A+
Short-Term IDR	F1
Viability Rating	bb+
Government Support Rating	a+

Sovereign Risk (United Arab Emirates/Abu Dhabi)

Long-Term Foreign-Currency IDR	AA-/AA
Long-Term Local-Currency IDR	AA-/AA
Country Ceiling	AA+/AA+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDRs	Stable
Sovereign Long-Term Local-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Affirms ADCB at 'A+'; Outlook Stable (October 2022)

Fitch Affirms Abu Dhabi at 'AA'; Outlook Stable (October 2022)

Fitch Affirms the United Arab Emirates at 'AA-'; Outlook Stable (November 2021)

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Key Rating Drivers

Abu Dhabi Commercial Bank PJSC's (ADCB) Issuer Default Ratings (IDRs) reflect potential support from both the United Arab Emirates (AA-/Stable) and Abu Dhabi (AA/Stable) authorities. The Short-Term IDR of 'F1' is the lower of the two options corresponding to a 'A+' Long-Term IDR as described in our rating criteria because a significant proportion of sector funding is related to the government, and stress on ADCB would likely come when the sovereign itself is experiencing some form of stress.

ADCB's Viability Rating (VR) balances its strong domestic franchise, funding and liquidity against weaker-than-peers' asset quality. The 'bb+' VR is assigned below the implied VR of 'bbb-' due to the following adjustment reason: asset quality.

GSR of 'a+': ADCB's Government Support Rating (GSR) reflects the authorities' strong ability for, and record of, supporting the banking system, if needed.

Improved Economic Conditions: Fitch Ratings expects operating conditions to remain solid for UAE banks in 4Q22–2023 despite global macroeconomic uncertainties, and for non-oil real GDP growth to remain strong (2022–2024: average 3.2%), supported by higher oil prices.

Large Abu Dhabi Bank: Our business profile assessment for ADCB considers its leading domestic franchise (end-1H22: about 14% of sector of loans and deposits) and strong relations with the Abu Dhabi government. The bank's scale and offerings were strengthened by the merger with Union National Bank and acquisition of Al Hilal Bank in 2019.

Loan De-Risking: ADCB has been de-risking its loan book in recent years, and its exposure to the real-estate sector has declined materially (end-3Q22: 23% of gross loans; end-2018: 39%), while low-risk government lending has risen (24%; end-2018: 20%). A moderate reduction in concentration by single borrowers in recent years also supports our risk profile assessment.

Weaker-than-Peers' Asset Quality: Fitch expects loan quality to deteriorate moderately by end-2023, primarily due to higher interest rates, although ADCB's de-risking in recent years and higher government lending should support asset quality. We calculate ADCB's impaired loans ratio (including Stage 3 and loans purchased or originated credit impaired) to be 7.2% at end-3Q22 (end-2021: 7.4%), and moderately higher when including interest in suspense.

Earnings Boost from Rates: We expect revenue to benefit from rising interest rates and to drive the operating profit/risk-weighted assets (RWAs) ratio towards 2.0% in 2023 (9M22: 1.8%). Loan-impairment charges (9M22: 85bp of average loans, annualised) are likely to increase in 2023 with higher loan non-performance, but should remain manageable.

Core Capital Is Only Adequate: ADCB's common equity Tier 1 (CET1) ratio of 12.6% at end-3Q22 is only adequate considering the bank's weaker-than-peers' asset quality, only reasonable internal capital generation, and high share of unreserved problem loans. The CET1 ratio fell 60bp in 1H22 due to regulatory RWA inflation and negative mark-to-market losses on the securities portfolio, but recovered slightly in 3Q22 on profit generation. The Tier 1 ratio (14.3%) is supported by additional Tier 1 capital issued entirely to the Abu Dhabi government.

Strong Funding and Liquidity: Customer deposits (end-3Q22: 77% of total funding) consist of a high share of low-cost current and savings accounts (53%), reflecting ADCB's strong franchise. Government and public deposits (39% of total deposits) underpin the funding base, as does diversified wholesale funding. Liquid assets (cash, due from banks and unpledged securities) cover a comfortable 48% of deposits, and the liquidity coverage ratio was 125% at end-3Q22.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

ADCB's GSR and IDRs are sensitive to a change in the ability or propensity of the UAE and Abu Dhabi authorities to support the banking system or the bank.

ADCB's VR is primarily sensitive to our assessment of the bank's asset quality, given this is of high importance. A material deterioration in ADCB's asset-quality metrics would likely lead to a downgrade of the VR. Material increases in credit concentrations or a severe deterioration in the operating environment would be negative for the VR.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Given our already existing view of the high creditworthiness of the Abu Dhabi and UAE authorities and high propensity to support the banking system and the bank, a positive rating action is unlikely.

Given the bank's progress with reducing credit concentrations, the VR could be upgraded if we expected asset quality to materially improve, including if the impaired loans ratio fell sustainably below 7.0% and reserve coverage improved materially, while the bank's other financial metrics did not materially deteriorate.

Other Debt and Issuer Ratings

Debt Rating Classes

Rating Level	Rating	Watch
Abu Dhabi Commercial Bank PJSC		
Senior Unsecured: Long Term	A+	n.a.
Senior Unsecured: Short Term	F1	n.a.
AHB Sukuk Company Ltd	**Rating**	**Watch**
Senior Unsecured: Long Term	A+	n.a.
Senior Unsecured: Short Term	F1	n.a.
ADCB Finance (Cayman) Limited	**Rating**	**Watch**
Senior Unsecured: Long Term	A+	n.a.
Subordinated: Long Term	A-	n.a.

Source: Fitch Ratings

The ratings of the bank's unsecured debt (programmes and notes), including that issued by ADCB's special-purpose vehicles (SPVs) ADCB Finance (Cayman) Limited and AHB Sukuk Company Ltd, are in line with the bank's Long- and Short-Term IDRs, reflecting Fitch's view that the likelihood of default of these obligations is the same as the likelihood of default of the bank.

The Tier 2 subordinated notes, issued by ADCB Finance (Cayman) Limited, are rated two notches below the bank's Long-Term IDR to reflect their subordinated status and Fitch's view of a high likelihood of poor recoveries in the event of default. Fitch does not notch the notes for incremental non-performance risk because the terms of the notes do not provide for loss absorption on a 'going-concern' basis (such as coupon omission or write-down/conversion). We view this risk as low given our view of potential sovereign support.

We use the bank's Long-Term IDR as the anchor rating for the subordinated notes as we believe that potential extraordinary sovereign support for ADCB is likely to flow through to the bank's subordinated note holders.

Significant Changes from Last Review

Improved Business Conditions

Major UAE banks reported strong profits in 1H22, in line with improved business conditions despite geopolitical uncertainties and global recession fears. The country's purchasing manager index (PMI), a measure of the prevailing direction of economic trends in the manufacturing and services sectors, increased to 56.7% in August 2022, well above the 50% threshold that separates growth from contraction. Consumer confidence also improved markedly, with the household credit sentiment index published by the Central Bank of the UAE (CBUAE) reaching 29.6% over 1Q22, well above the 22.1% average recorded during 2021.

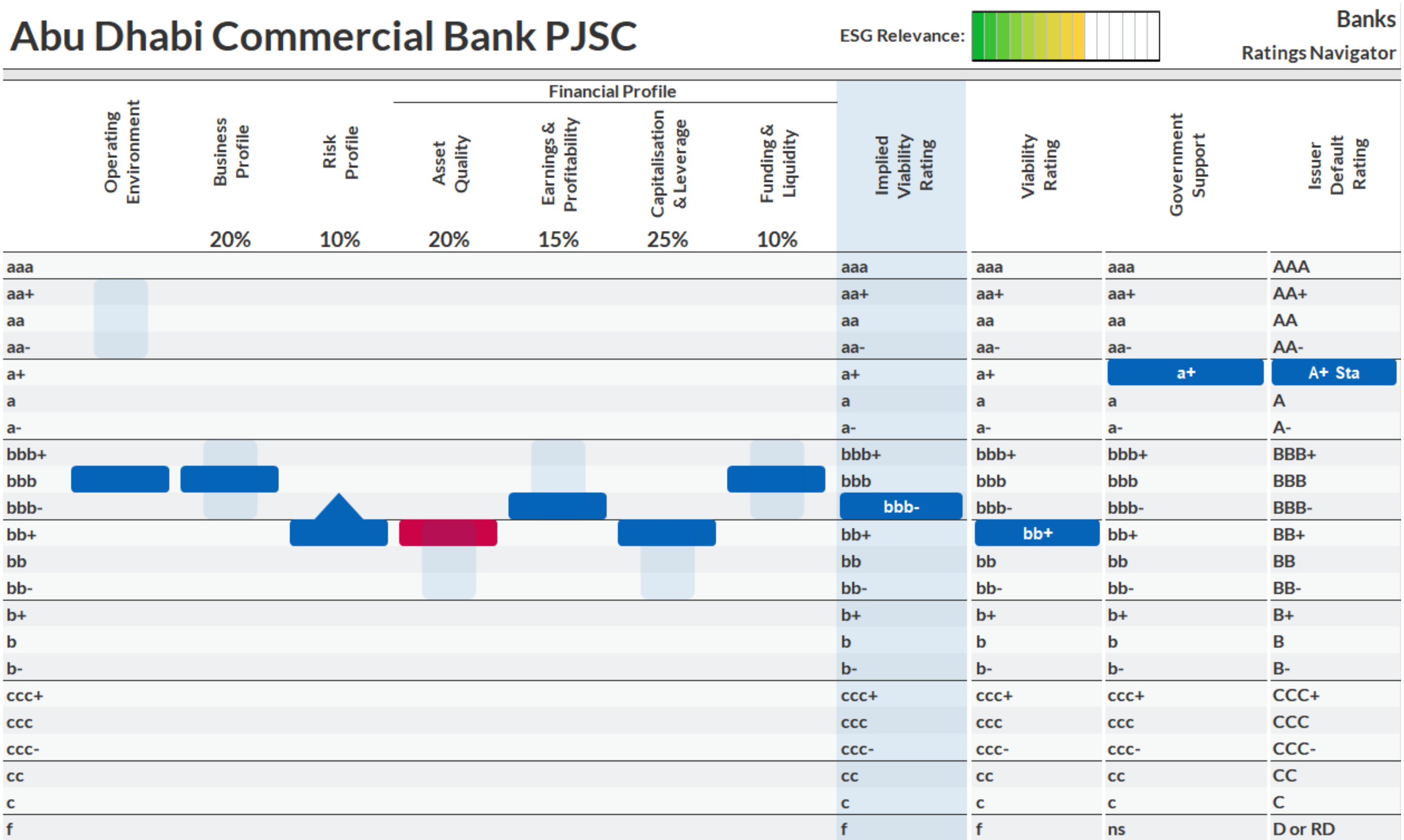
Real Estate Sector Recovers, Challenges Remain

The value of real estate transactions rose by 72% in 2021 to an all-time high of AED300 billion, according to Dubai Land Department (DLD). In 1H22, the volume of transactions was up 33% yoy. However, we believe growth will slow in 2022 due to continuing new supply, higher valuations and rising interest rates. UAE banks have exposure to real estate through corporate lending (20% of domestic lending at end-2021) and retail lending (28%), in the form of mortgage loans.

Higher Interest Rates Underpin Profitability

The surge in oil prices, combined with rising interest rates and improved economic conditions, will continue to support the sector's profitability in 2022 and 2023. A high exposure to short-term corporate loans (78.4% of sector loans at end-January 2022) and a high share of low-cost current accounts and saving accounts (CASA) deposits (63% of domestic deposits, as reported by the CBUAE) should support the banks' margins. At March 2022, UAE banks' average yield on credit was 3.8% (2021: 3.6%).

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of 'bbb' has been assigned below the 'aa' category implied score for the UAE due the following adjustment reasons: size and structure of economy (negative), financial market development (negative), regulatory and legal framework (negative).

Company Summary and Key Qualitative Factors

Operating Environment

Positive Operating Environment Outlook

Risks to UAE banks' credit profiles are easing as the operating environment continues to recover strongly. The general business and operating environment for banks was reasonable in 2021 and is expected to remain supportive in 2022 and 2023, underpinned by high oil prices (Fitch forecasts USD100/barrel in 2022 and USD85/barrel in 2023). We revised up our real GDP growth forecasts to 6.5% from 6.3% in 2022 as real GDP grew by 8.4% in 1Q22, while real GDP should grow by 3.3% and 2.9% in 2023 and 2024, respectively. Non-oil real GDP should grow by 3.1% and 2.2% in 2023 and 2024 after an expected growth of 4.4% in 2022. Purchasing Managers Index (PMIs) have been expanding since 1Q21, remaining well above historical averages, and we expect this to continue as high oil prices underpin business conditions. We expect weaker global growth prospects and rising risks of recession in major economies (US, EU, China) as the key risk for our growth forecasts, given the UAE's strong exposure to the world economy and reliance on oil revenues.

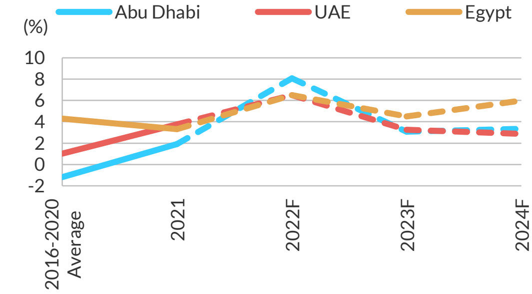
The sector non-performing loans ratio (net of interest in suspense), as calculated by the CBUAE, fell to 6.9% at end-2Q22 (end-2021: 7.3%), but is higher than at end-2019 (6.0%) due to the impact of the global pandemic and materialisation of single-name risk. The loan deferral scheme ended at end-1H22 but we do not expect negative surprises given strong operating conditions. We expect the sector's S3 loans ratio to decline in 2022 and 2023 as favourable economic conditions should support credit performance.

Capital levels have remained stable due to modest loan growth and reasonable internal capital generation. The sector's average CET1 ratio (as reported by CBUAE) was 14% at end-1H22 and is expected to remain at around this level in 2022–2023 amid muted loan growth and stable dividend pay-outs.

Banks' funding and liquidity profiles should remain strong, supported by modest growth and solid deposit inflows. Deposit growth in 2021 was mainly driven by low-cost CASA deposits and outpaced loan growth. The average loans-to-deposits ratio (LDR) declined to 89% at end-2021 from 93% at end-2020, while the sector's LDR of 87.1% at end-July 2022 was at its lowest level for at least a decade. Strong liquidity conditions in the UAE are evidenced by a negative EIBOR-LIBOR spreads as the supply of liquidity is boosted by higher oil prices from the government and GREs (31% of domestic deposits at end-July 2022). High deposit concentration remains a key risk but this is mitigated by a sector's high-quality liquidity assets (HQLAs) covering customer deposits by a strong 30% at end-1H22.

GDP Growth Forecast

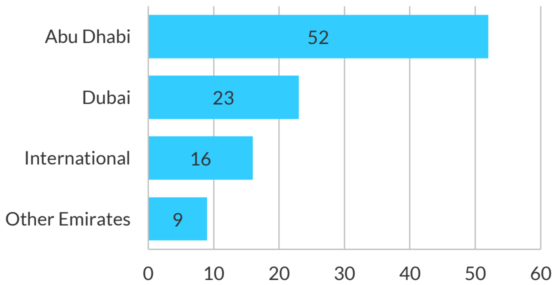
Fitch Sovereign Data Comparator - September 2022



Source: Fitch Ratings

Loan Split by Geography (%)

(End-Sep 22)



Source: Fitch Ratings, ADCB

Business Profile

Abu Dhabi D-SIB; Strong Franchise in the UAE

ADCB is recognised as a D-SIB by the CBUAE. The bank's market shares increased by about 4pp in 2019 as a result of the merger with UNB and acquisition of Islamic bank Al- Hilal Bank (AHB). ADCB was 60.2% owned by Mubadala Investment Company, an Abu Dhabi sovereign wealth fund, with the balance in free float (24% owned domestically and 16% by foreign shareholders) at end-1H22. The bank had 53 ADCB branches in the UAE at end-1H22, as well as 13 AHB branches, and banks for over 1 million customers.

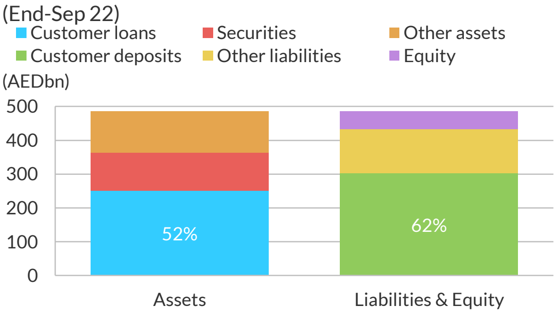
ADCB has a universal business model, with a particularly strong wholesale banking franchise. Revenues are derived mainly from net interest income (73% of revenue in 9M22), with non-interest income primarily made up of net fees and commissions. Loans made up 54% of assets, whereas the securities portfolio (23%) has grown in recent years. Islamic financing assets made up 16% of group loans at end-3Q22 and its systems and policies are aligned with the group. ADCB is primarily customer deposit-funded (77%) but also has good access to wholesale markets. Government exposures are high on both sides of the balance sheet, reflecting strategic relations with ADCB.

UAE-Centric Strategy; Ongoing De-Risking

ADCB aims to maintain its focus on the UAE, where over 95% of operating income was originated in 1H22. The exception is Egypt, where the management plans to expand operations given strong growth potential. Digital transformation is a key strategic objective, in particular for AHB, which is a digital, Islamic and retail bank in the UAE. ADCB has been de-risking the loan portfolio to reduce balance-sheet volatility and this has resulted in slow loan growth since the merger in 2019.

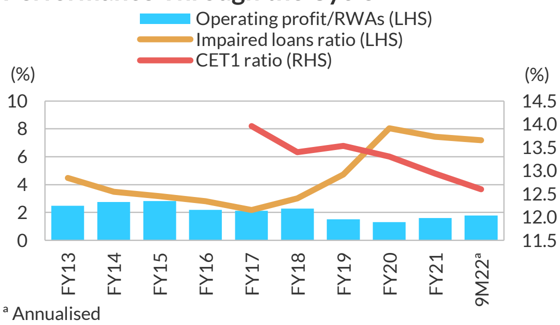
Balance Sheet

(End-Sep 22)



Source: Fitch Ratings, ADCB

Performance Through the Cycle



ª Annualised
Source: Fitch Ratings, ADCB

Risk Profile

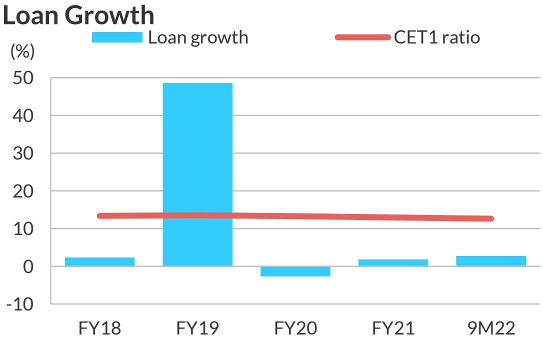
Reduced Concentrations by Sector and Borrower

Concentrations in ADCB's loan book, by both sector and borrower, have reduced in recent years and since the merger. In particular, the share of real estate lending has fallen to 23% of gross loans at end-3Q22 (loan/value: about 80%) from 39% at end-2018. This has largely been replaced by increased government lending (end-3Q22: 24%; end-2018: 20%), which should support asset quality. The largest 20 funded exposures accounted for 27% of total gross loans at end-1H22, down from 34% at end-9M18 (pre-merger).

ADCB mainly focuses on corporate loans in wholesale banking (60% of loans at end-3Q22), with consumer banking (40%) being comprised of wealth management (corporate and private accounts) as well as retail loans. Personal loans (largely personal and auto loans) made up 21% of loans at end-3Q22. Loan growth has been muted since 2019 due to de-risking efforts and the book has remained broadly flat on a net basis. We expect ADCB's loan growth to pick up in 4Q22–2023, and be broadly in line with the market, but this is likely to be weighed on waning demand due to higher interest rates.

Interest rate risk is reasonable and a 25bp upward movement in interest rates would have resulted in a AED116 million increase in ADCB's net interest income at end-2021, which means revenue will be supported in 4Q22–2023 in the higher rate environment. FX risks are limited due to the UAE dirham's peg to the US dollar. The bank's securities portfolio is mainly held for liquidity management and 83% of the bond portfolio is rated 'A-' or higher, with 62% from UAE or GCC issuers.

Loan Growth



Source: Fitch Ratings, ADCB

Financial Profile

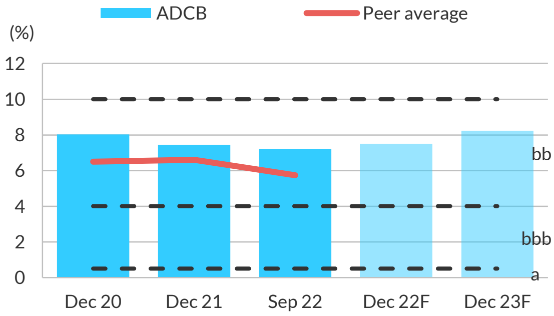
Asset Quality

Manageable Loan Quality Deterioration Expected

ADCB's asset quality metrics compare weakly with large UAE peers largely due to corporate loans that have become problematic since 2020, flat loan book growth, and pandemic-related delinquencies. ADCB's reported Stage 2 loans, largely comprising exposures in the real estate segment, fell to 5.9% of gross loans at end-3Q22 (end-2021: 7.9%), reflecting improved economic prospects compared to 2020–2021. Nevertheless, we expect loan quality metrics to deteriorate and impairments to rise by end-2023 given the materially higher interest rates and as global macroeconomic risks impact certain sectors and borrowers.

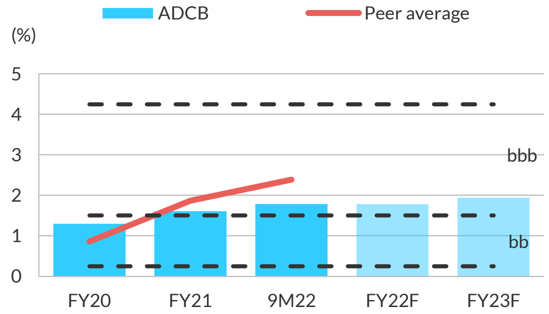
We consider ADCB's exposure to the defaulted NMC healthcare (AED3.1 billion; 1.2% of gross loans) as an impaired loan in our financial spreadsheets, although this is now classified as a fair-value asset through profit and loss in the bank's financial statements following its restructuring. We calculate total loan loss allowances (including fair-value adjustments from expected credit losses carried in the books of UNB and AHB) covered 74% of total Stage 3 and POCI loans at end-3Q22, which is low compared to peers. Specific reserve coverage of impaired loans (considering only Stage 3 and POCI loans) was lower at 40% (net of the NMC exposure).

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Rising Interest Rates to Support Margins

ADCB's operating profit/RWAs ratio improved to 1.8% in 9M22 (2021: 1.6%) primarily owing to a slightly wider net interest margin (NIM; 9M22: 244bp; 2021: 241bp) and lower LICs (25% of pre-impairment operating profit; 2021: 33%). Lending margins are set to expand given materially higher interest rates, although this could be partly offset by competitive pressures in lending. In addition, margins are unlikely to be as high as in the past as ADCB has shifted into lower-risk exposures, including higher government lending, although its cost of risk should benefit.

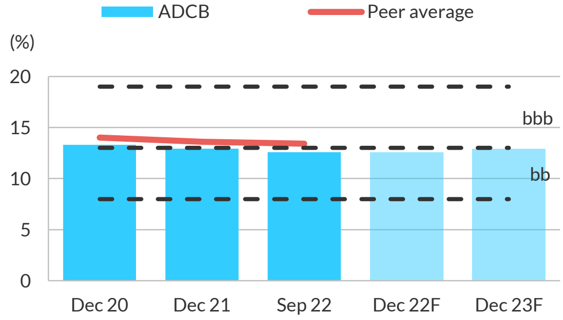
ADCB's cost-to-income ratio of 36% in 9M22 has come under pressure from inflationary pressures but we expect it to improve due to revenue uplift. Non-interest income (27% of 9M22 income; 27% in 2020) is mainly generated from loan and credit card-related fees and will likely benefit from higher loan volumes, although it will shrink as a share of revenue due to higher net interest income.

Capital and Leverage

ADCB's management targets a CET1 ratio above 12%, which we consider to be only adequate for the bank's risk profile. We expect the CET1 ratio to increase from 12.6% at end-3Q22 but to remain below 13% by end-2023 (post-dividend) given a high pay-out ratio (targeted at 50% of net profit), increased provisioning requirements and higher loan growth.

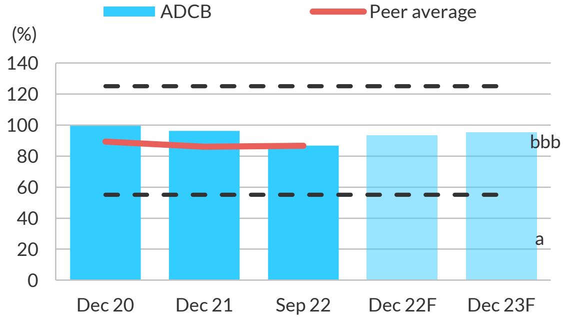
Our assessment of capitalisation also reflects credit concentration and unreserved problem loans. Nevertheless, it also factors in potential ordinary support from the Abu Dhabi authorities, in case of need, and ADCB's adequate buffers over regulatory requirements (including the D-SIB buffer).

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

Funding Base Underpinned by High CASA and Government Deposits

The gross loans/customer deposits ratio fell to 87% at end-3Q22, from 96% at end-2021, given muted loan growth and strong deposit growth, although we expect this ratio to increase as deposits become more expensive, which may lead to strategic reductions in pricier deposits, and as loan growth picks up at the bank. The bank's share of low-cost CASA deposits (53% at end-3Q22; 51% at end-2020) is higher than most peers', reflecting its franchise, and underpins its deposit base and cost of funding. Government and GRE deposits made up 39% of customer accounts at end-3Q22, with Islamic participations from AHB making up 15% and adding deposit diversification. ADCB's largest deposits are moderately concentrated, as is the case for most peers, although a high share of these are government-linked, which mitigate risks.

Wholesale funding amounted to about AED76 billion (excluding bank deposits) at end-3Q22 (about a fifth of total funding excluding derivatives) and is diversified by instrument. ADCB has fully pre-financed its 2022 maturities year-to-date, and expects to partly refinance maturities in 2023 (AED25 billion) given the comfortable liquidity. Maturities in 2023 are relatively lumpy primarily due to large repo borrowings, a maturing subordinated debt (AED2.7 billion) and sukuk notes.

About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Notes on charts: Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'bbb' category. Light-blue columns represent Fitch's forecasts.

Peer average includes: First Abu Dhabi Bank P.J.S.C. (VR: a-), Emirates NBD Bank PJSC (bb+), Dubai Islamic Bank (Public Joint Stock Company) (bb+), Mashreqbank PSC (bb+), HSBC Bank Middle East Limited (bbb) and Abu Dhabi Islamic Bank PJSC (bb).

Financials

Financial Statements

	30 Sep 22		31 Dec 21	31 Dec 20	31 Dec 19
	9 months - 3rd quarter	9 months - 3rd quarter	Year end	Year end	Year end
	(USDm)	(AEDm)	(AEDm)	(AEDm)	(AEDm)
	Reviewed - unqualified	Reviewed - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	1,987	7,298.3	8,890.3	9,804.6	9,254.3
Net fees and commissions	406	1,490.3	1,899.3	1,550.9	1,816.2
Other operating income	313	1,148.0	1,477.3	1,133.7	669.4
Total operating income	2,706	9,936.6	12,266.9	12,489.2	11,739.9
Operating costs	976	3,585.9	4,257.3	4,526.3	4,517.7
Pre-impairment operating profit	1,729	6,350.7	8,009.6	7,962.9	7,222.2
Loan and other impairment charges	432	1,585.8	2,646.2	3,974.2	2,352.0
Operating profit	1,297	4,764.9	5,363.4	3,988.7	4,870.2
Other non-operating items (net)	-3	-9.6	-16.4	-59.5	-36.8
Tax	29	105.7	99.6	120.3	40.9
Net income	1,266	4,649.6	5,247.4	3,808.9	4,792.5
Other comprehensive income	-655	-2,404.1	-490.2	167.0	1,448.2
Fitch comprehensive income	611	2,245.5	4,757.2	3,975.9	6,240.7
Summary balance sheet					
Assets					
Gross loans	71,355	262,051.2	255,112.7	250,453.2	257,350.7
- Of which impaired	5,128	18,831.3	18,973.7	20,111.8	12,160.6
Loan loss allowances	2,954	10,849.1	10,830.4	11,477.5	7,333.4
Net loans	68,401	251,202.1	244,282.3	238,975.7	250,017.3
Interbank	10,326	37,923.2	26,670.1	21,535.4	23,065.0
Derivatives	4,405	16,177.5	6,488.0	11,146.4	6,789.7
Other securities and earning assets	31,525	115,774.0	100,157.7	90,105.9	75,541.6
Total earning assets	114,657	421,076.8	377,598.1	361,763.4	355,413.6
Cash and due from banks	10,201	37,464.9	33,746.2	29,601.6	24,905.0
Other assets	7,576	27,823.1	28,934.1	19,791.3	24,816.1
Total assets	132,434	486,364.8	440,278.4	411,156.3	405,134.7
Liabilities					
Customer deposits	82,304	302,262.0	265,052.3	251,395.5	262,093.8
Interbank and other short-term funding	10,663	39,159.5	36,428.2	27,302.6	9,588.2
Other long-term funding	12,755	46,842.0	49,475.8	51,069.1	50,088.8
Trading liabilities and derivatives	4,566	16,767.8	6,563.4	10,855.0	6,949.9
Total funding and derivatives	110,288	405,031.3	357,519.7	340,622.2	328,720.7
Other liabilities	6,117	22,464.8	23,388.7	13,932.7	20,716.4
Preference shares and hybrid capital	1,634	6,000.0	6,000.0	6,000.0	6,000.0
Total equity	14,396	52,868.7	53,370.0	50,601.4	49,697.6
Total liabilities and equity	132,434	486,364.8	440,278.4	411,156.3	405,134.7
Exchange rate		USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725	USD1 = AED3.6725

Source: Fitch Ratings, Fitch Solutions, ADCB

Key Ratios

	30 Sep 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.8	1.6	1.3	1.5
Net interest income/average earning assets	2.4	2.4	2.7	2.9
Non-interest expense/gross revenue	36.1	34.7	36.3	38.5
Net income/average equity	11.9	10.2	8.0	11.9
Asset quality				
Impaired loans ratio	7.2	7.4	8.0	4.7
Growth in gross loans	2.7	1.9	-2.7	48.6
Loan loss allowances/impaired loans	57.6	57.1	57.1	60.3
Loan impairment charges/average gross loans	0.9	1.0	1.7	1.0
Capitalisation				
Common equity Tier 1 ratio	12.6	12.9	13.3	13.5
Tangible common equity/tangible assets	9.5	10.6	10.7	11.1
Net impaired loans/common equity Tier 1	17.8	18.9	20.3	11.0
Funding and liquidity				
Gross loans/customer deposits	86.7	96.3	99.6	98.2
Liquidity coverage ratio	124.5	124.1	156.8	127.3
Customer deposits/total non-equity funding	76.7	74.3	74.9	80.0

Source: Fitch Ratings, Fitch Solutions, ADCB

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A or A-
Actual jurisdiction D-SIB GSR	a+
Government Support Rating	a+
Government ability to support D-SIBs	
Sovereign Rating	AA-/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Positive
Government propensity to support bank	
Systemic importance	Neutral
Liability structure	Neutral
Ownership	Positive

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Fitch's view of support factors in the authorities' strong ability to support the banking system, underpinned by solid net external asset positions, still-strong fiscal metrics and recurring hydrocarbon revenues. It also reflects the authorities' very strong, timely and predictable record of supporting domestic banks and strategic ownership of a number of banks, including ADCB (60% owned by Mubadala Investment Company, an Abu Dhabi sovereign wealth fund).

ADCB's 'a+' GSR is at the Abu Dhabi D-SIB GSR level, reflecting its high systemic importance and government ownership. The Abu Dhabi D-SIB GSR is one notch above that of other UAE banks, given Abu Dhabi's superior financial flexibility.

Environmental, Social and Governance Considerations

FitchRatings **Abu Dhabi Commercial Bank PJSC**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Abu Dhabi Commercial Bank PJSC has 5 ESG potential rating drivers

- Abu Dhabi Commercial Bank PJSC has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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