

Press Release: Immediate Release

ABU DHABI COMMERCIAL BANK PJSC REPORTS

FIRST QUARTER 2016 NET PROFIT OF AED 1.021 BILLION

Abu Dhabi, 27 April 2016 – Abu Dhabi Commercial Bank PJSC (“**ADCB**” or the “**Bank**”) today reported its financial results for the first quarter of 2016 (“Q1’16”).

Financial highlights (31 March 2016)

▶ Operating performance

- Operating income of AED 2.112 billion was 5% higher quarter on quarter and 4% lower year on year. Q1’15 benefited from significant one-offs, which were not repeated this year
- Total net interest and Islamic financing income of AED 1.573 billion was 7% higher quarter on quarter, driven by higher volumes and 4% lower year on year, impacted by higher funding costs
- Net income from Islamic financing of AED 150 million was 3% lower quarter on quarter, and recorded a strong growth of 15% year on year
- Non-interest income of AED 539 million was stable quarter on quarter and 2% lower year on year
- Net retail banking fees (excluding brokerage) of AED 176 million for the quarter registered a strong 29% growth year on year, driven by higher loan volumes and credit card spend
- Trading income of AED 122 million was up 33% quarter on quarter and stable year on year

▶ Resilient balance sheet, continued focus on improving sources of funding and liquidity

- Total assets grew by 12% to AED 232 billion and net loans and advances increased by 11% to AED 157 billion over 31 March 2015, greater than the UAE banking industry average*
- In a tight liquidity environment, deposits from customers increased 15% to AED 147 billion over 31 March 2015, well above the UAE banking industry average*
- A strong deposit gathering franchise coupled with a leading cash management product offering resulted in low cost current and savings account (CASA) deposits increasing 11% to AED 65 billion over 31 March 2015 and comprising 44% of total deposits
- Advances to stable resources at a healthy 89.0%
- Customer deposit growth outpaced loan growth resulting in an improved loan to deposit ratio of 106.3%

▶ Capital and liquidity position continue to be at industry leading levels

- Capital adequacy ratio of 18.09% and Tier 1 ratio of 14.74% as at 31 March 2016, post dividend payment of AED 2.3 billion in Q1’16. Total equity strengthened by AED 1.9 billion year on year to AED 27.3 billion as at 31 March 2016
- Net lender of AED 22.6 billion in the interbank markets as at 31 March 2016
- Strong liquidity ratio of 24.3%

▶ Cost to income ratio within our target range

- Cost growth tightly managed with operating expenses of AED 738 million for Q1’16. Cost to income ratio for the quarter was 34.9% within our target range (Q4’15 – 35.5%)
- Average interest bearing liabilities increased 8% year on year and cost of funds for the quarter was 1.17%, in line with tighter market liquidity

▶ Asset quality metrics remain strong, committed to maintaining a disciplined risk profile

- As at 31 March 2016, NPL and provision coverage ratios were 3.4% and 112.1% respectively
- Collective impairment charges were AED 209 million for the quarter, reflecting our prudent risk management approach to challenging market conditions
- Collective impairment allowances were 1.94% of credit risk weighted assets, well above the minimum 1.5% stipulated by the UAE Central Bank

* Latest data available from the UAE Central Bank up to February 2016

Commenting on the Bank's performance Ala'a Eraiqat, Member of the Board and Group Chief Executive Officer, said:

"Following our strong results in 2015, we are pleased to announce a net profit of AED 1.021 billion in Q1'16. 2015 was a record year for the Bank, we outperformed our peers in many key measures; yet in a very challenging operating environment we remain committed to preserving and protecting the long term financial strength of the Bank in our pursuit of sustainable growth. We have made good progress in several key areas in the first quarter of 2016, while maintaining a rigorous control framework. We increased loans in core businesses and grew customer deposits faster than the industry. The underlying performance of our businesses remained strong with a return on equity of 16% and our capital adequacy ratio remained robust at 18.09%. In line with our prudent approach to risk management and in response to the prevailing market conditions and macro headwinds, we have increased our provision levels in Q1'16, compared to Q1'15, which benefited from one-offs that were not repeated this year. The Bank remains resilient to meet today's ongoing challenges.

We continue to grow our balance sheet in a granular and prudent manner in our core geography and core businesses. Our focus on the UAE market remains a key strategic pillar and a differentiator for ADCB. This position of strength enables us to deliver a superior customer service and build long-term value for our stakeholders."

Deepak Khullar, Group Chief Financial Officer, commented on the results:

"Our results reflect our ability to adapt to the changing macro environment. Whilst markets remain uncertain and volatile, our balance sheet remains resilient. We continue to place high priority on maintaining adequate sources of funding and liquidity. Despite the tightening liquidity environment and intense competition, our total customer deposits grew 15% year on year, driven by an increase in both CASA and time deposits, and our cost of funds increased to 1.17% in Q1'16 compared to 0.85% in Q1'15.

Our cost base continues to be efficiently managed, with a cost to income ratio of 34.9% for the quarter."

Awards - 2016

"Best Bank for Cash management in the UAE"	"Best Bank for Liquidity Management in the Middle East"	"Best Brand Initiative of the Year" across Asia, Middle East and Africa	"Best Property Management Team – UAE" for ADCP	"Best Retail Bank in the UAE"
Global Finance	Global Finance	Asian Banker	Capital Finance International (CFI)	Asian Banker

About ADCB (31 March 2016):

ADCB was formed in 1985 and as at 31 March 2016 employed over 4,500 people from 72 nationalities, serving retail customers and corporate clients in 49 branches, 3 pay offices and 2 branches in India, 1 branch in Jersey and representative offices in London and Singapore. As at 31 March 2016, ADCB's total assets were AED 232 billion.

ADCB is a full-service commercial bank which offers a wide range of products and services such as retail banking, wealth management, private banking, corporate banking, commercial banking, cash management, investment banking, corporate finance, foreign exchange, interest rate and currency derivatives and Islamic products, project finance and property management services.

ADCB is owned 58.08% by the Government of Abu Dhabi (Abu Dhabi Investment Council). Its shares are traded on the Abu Dhabi Securities Exchange. As at 31 March 2016, excluding treasury shares, ADCB's market capitalisation was AED 35 billion.

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Q1’16 financial highlights

Income statement highlights (AED million)	Q1’16	Q4’15	Q1’15	Change%	
				QoQ	YoY
Total net interest and Islamic financing income	1,573	1,476	1,641	7	(4)
Non - interest income	539	539	551	0	(2)
Operating income	2,112	2,016	2,192	5	(4)
Operating expenses	(738)	(715)	(700)	3	5
Operating profit	1,374	1,301	1,492	6	(8)
Impairment allowances	(352)	(110)	(241)	219	46
Share in profit of associate	2	1	-	NA	NA
Profit before taxation	1,023	1,192	1,251	(14)	(18)
Overseas income tax expense	(2)	(1)	(2)	NA	NA
Net profit for the period	1,021	1,191	1,249	(14)	(18)
Net profit attributable to equity shareholders	1,020	1,190	1,248	(14)	(18)

Balance sheet highlights (AED million)	March’16	Dec’15	March’15	Change%	
				QoQ	YoY
Total assets	232,207	228,267	206,886	2	12
Net loans and advances	156,672	153,677	141,095	2	11
Deposits from customers	147,333	143,526	128,471	3	15

Ratios (%)	March’16	Dec’15	March’15	Change%	
				bps	bps
CAR (Capital adequacy ratio)	18.09	19.76	19.49	(167)	(140)
Tier I ratio	14.74	16.29	15.73	(155)	(99)
Advances to stable resources	89.0	88.2	86.6	80	240

There could be inconsistencies in totals due to rounding differences

Key indicators

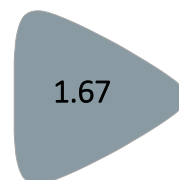
Net profit
(AED billion)



Return on average equity (%)



Return on average assets (%)



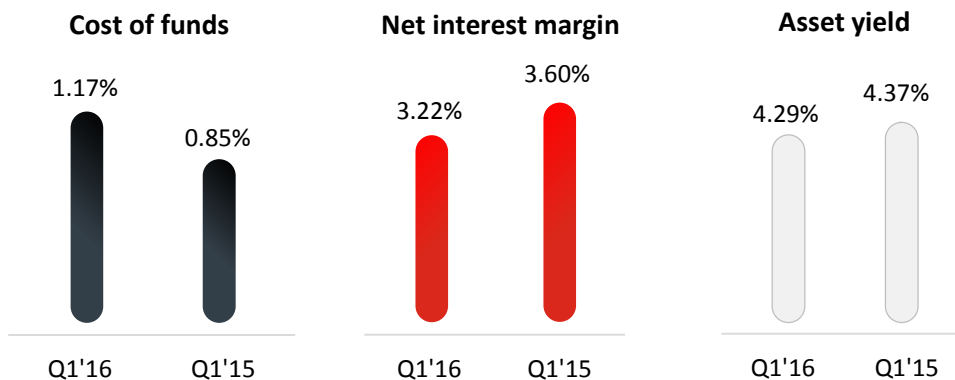
Basic earnings per share
(AED)



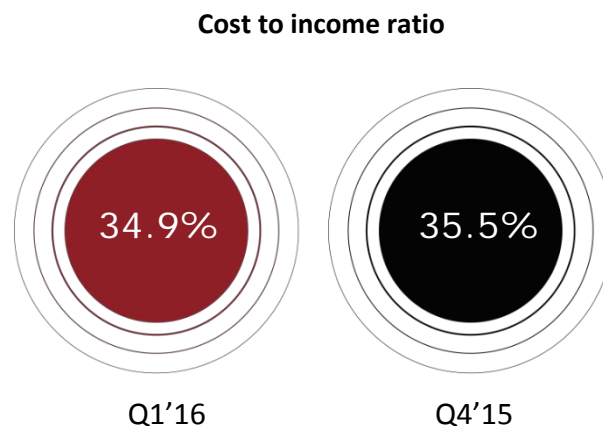
* Annualised, for ROE/ROA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and interest expense on Tier 1 capital notes

Operating performance

- ▶ The Bank reported a net profit of AED 1.021 billion compared to AED 1.191 billion in Q4'15 and AED 1.249 billion in Q1'15, 18% lower year on year. This was primarily on account of higher funding costs, an increase in impairment charges and lower recoveries in a challenging operating environment.
- ▶ Basic earnings per share were AED 0.18 compared to AED 0.23 in Q1'15.
- ▶ Return on equity for the quarter was 16.0% and return on assets was 1.67%.
- ▶ Operating income for Q1'16 was AED 2.112 billion, 5% higher quarter on quarter and 4% lower year on year. Q1'15 benefited from significant recoveries and interest in suspense reversals which were not repeated this quarter. Total net interest and Islamic financing income for Q1'16 was AED 1.573 billion, up 7% quarter on quarter, driven by higher volumes and 4% lower year on year impacted by higher funding costs reflective of current market conditions. Interest expense for the quarter was AED 525 million, compared to AED 351 million in Q1'15 and cost of funds for Q1'16 was 1.17%, while average interest bearing liabilities increased 8% year on year. Net interest margin for the quarter was 3.22%, an improvement of 24 basis points over Q4'15.
- ▶ Non-interest income accounted for 26% of operating income in Q1'16 compared to 25% in Q1'15. At AED 539 million, non-interest income was stable quarter on quarter and 2% lower year on year. Net retail banking fees (excluding brokerage) of AED 176 million in Q1'16 registered a strong 29% growth year on year, driven by higher loan volumes and credit card spend. Trading income of AED 122 million in Q1'16 was up 33% quarter on quarter.

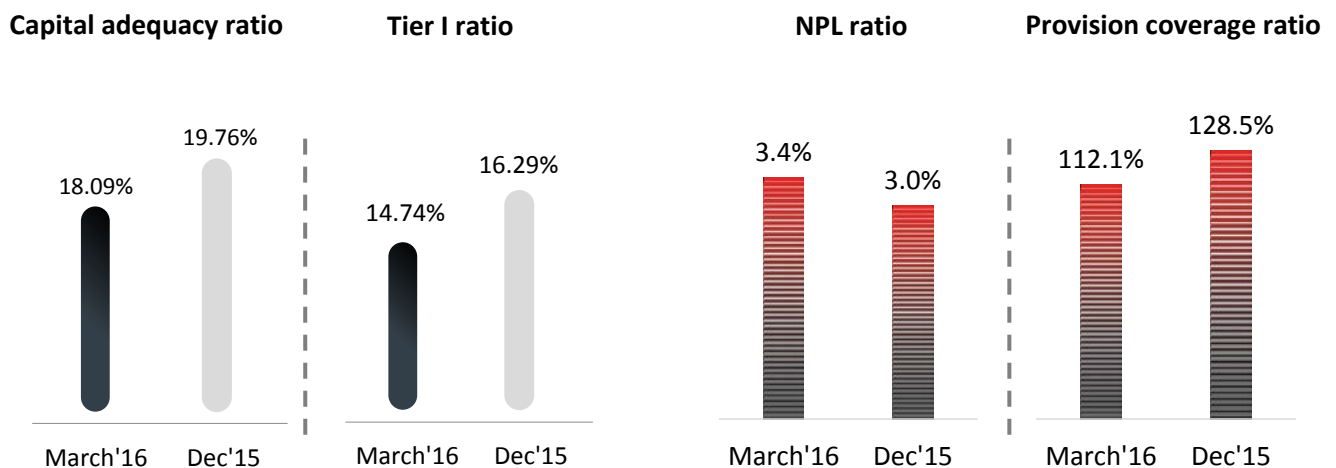


- ▶ Cost growth continues to be tightly managed, at AED 738 million, operating expenses increased 3% quarter on quarter and 5% year on year. Cost to income ratio for the quarter was 34.9% within our target range, compared to 35.5% in Q4'15.



Resilient balance sheet, continued focus on improving sources of funding and liquidity

- ▶ Total assets reached AED 232 billion as at 31 March 2016, an increase of 12% over the prior year. Net loans and advances were AED 157 billion, up 11% over 31 March 2015, growing faster than the UAE banking industry average*. 92% of loans (gross) were within the UAE, in line with the Bank's UAE centric strategy and continued focus on granular growth in our core geography and core businesses.
- ▶ In a tight liquidity environment, total customer deposits increased to AED 147 billion as at 31 March 2016, up 15% over the prior year, and well above the UAE banking industry average*. Low cost current and savings account (CASA) deposits increased 11% year on year to AED 65 billion and comprised 44% of total customer deposits.
- ▶ Deposit growth outpaced loan growth resulting in an improved loan to deposit ratio of 106.3%, while advances to stable resources were at 89.0%
- ▶ Capital and liquidity position continued to be at industry leading levels, with capital adequacy ratio of 18.09% and Tier I ratio of 14.74% compared to 19.76% and 16.29% respectively as at 31 December 2015. The reduction in capital adequacy ratio was mainly on account of dividend payment of AED 2.3 billion in March 2016 and an increase in risk weighted assets. The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and the Tier I minimum requirement is 8%.
- ▶ As at 31 March 2016, the Bank was a net lender of AED 22.6 billion and its liquidity ratio for Q1'16 was 24.3%.



Asset quality - committed to maintaining a disciplined risk profile

- ▶ As at 31 March 2016, non-performing loan and provision coverage ratios were 3.4% and 112.1% respectively, whilst cost of risk was 80 basis points compared to 60 basis points as at 31 March 2015. As at 31 March 2016, non-performing loans were AED 5.577 billion compared to AED 4.834 billion as at 31 December 2015.
- ▶ Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 365 mn in Q1'16 compared to AED 241 million in Q1'15. Loan impairment charges in Q1'16 include collective impairment charges of AED 209 million to account for increase in the loan book and reflecting our prudent risk management approach to current market conditions.
- ▶ As at 31 March 2016, the Bank's collective impairment allowance balance was AED 3.178 billion, 1.94% of credit risk weighted assets and above the minimum 1.5% stipulated by the UAE Central Bank, while individual impairment balance stood at AED 3.195 billion.

* Latest data available from the UAE Central Bank up to February 2016

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By their nature, these forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond ADCB’s control, including, among others, the UAE domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact and other uncertainties of future acquisition or combinations within relevant industries.

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