



AMBITION+  
DISCIPLINE

Abu Dhabi Commercial Bank PJSC

H1'14 Earnings presentation

بنك أبوظبي التجاري

ADCB



## Disclaimer

THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES. IT IS SOLELY FOR USE AS AN INVESTOR PRESENTATION AND IS PROVIDED AS INFORMATION ONLY. THIS PRESENTATION DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS MATERIAL TO AN INVESTOR. BY READING THE PRESENTATION SLIDES YOU AGREE TO BE BOUND AS FOLLOWS:

This presentation has been prepared by Abu Dhabi Commercial Bank PJSC (“ADCB”), is furnished on a confidential basis and only for discussion purposes, may be amended and supplemented and may not be relied upon for the purposes of entering into any transaction. The information contained herein has been obtained from sources believed to be reliable but ADCB does not represent or warrant that it is accurate and complete. The views reflected herein are those of ADCB and are subject to change without notice. All projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of the matters described herein. They may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance.

No action has been taken or will be taken that would permit a public offering of any securities in any jurisdiction in which action for that purpose is required. No offers, sales, resales or delivery of any securities or distribution of any offering material relating to any such securities may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations.

This presentation does not constitute an offer or an agreement, or a solicitation of an offer or an agreement, to enter into any transaction (including for the provision of any services). No assurance is given that any such transaction can or will be arranged or agreed. Before entering into any transaction, you should consider the suitability of the transaction to your particular circumstances and independently review (with your professional advisers as necessary) the specific financial risks as well as the legal, regulatory, credit, tax and accounting consequences.

This presentation may include forward-looking statements that reflect ADCB's intentions, beliefs or current expectations. Forward-looking statements involve all matters that are not historical by using the words "may", "will", "would", "should", "expect", "intend", "estimate", "anticipate", "believe" and similar expressions or their negatives. Such statements are made on the basis of assumptions and expectations that ADCB currently believes are reasonable, but could prove to be wrong.

This presentation is for the recipient's use only. This presentation is not for distribution to retail clients. In particular, neither this presentation nor any copy hereof may be sent or taken or distributed in the United States, Australia, Canada or Japan or to any U.S. person (as such term is defined in Regulation S under the U.S. Securities Act 1933, as amended (the “**Securities Act**”)), except pursuant to an exemption from the registration requirements of the Securities Act. If this presentation has been received in error it must be returned immediately to ADCB. Accordingly, this presentation is being provided only to persons that are (i) "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act or (ii) not "U.S. persons" within the meaning of Regulation S under the Securities Act. By accepting the delivery of this presentation, the recipient warrants and acknowledges that it falls within the category of persons under clause (i) or (ii). No representation can be made as to the availability of the exemption provided by Rule 144 for re-sales of any securities offered by or guaranteed by ADCB. No securities offered by or guaranteed by ADCB have been recommended by, or approved by, the United States Securities and Exchange Commission (the “**SEC**”) or any other United States federal or state securities commission or regulatory authority, nor has any such commission or regulatory authority passed upon the accuracy or adequacy of this presentation.

This document does not disclose all the risks and other significant issues related to an investment in any securities/transaction. Prior to transacting, potential investors should ensure that they fully understand the terms of any securities/transaction and any applicable risks. This document is not a prospectus for any securities. Investors should only subscribe for any securities on the basis of information in the relevant prospectus and term sheet, and not on the basis of any information provided herein.

This presentation is being communicated only to (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as “**relevant persons**”). This presentation is communicated only to relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this presentation relates is available only to relevant persons and will be engaged in only with relevant persons.

By accepting this document you will be taken to have represented, warranted and undertaken that (i) you are a relevant person (as defined above); (ii) you have read and agree to comply with the contents of this notice; and (iii) you will treat and safeguard as strictly private and confidential all such information and take all reasonable steps to preserve such confidentiality.

## Balance Sheet highlights

### Ambitious vision and measured growth...

As at 30 June 2014

	AED mn	June'14	Dec'13	Change %
▶ Total assets grew 8% year to date, mainly on account of higher cash and balances with central banks and higher deposits and balances due from banks	Net loans	<b>134,302</b>	131,649	2
	Investment securities	<b>22,635</b>	20,855	9
	Total assets	<b>197,799</b>	183,143	8
▶ Net loans increased 2% and customer deposits grew 3% year to date	Customer deposits	<b>119,041</b>	115,428	3
	Borrowings	<b>28,427</b>	23,786	20
	Shareholders' equity	<b>24,698</b>	24,177	2
▶ Strong capital and liquidity position, CAR of 20.12% and net lender of AED 14 bn in the interbank markets as at 30 June 2014	<b>Ratios (%)</b>			Change bps
	Capital adequacy ratio (CAR)	<b>20.12</b>	21.21	(109)
	Tier I ratio	<b>15.83</b>	16.62	(79)
▶ LTD improved to 112.82%	Loan to deposit ratio (LTD)	<b>112.82</b>	114.05	(123)

# Income Statement highlights

## Double digit improvement in net profit...

### H1'14 vs. H1'13 Highlights

	AED mn	H1'14	H1'13	Change %	Q2'14	Q2'13	Change %
▶ H1'14 net profit up 19% at AED 2,161 mn							
	Total net interest income <sup>1</sup>	<b>2,793</b>	2,720	3	<b>1,412</b>	1,461	(3)
▶ Operating income up 1% at AED 3,775 mn. H1'13 included (AED 103 mn) one-off gain rising from retirement of hedges. Excluding the non-recurring gain, operating income was up 4% and non-interest income was up 8% at AED 982 mn	Non - interest income	<b>982</b>	1,016	(3)	<b>462</b>	531	(13)
	Operating income	<b>3,775</b>	3,735	1	<b>1,874</b>	1,991	(6)
	Operating expenses	<b>(1,206)</b>	(1,083)	11	<b>(581)</b>	(565)	3
	Operating profit	<b>2,569</b>	2,653	(3)	<b>1,293</b>	1,426	(9)
▶ Interest expense improved 24% to AED 719 mn	Impairment allowances	<b>(407)</b>	(829)	(51)	<b>(233)</b>	(507)	(54)
	Overseas income tax	<b>(1)</b>	(4)	(67)	<b>(2)</b>	(2)	47
▶ Cost to income ratio of 31.9% in H1'14	Net profit	<b>2,161</b>	1,820	19	<b>1,058</b>	917	15
▶ Net impairment allowance charge reduced to AED 407 mn in H1'14	Net profit attributable to: Equity holders of the Bank	<b>2,010</b>	1,698	18	<b>1,057</b>	869	22

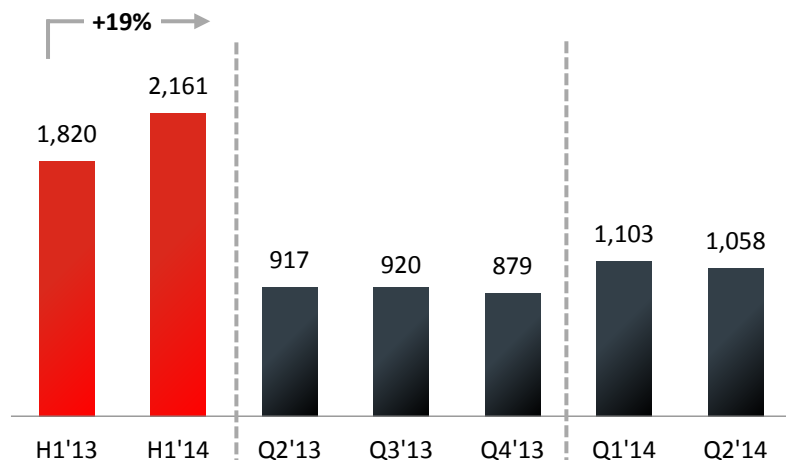
<sup>1</sup> Includes income from Islamic financing and Islamic profit distribution

# Key performance indicators

## Sustained profitability...

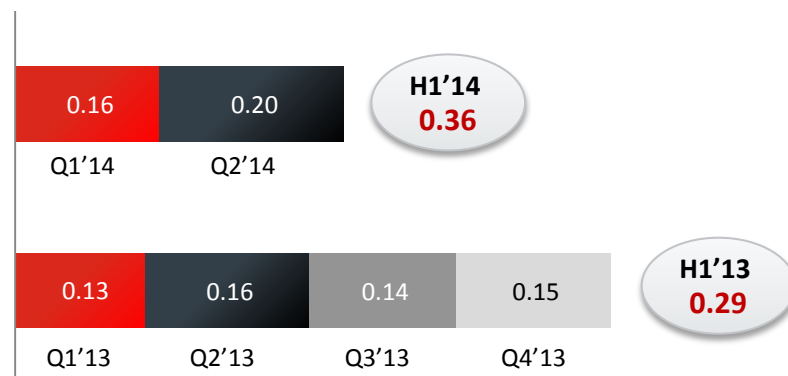
### Net profit

(AED mn)

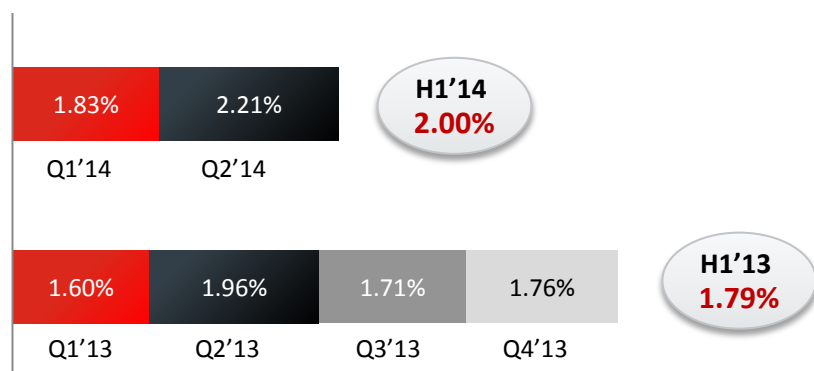


### Earnings per share

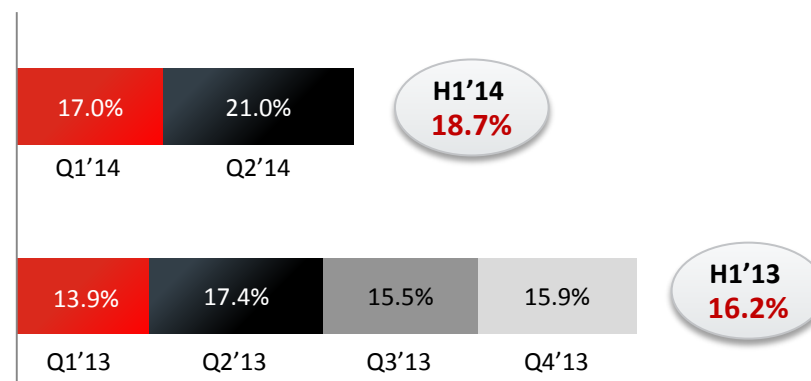
(EPS – AED)



### Return on average assets (ROAA %)\*



### Return on equity (ROE%)\*



\*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

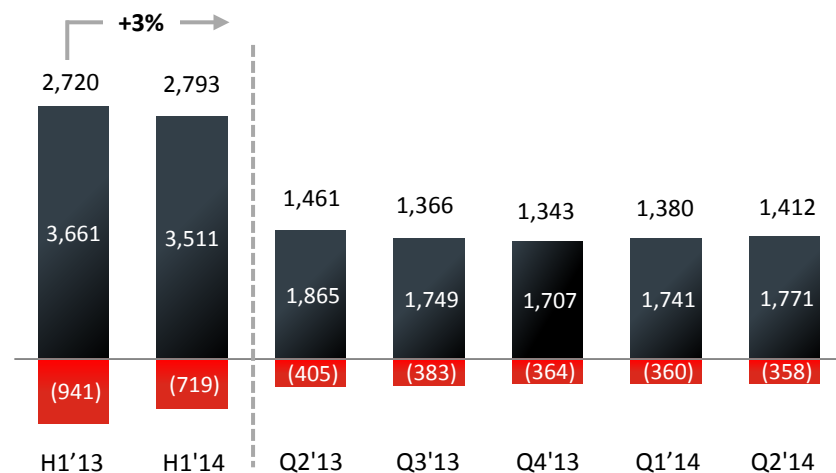
# Operating performance - Net interest income and yields

## Continued improvement in cost of funds...

### H1'14 vs. H1'13 Highlights

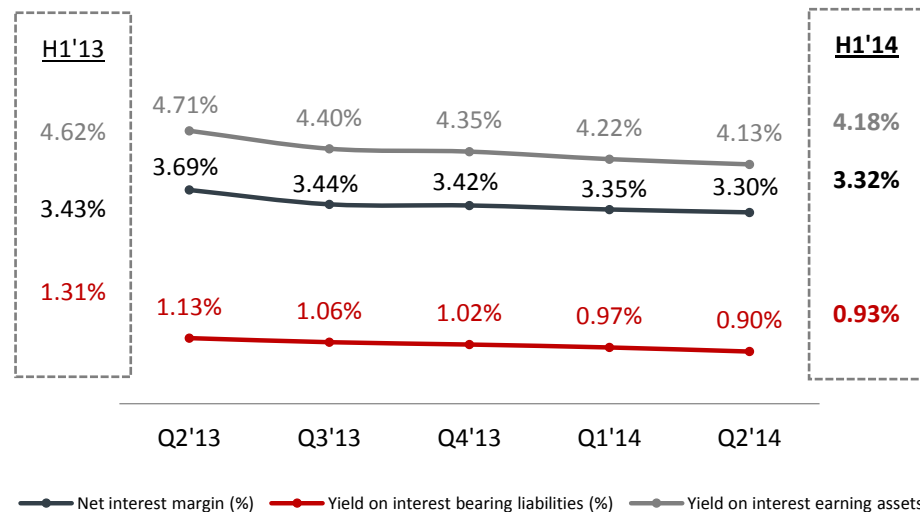
- ▶ Net interest income up 3% at AED 2,793 mn
- ▶ Cost of funds improved to 93 bps compared to 131 bps in H1'13, driven by the Bank's improved funding profile and lower EIBOR
- ▶ NIM for H1'14 was reported at 3.32%, down 11 bps year on year

#### Net interest income\* (AED mn)



\* Includes income from Islamic financing and Islamic profit distribution

#### Evolution of yields



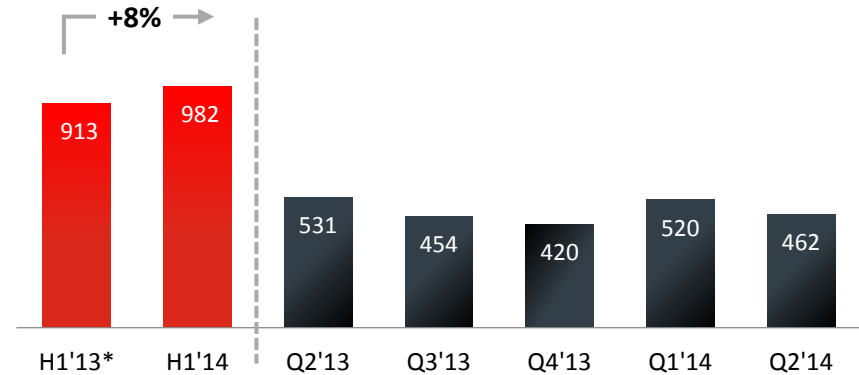
# Operating performance – Non-interest income

## Net fees and commission income significantly higher...

### H1'14 vs. H1'13 Highlights

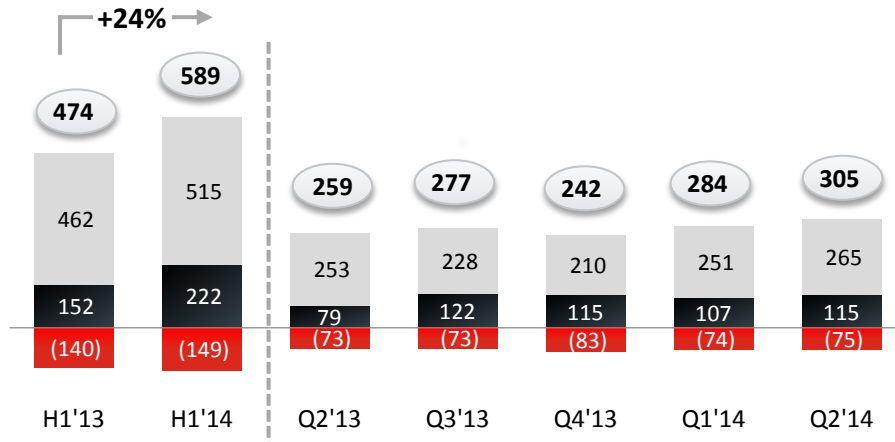
- ▶ Non-interest income comprised 26% of total operating income
- ▶ Net fees and commission income increased 24% to AED 589 mn, primarily attributable to higher corporate banking fees, up 47% year on year
- ▶ Net fees and commission income accounted for 60% of total non-interest income in H1'14 compared to 47% in H1'13

### Non interest income (AED mn)

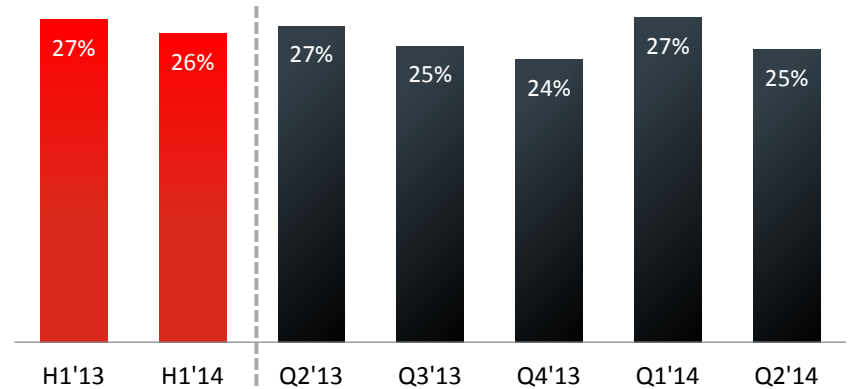


\* Excludes one-off gain rising from retirement of hedges (AED 103 mn) in H1'13

### Net fee and commission income (AED mn)



### Non-interest income to total operating income

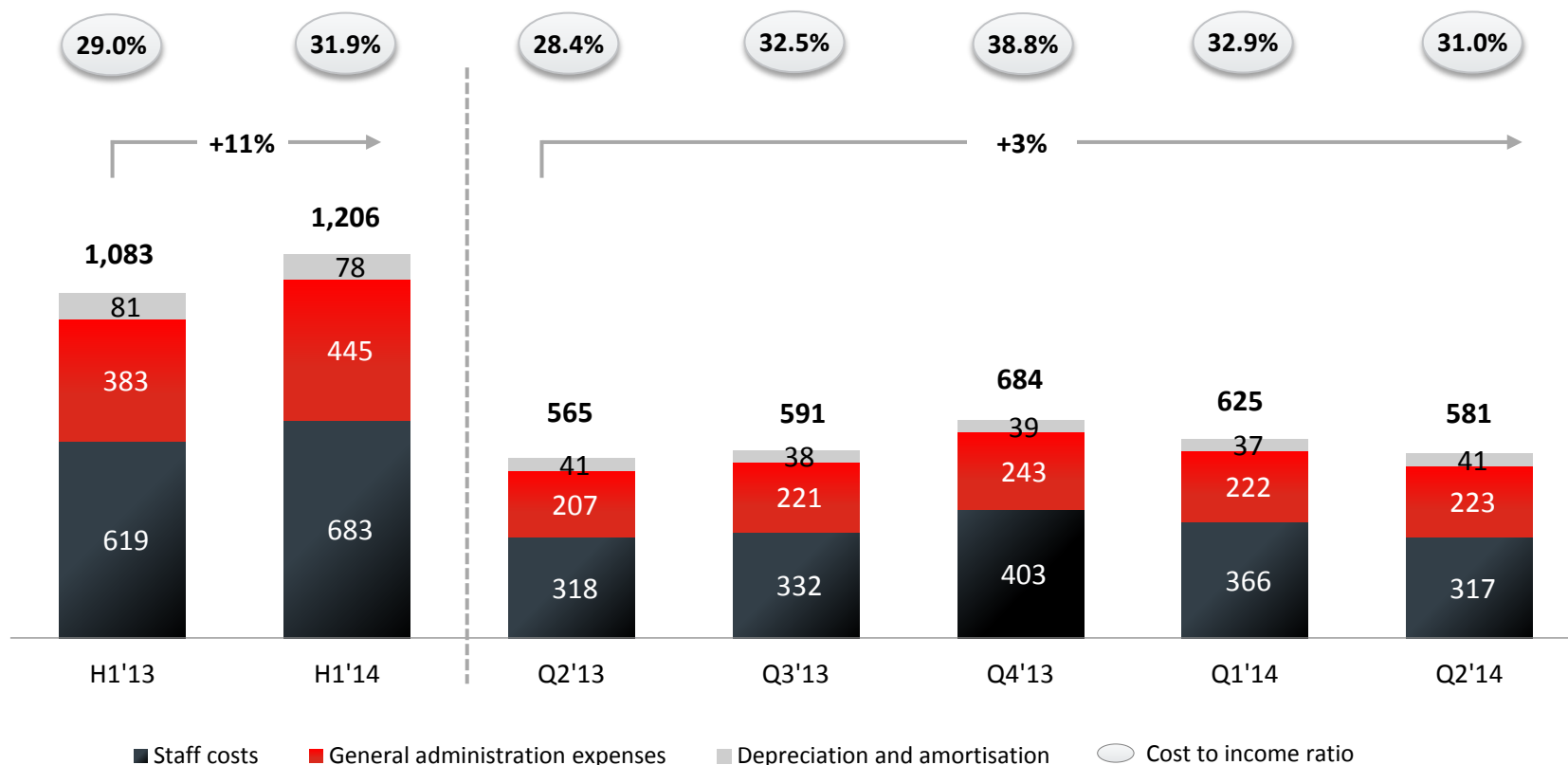


■ Retail banking fees  
■ Corporate banking fees  
■ Fees and commission expenses  
○ Total net fee and commission income

# Operating expenses Disciplined cost management....

## H1'14 vs. H1'13 Highlights

- ▶ Cost to income ratio of 31.9% in H1'14
- ▶ Operating expenses in H1'14 increased 11% year on year to AED 1,206 mn, primarily driven by higher staff costs





# Composition of assets and loan book

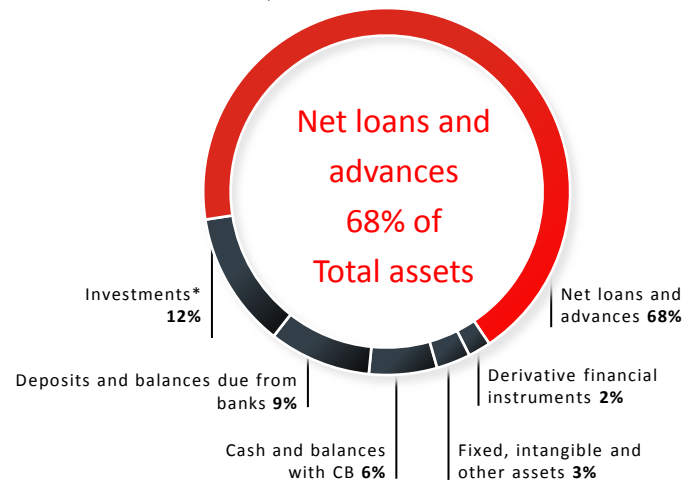
## Resilient balance sheet, UAE centric loan book...

### Highlights

- ▶ Net loans and advances comprised 68% of total assets compared to 72% at year end
- ▶ Gross loans increased 2% to AED 141 bn over 31 December 2013
- ▶ 92% of gross loans within UAE in line with the Bank's UAE centric strategy
- ▶ 58% of loan book (gross) in Abu Dhabi and 30% in Dubai
- ▶ Personal loans comprised 23% of total gross loans
- ▶ Wholesale banking loans comprised 55% and consumer banking loans comprised 45% of total loans (net)

### Composition of assets

Total assets = AED 197,799 mn

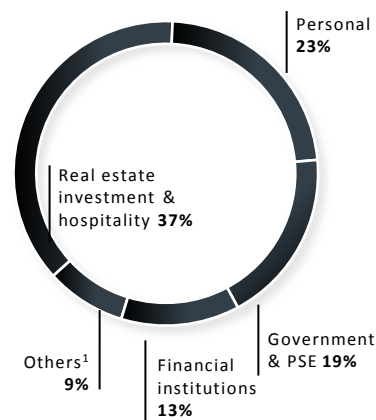


\* Investments include: investment securities, trading securities, investment properties

### Gross loans by industry

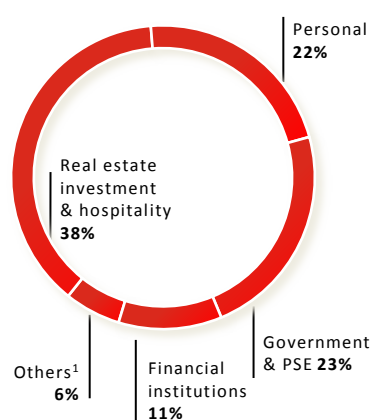
June'14

Gross loans = AED 141,026 mn



Dec'13

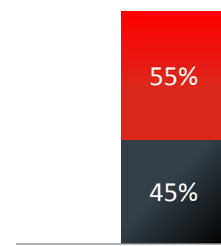
Gross loans = AED 138,539 mn



### Evolution of net loans

June'14

Net loans = AED 134,302 mn



June'14

■ Consumer

Dec'13

Net loans = AED 131,649 mn



Dec'13

■ Wholesale

¹ Agriculture, energy, trading, transport, manufacturing, services and others

# Composition of liabilities and customer deposits

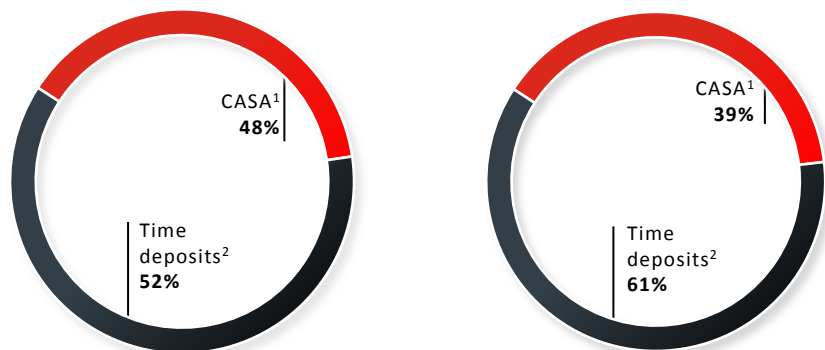
## CASA contribution significantly higher...

### Highlights

- ▶ Customer deposits comprised 69% of total liabilities compared to 73% at year end
- ▶ Customer deposits increased 3% to AED 119 bn over 31 December 2013
- ▶ CASA customer deposits improved significantly, accounting for 48% of total customer deposits compared to 39% at year end
- ▶ Consumer Banking deposits comprised 29% and Wholesale Banking deposits comprised 37% of total customer deposits
- ▶ Total Islamic deposits grew 13% to AED 9 bn year to date

### Customer deposits by type

**June'14** Customer deposits = AED 119,041 mn  
**Dec'13** Customer deposits = AED 115,428 mn

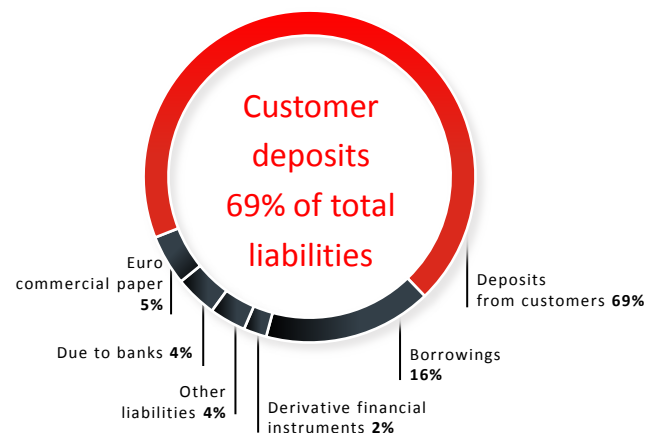


<sup>1</sup> CASA includes current account deposits, saving deposits and margin deposits  
<sup>2</sup> Time deposits include long-term government deposits and Murabaha deposits

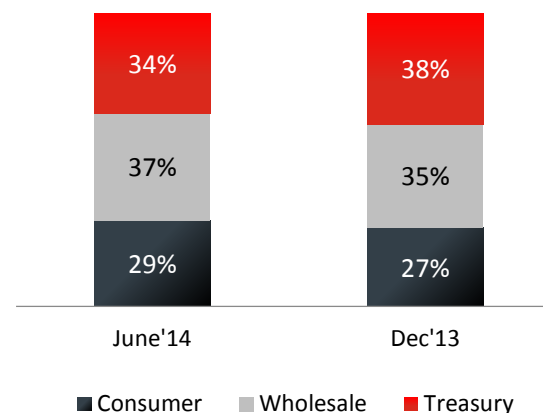
### Composition of liabilities

**June'14**

Total liabilities = AED 173,092 mn



### Evolution of deposits



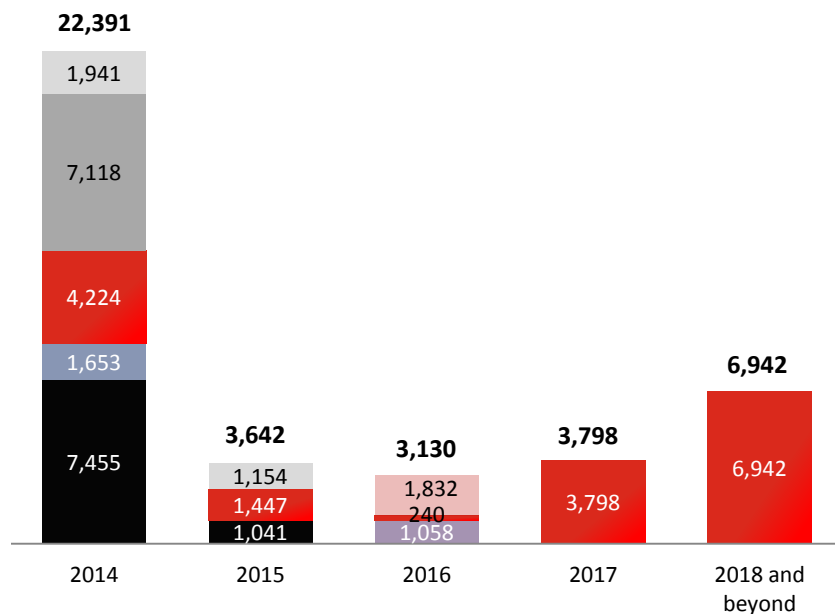
# Wholesale funding and maturity profile

## Stable funding and liquidity profile...

### ► Diversified sources of funding by markets, tenors, currencies and products

#### Maturity profile

As at 30 June 2014 (AED mn)



■ ECP ■ Loans ■ Sub Debt ■ MTN/GMTN<sup>1</sup> ■ Sukuk ■ Interbank borrowings<sup>2</sup> ■ Others

<sup>1</sup> Does not include fair value adjustment on short, medium and long term borrowings being hedged

<sup>2</sup> The above reflects only the borrowings in the interbank markets, the Bank was a lender of AED 21 bn in the interbank markets as at 30 June 2014. Net lending in the interbank market AED 14 bn

#### Wholesale funding split

As at 30 June 2014

Source of funds	AED mn
GMTN/EMTN <sup>1</sup>	16,650
Sub Debt	5,257
Interbank borrowings <sup>2</sup>	7,119
Euro Commercial Paper	8,946
Others (Repo)	3,095
Islamic Sukuk Notes	1,832
Bilateral loans	1,653
CD Issuances	-
<b>Total</b>	<b>44,552</b>

# Investment securities

## 98% of the total portfolio invested in bonds...

### Highlights

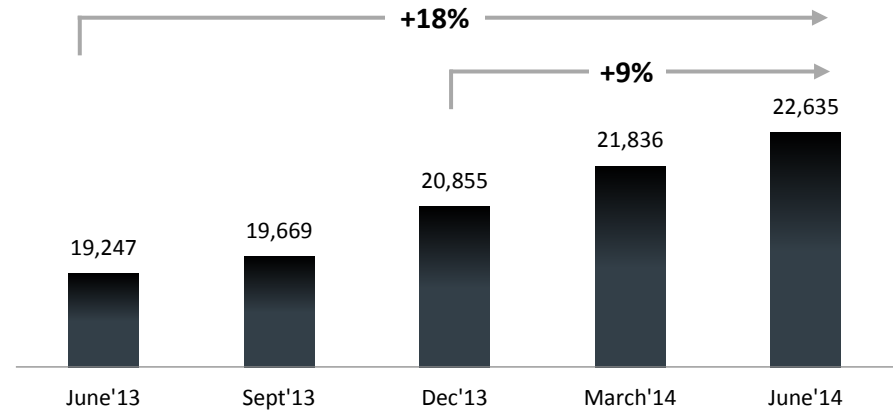
- ▶ Investment securities portfolio increased to AED 22,635 mn, representing an increase of 9% year to date, mainly attributable to increase in available for sale investments in government securities in the UAE
- ▶ 98% of the total portfolio was invested in bonds issued by government, corporate, public sector, banks and financial institutions
- ▶ Average life of the investment securities portfolio is 2.4 years
- ▶ 62% invested in the UAE and other GCC countries

### Portfolio Summary:

- ▶ 52% of Non Government available for sale investments are rated A3 or better
- ▶ 26% of the portfolio is invested in Government securities
- ▶ 10% is invested in local public sector bonds

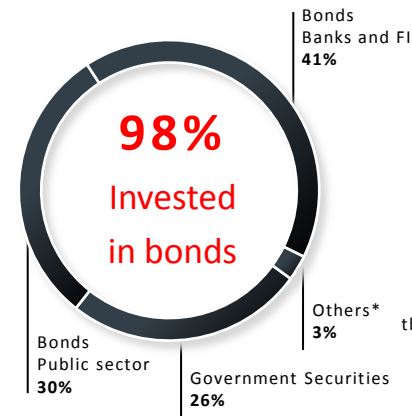
### Investment securities

(AED mn)

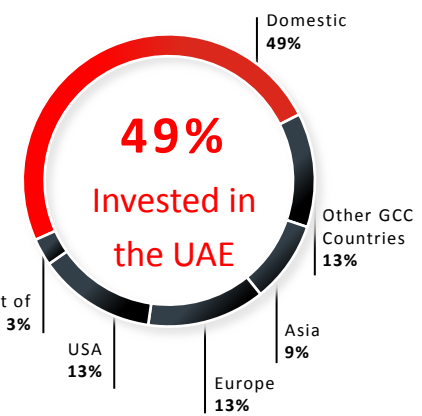


### Investments

#### By issuer

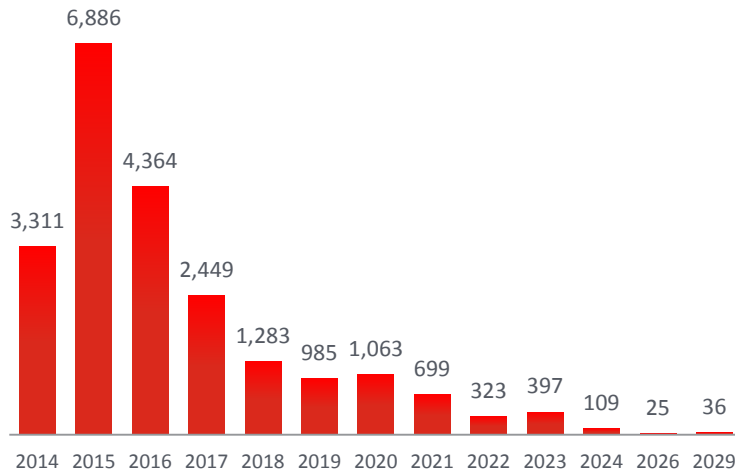


#### By region



### Maturity profile of investment securities portfolio

(AED mn)



\* Include corporate bonds, equity instruments and mutual funds

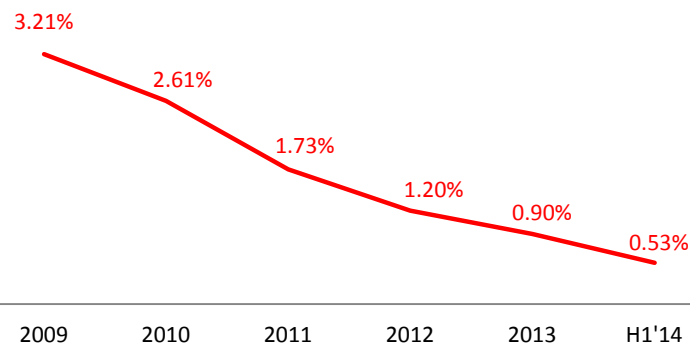
# Asset quality

## Continued improvement in credit quality...

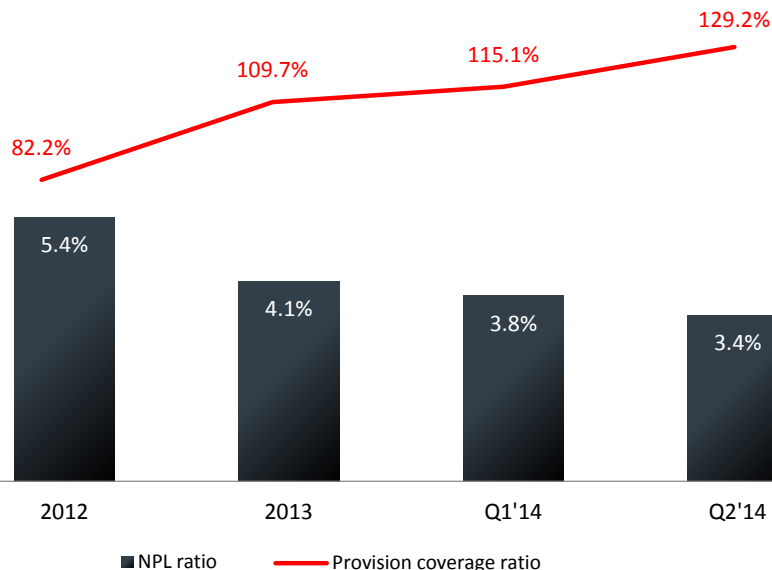
### Highlights

- ▶ Cost of risk for H1'14 was reported at 53 bps
- ▶ NPL ratio improved to 3.4% vs. 4.1% at year end, and provision coverage ratio improved to 129.2% from 109.7% at year end
- ▶ Non-performing loans were at AED 4,787 mn compared to AED 5,722 mn as at 31 December 2013, an improvement of 16% year to date
- ▶ Collective impairment allowance balance was AED 2,919 mn and 2.14% of credit risk weighted assets and individual impairment allowance balance was AED 3,804 mn as at 30 June 2014

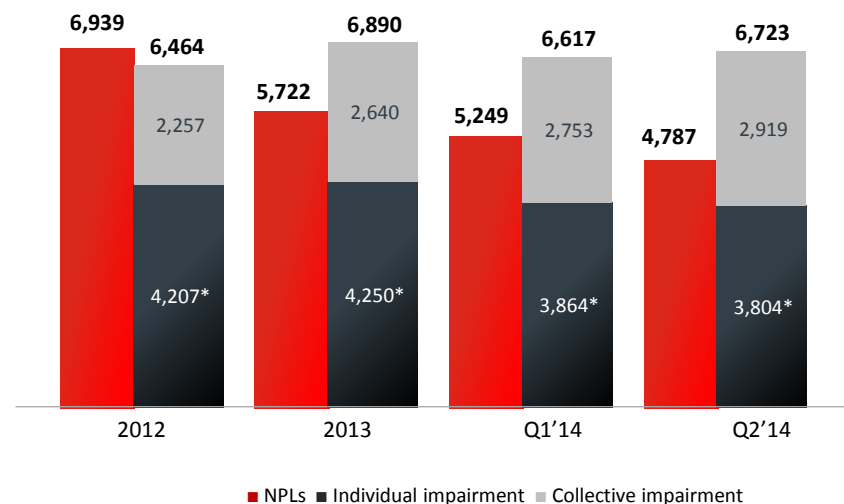
### Cost of risk<sup>1</sup>



### NPL and provision coverage ratios



### NPLs and impairment allowances (AED mn)



Dubai World exposure classified to performing status in 2011 as the client is performing in accordance with the new restructured terms

<sup>1</sup> Cost of risk: Total provisions including investments/average loans & advances and investments

\* Includes provision for Dubai World exposure

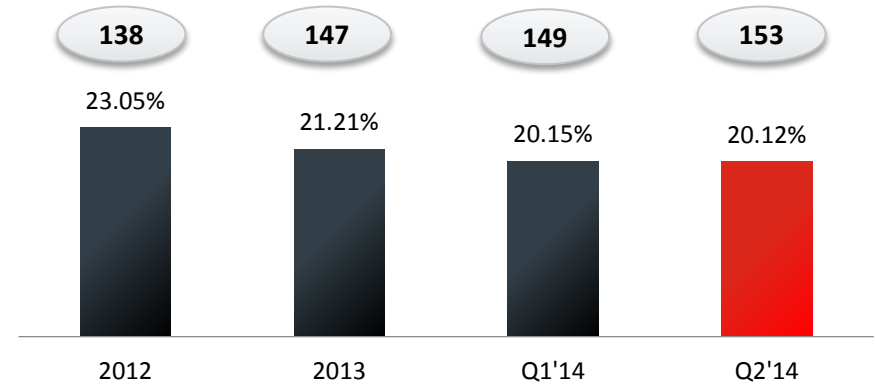
## Strong capital and liquidity position...

### Highlights

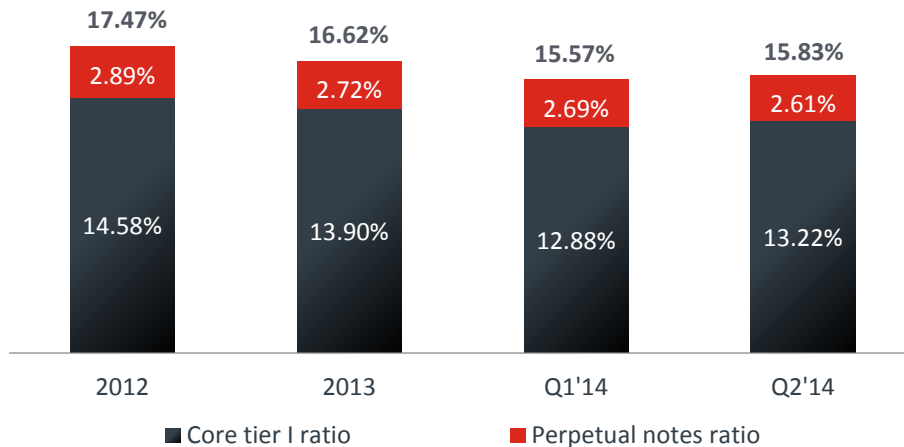
- ▶ CAR of 20.12% and core tier 1 of 13.22%
- ▶ Liquidity ratio improved to 26.5% from 22.8% at year end

### Capital adequacy ratio

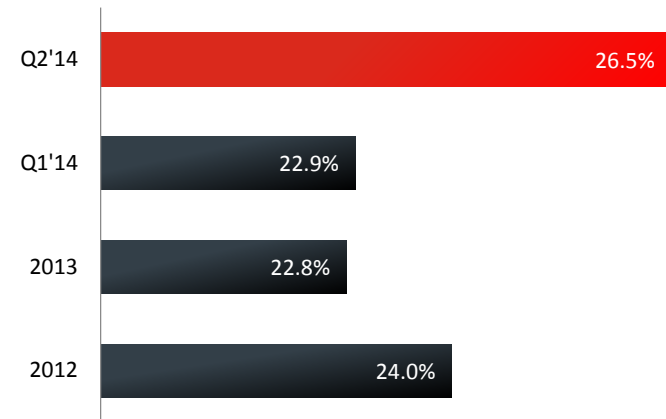
Risk weighted assets (AED bn)



### Tier I and core Tier I ratios



### Liquidity ratio\*



\* Liquid assets include cash and balances with Central Banks, deposits and balances due from banks, trading securities, and liquid investments (liquidity ratio: liquid assets/total assets)

## Summary

- ▶ Continue to follow a corporate strategy based on measured growth and discipline
- ▶ Double digit improvement in net profit in the first half of 2014
- ▶ Resilient balance sheet, CASA contribution significantly higher
- ▶ Disciplined cost management, interest expense reduced significantly
- ▶ Continued improvement in asset quality
- ▶ Capital position at industry leading levels

# Appendix



## H1'14 awards

The Banker Middle East Product Awards 2014; “Best New SME Product”, “Best SME Customer Service” and “Best Trade Finance Offering”

World Finance Magazine Award;  
“Best Corporate Governance in UAE”

Banker Middle East Industry Awards;  
“Best Corporate Bank and Best Transaction Bank”

Global Finance Magazine; “Best Overall Bank for Cash Management (first time by a Middle East Bank)” and “Best Trade Finance Bank in the UAE”

The Asian Banker Awards; “Best Retail Bank in the UAE” (for the sixth year) and “Best Deposit Product Business in Middle East”

The Asian Banker Magazine;  
“Best Domestic Cash Management Bank in the UAE”

Asian Banking and Finance Magazine; “UAE Domestic Cash Management Bank of the Year”

Trade Finance Magazine; “Best Trade Bank in the Middle East and North Africa” and “Best Islamic Trade Finance Bank in the Middle East and North Africa”

## Balance sheet

AED mn	June'14	Dec'13	Change %
Cash and balances with Central Banks	12,741	9,961	28
Deposits and balances due from banks	18,256	11,345	61
Trading securities	211	885	(76)
Derivative financial instruments	3,613	3,616	(0)
Investment securities	22,635	20,855	9
Loans and advances, net	134,302	131,649	2
Investment properties	593	561	6
Other assets	4,605	3,405	35
Property and equipment, net	796	805	(1)
Intangible assets	48	62	(22)
<b>Total assets</b>	<b>197,799</b>	<b>183,143</b>	<b>8</b>
Due to banks	7,119	4,291	66
Derivative financial instruments	3,885	3,966	(2)
Deposits from customers	119,041	115,428	3
Euro Commercial Paper	8,496	5,940	43
Borrowings	28,427	23,786	20
Other liabilities	6,124	4,911	25
<b>Total liabilities</b>	<b>173,092</b>	<b>158,321</b>	<b>9</b>
Total shareholders' equity	24,698	24,177	2
Non -controlling interests	9	645	(99)
<b>Total liabilities and shareholders' equity</b>	<b>197,799</b>	<b>183,143</b>	<b>8</b>

## Income statement

AED mn	June'14	June'13	Change %
Interest income and income from Islamic financing	3,511	3,661	(4)
Interest expense and profit distribution	(719)	(941)	(24)
<b>Net interest and Islamic financing income</b>	<b>2,793</b>	<b>2,720</b>	<b>3</b>
Net fees and commission income	589	474	24
Net trading income	252	299	(16)
Other operating income	141	243	(42)
<b>Non interest income</b>	<b>982</b>	<b>1,016</b>	<b>(3)</b>
<b>Operating income</b>	<b>3,775</b>	<b>3,735</b>	<b>1</b>
Staff expenses	(683)	(619)	10
Other operating expenses	(445)	(383)	16
Depreciation	(65)	(65)	(1)
Amortisation of intangible assets	(14)	(16)	(14)
<b>Operating expenses</b>	<b>(1,206)</b>	<b>(1,083)</b>	<b>11</b>
<b>Operating profit before impairment allowances &amp; taxation</b>	<b>2,569</b>	<b>2,653</b>	<b>(3)</b>
Impairment allowance on loans and advances	(564)	(966)	(42)
Recovery of loans	142	111	28
Recoveries on written off available for sale investments	15	27	(44)
Overseas income tax expense	(1)	(4)	(67)
<b>Net profit</b>	<b>2,161</b>	<b>1,820</b>	<b>19</b>
Attributed to:			
Equity holders of the Parent	2,010	1,698	18
Non-controlling interests	151	122	23
<b>Net Profit</b>	<b>2,161</b>	<b>1,820</b>	<b>19</b>