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Abu Dhabi Commercial Bank PJSC

Q3'14/9M'14 Earnings presentation

بنك أبوظبي التجاري

ADCB



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## Balance sheet highlights

Strong and conservative balance sheet providing a solid foundation...

As at 30 September 2014

- ▶ Total assets grew 8% year to date, mainly on account of higher cash and balances with central banks, deposits and balances due from banks and loans and advances
- ▶ Net loans increased 3% and customer deposits grew 5% year to date, with CASA contribution accounting for 47% total customer deposits
- ▶ Investment securities increased 5% over 31 December 2013, providing a liquidity pool for the Bank
- ▶ Strong capital and liquidity position, CAR of 21.25% and net lender of AED 16 bn in the interbank markets as at 30 September 2014
- ▶ Loan to deposit ratio improved to 111.83% from 114.05% over 31 December 2013

AED mn	Sep'14	Dec'13	Change %
Net loans	<b>135,887</b>	131,649	3
Investment securities	<b>21,800</b>	20,855	5
Total assets	<b>198,425</b>	183,143	8
Customer deposits	<b>121,516</b>	115,428	5
Borrowings	<b>30,321</b>	23,786	27
Shareholders' equity	<b>25,607</b>	24,177	6
<b>Ratios (%)</b>			<b>Change bps</b>
Capital adequacy ratio (CAR)	<b>21.25</b>	21.21	4
Tier I ratio	<b>16.90</b>	16.62	28
Loan to deposit ratio (LTD)	<b>111.83</b>	114.05	(22)

<sup>1</sup> Shareholders' equity attributable to equity holder of the bank

# Income statement highlights

## Sustained profitability and strong operating performance...

### 9M'14 vs. 9M'13 Highlights

- ▶ 9M'14 net profit up 16% at AED 3,179 mn

- ▶ Diversified sources of income:

Operating income up 2% at AED 5,645 mn. 9M'13 included a one-off gain of AED 100 mn arising from retirement of hedges. Excluding the non-recurring gain, operating income for 9M'14 increased 3% and non-interest income increased 6% at AED 1,452 mn

- ▶ Significant improvement in cost of funds:

Interest expense reduced 20% to AED 1,056 mn, cost of funds for 9M'14 was 90 bps

- ▶ Efficiently managed cost base:

Cost to income ratio for 9M'14 was 32.8% within our target range

- ▶ Consistent improvement in asset quality:

Net impairment allowance charge reduced to AED 608 mn in 9M'14, cost of risk for 9M'14 was at record low levels at 52 bps

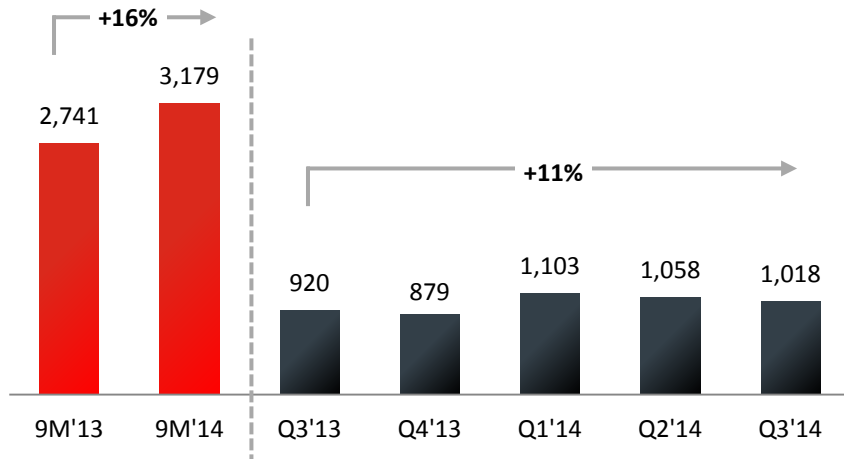
AED mn	9M'14	9M'13	Change %	Q3'14	Q3'13	Change %
Total net interest income <sup>1</sup>	<b>4,193</b>	4,086	3	1,400	1,366	2
Non - interest income	<b>1,452</b>	1,470	(1)	470	454	3
Operating income	<b>5,645</b>	5,556	2	1,870	1,821	3
Operating expenses	<b>(1,854)</b>	(1,674)	11	(648)	(591)	10
Operating profit	<b>3,791</b>	3,882	(2)	1,221	1,230	(1)
Impairment allowances	<b>(608)</b>	(1,137)	(46)	(201)	(308)	(35)
Overseas income tax	<b>(3)</b>	(5)	(35)	(2)	(2)	34
Net profit	<b>3,179</b>	2,741	16	1,018	920	11
Net profit attributable to Equity holders of the Bank	<b>3,028</b>	2,572	18	1,017	874	16

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

## Key performance indicators...

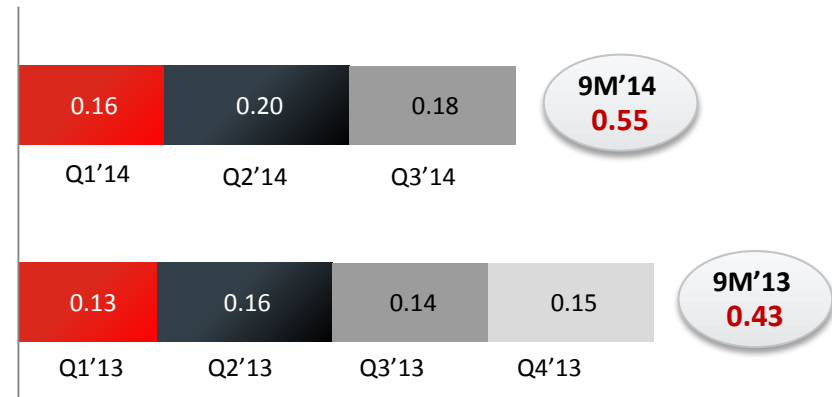
### Net profit

(AED mn)

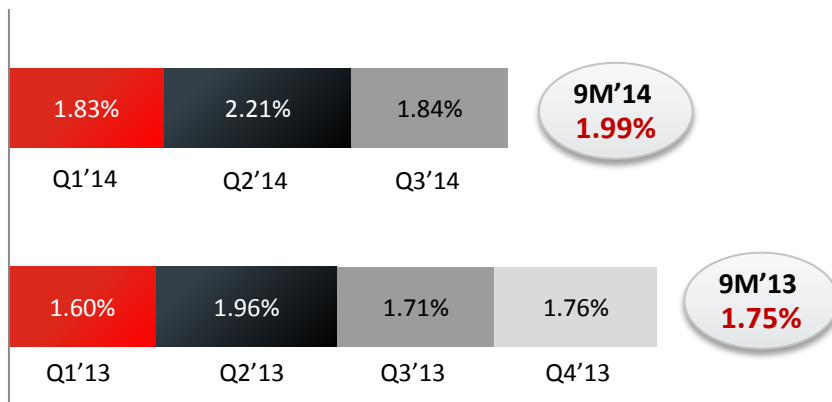


### Earnings per share

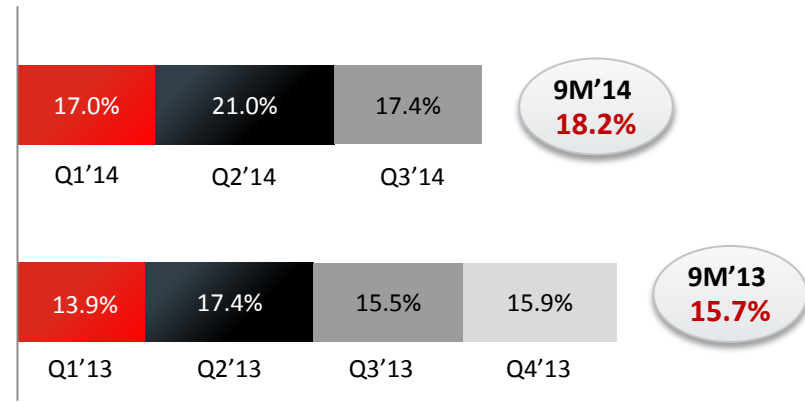
(EPS – AED)



### 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

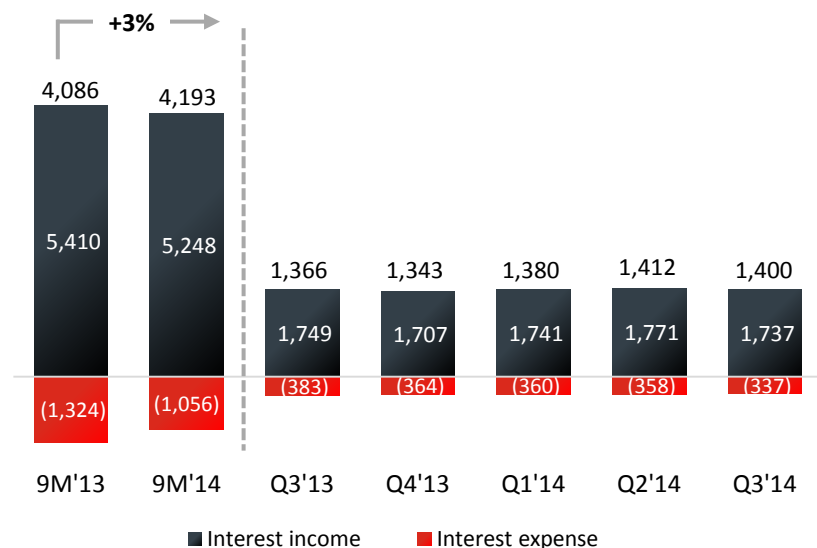
## Significant improvement in cost of funds...

### 9M'14 vs. 9M'13 Highlights

- ▶ Net interest income up 3% at AED 4,193 mn
- ▶ Cost of funds improved to 90 bps compared to 123 bps in 9M'13, mainly driven by the Bank's ongoing efforts to increase low cost customer deposits (CASA contribution at 47%). Interest expense for Q3'14 at a record low for the Bank at AED 337 mn
- ▶ NIM for 9M'14 was 3.28%

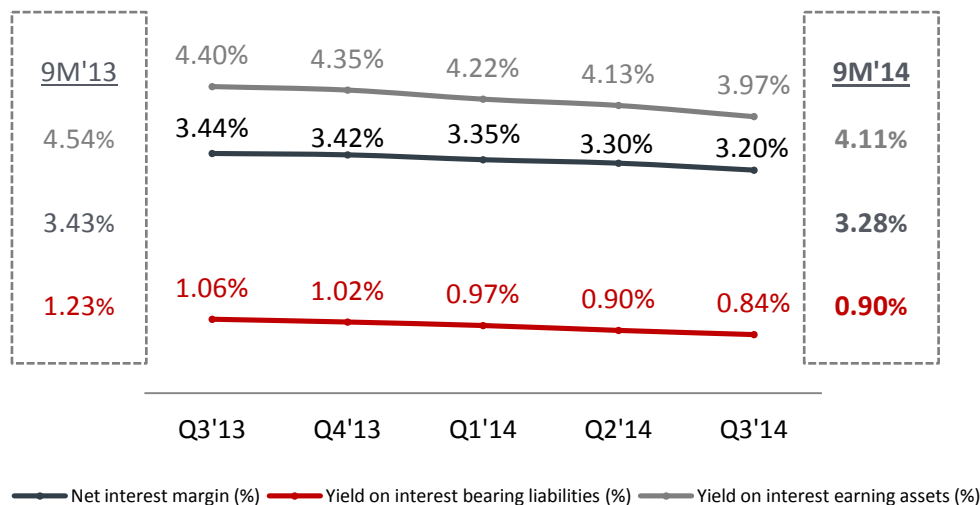
#### Net interest income\*

(AED mn)



\* Includes income from Islamic financing and Islamic profit distribution

#### Evolution of yields



# Operating performance

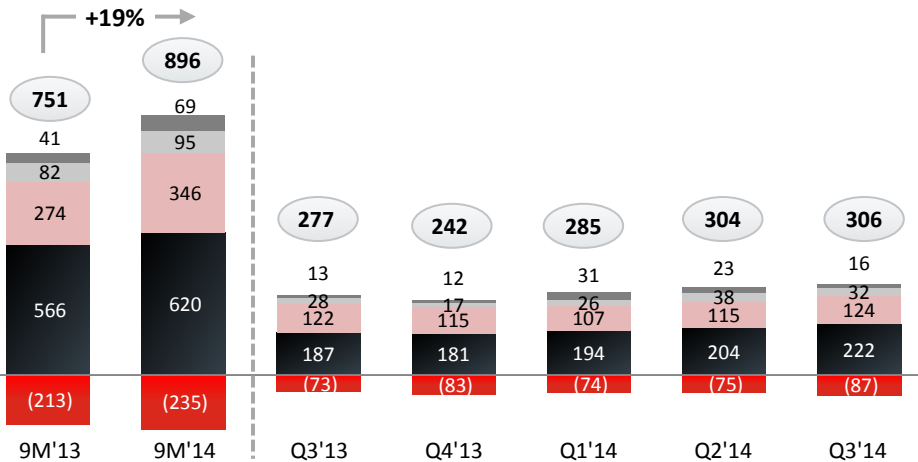
## Diversified revenue stream, robust fee income growth...

### 9M'14 vs. 9M'13 Highlights

- ▶ Non-interest income contribution to total operating income unchanged at 26%
- ▶ Net fees and commission income increased 19% to AED 896 mn, primarily attributable to higher corporate banking fees, up 26% and retail banking fees up 10% year on year
- ▶ Net fees and commission income accounted for 62% of total non-interest income in 9M'14 compared to 51% in 9M'13

### Net fee and commission income

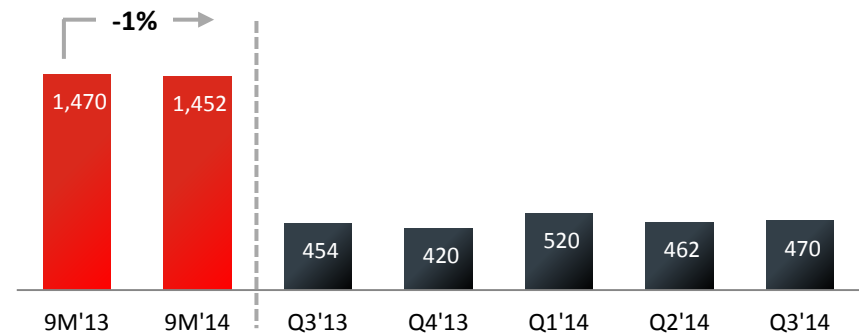
(AED mn)



- Retail banking fees
- Corporate banking fees
- Fees from trust and fiduciary activities
- Brokerage and other fees
- Fees and commission expenses
- Total net fee and commission income

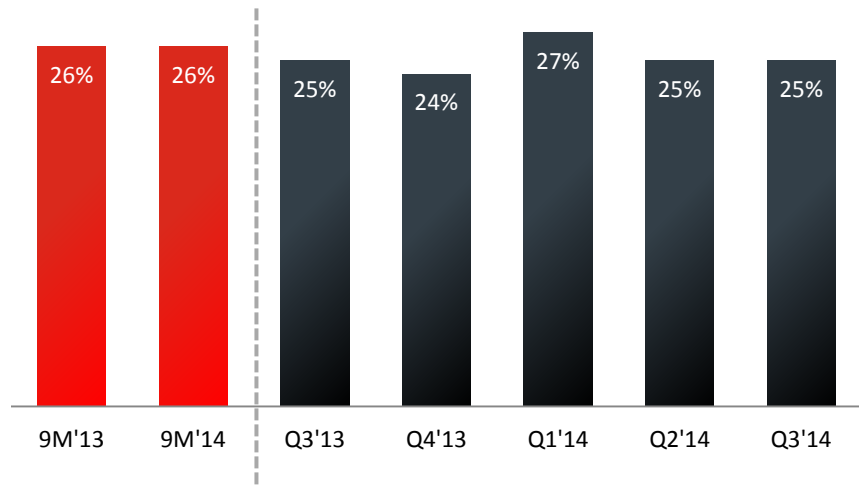
### Non interest income

(AED mn)



\* Excludes one-off gain arising from retirement of hedges (AED 100 mn) in 9M'14

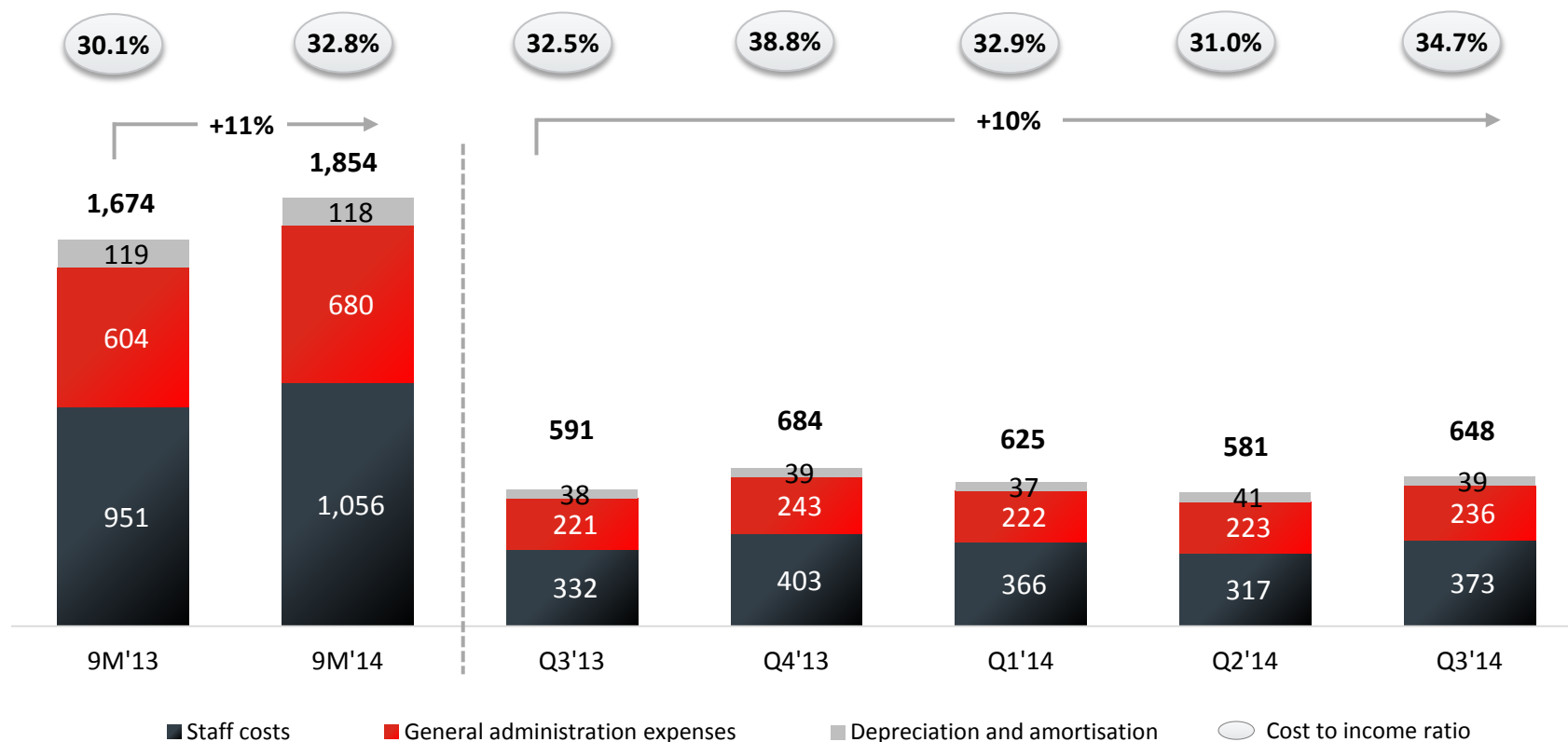
### Non-interest income to total operating income



# Operating expenses Efficiently managed cost base....

## 9M'14 vs. 9M'13 Highlights

- ▶ Cost to income ratio for 9M'14 was 32.8%, within our target range
- ▶ Operating expenses in 9M'14 increased 11% year on year to AED 1,854 mn
- ▶ Staff costs as a percentage of total operating expenses remained unchanged at 57%





# Composition of assets and loan book

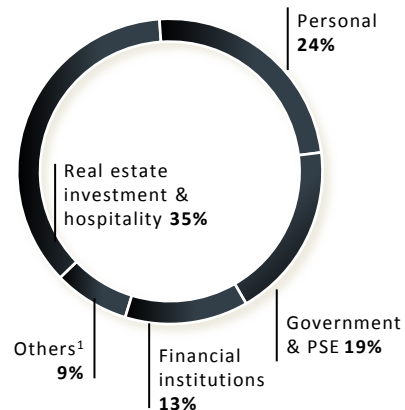
## Resilient balance sheet, UAE centric loan book...

### Highlights

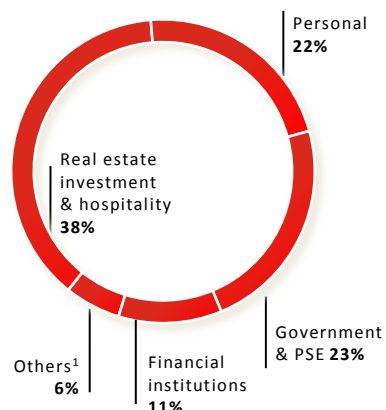
- ▶ Net loans and advances comprised 69% of total assets compared to 72% at year end. The significant increase in cash and balances with Central Banks and, deposits and balances due from banks year to date, provides further liquidity for the Bank
- ▶ Despite large repayments, gross loans increased 3% to AED 143 bn over 31 December 2013
- ▶ 90% of gross loans within UAE in line with the Bank's UAE centric strategy
- ▶ 56% of loan book (gross) in Abu Dhabi and 29% in Dubai
- ▶ Personal loans comprised 24% of total gross loans, compared to 22% as at 31 December 2013
- ▶ Wholesale banking loans comprised 55% and consumer banking loans comprised 45% of total loans (net)

### Gross loans by industry

Sep'14  
Gross loans = AED 142,651 mn

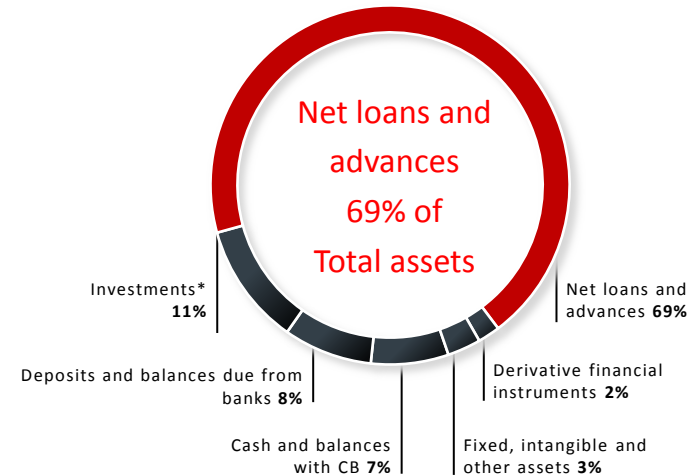


Dec'13  
Gross loans = AED 138,539 mn



### Composition of assets

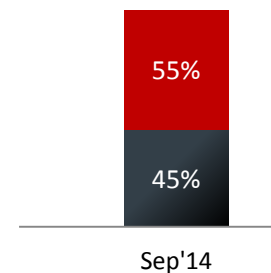
Total assets = AED 198,425 mn



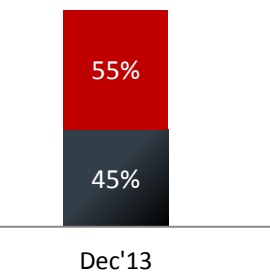
\* Investments include: investment securities, trading securities, investment properties

### Evolution of net loans

Sep'14  
Net loans = AED 135,887 mn



Dec'13  
Net loans = AED 131,649 mn



Sep'14

Dec'13

■ Consumer

■ Wholesale

<sup>1</sup> Agriculture, energy, trading, transport, manufacturing, services and others

# Composition of liabilities and customer deposits

## CASA contribution significantly higher...

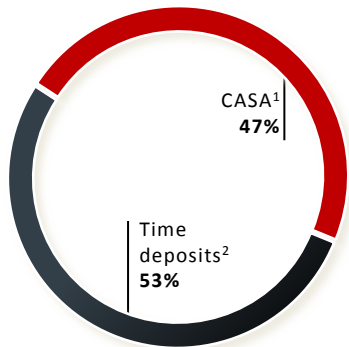
### Highlights

- ▶ Diversified sources of funding, customer deposits comprised 70% of total liabilities. Euro commercial paper and borrowings increased 15% and 27% respectively over 31 December 2013
- ▶ Customer deposits increased 5% to AED 122 bn over 31 December 2013
- ▶ CASA customer deposits improved significantly, accounting for 47% 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 5% to AED 9 bn year to date

### Customer deposits by type

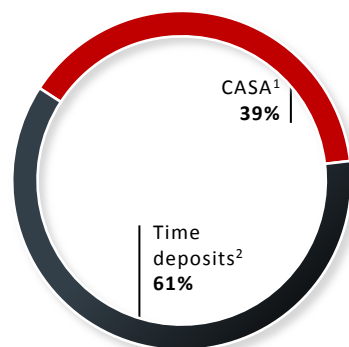
Sep'14

Customer deposits = AED 121,516 mn



Dec'13

Customer deposits = AED 115,428 mn



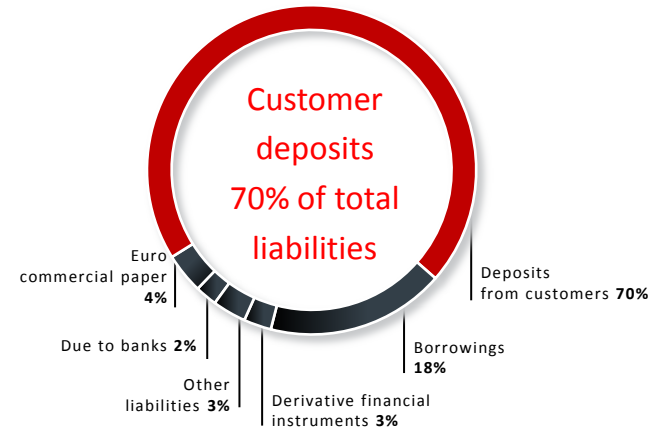
<sup>1</sup> CASA includes current account deposits, saving deposits and margin deposits

<sup>2</sup> Time deposits include long-term government deposits and Murabaha deposits

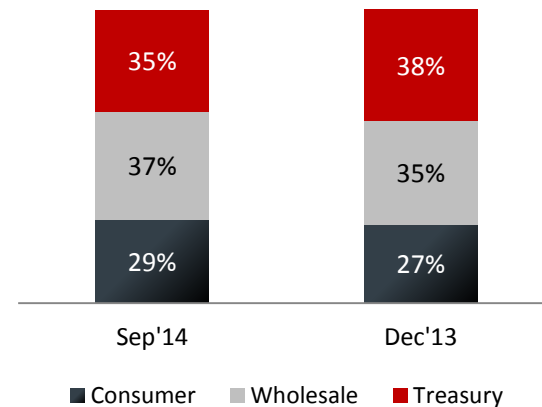
### Composition of liabilities

Sep'14

Total liabilities = AED 172,809 mn



### Evolution of deposits



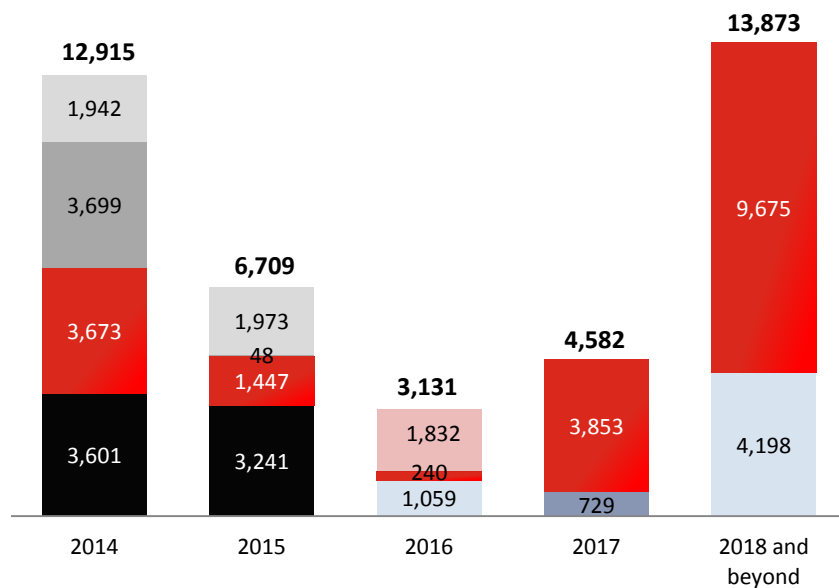
# Wholesale funding and maturity profile

## Stable funding and liquidity profile...

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

#### Maturity profile

As at 30 September 2014 (AED mn)



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

#### Wholesale funding split

As at 30 September 2014

Source of funds	AED mn
GMTN/EMTN <sup>1</sup>	18,888
Sub Debt	5,257
Interbank borrowings <sup>2</sup>	3,747
Euro Commercial Paper	6,842
Others (Repo)	3,915
Islamic Sukuk Notes	1,832
Bilateral loans	729
CD Issuances	-
<b>Total</b>	<b>41,210</b>

<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 16 bn in the interbank markets as at 30 September 2014

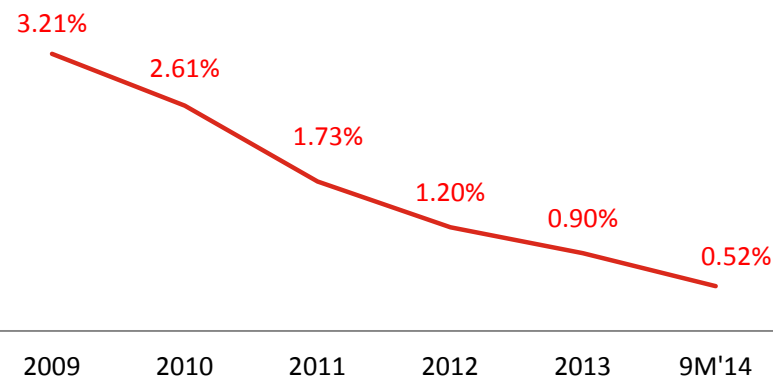
# Asset quality

## Continued improvement in asset quality metrics...

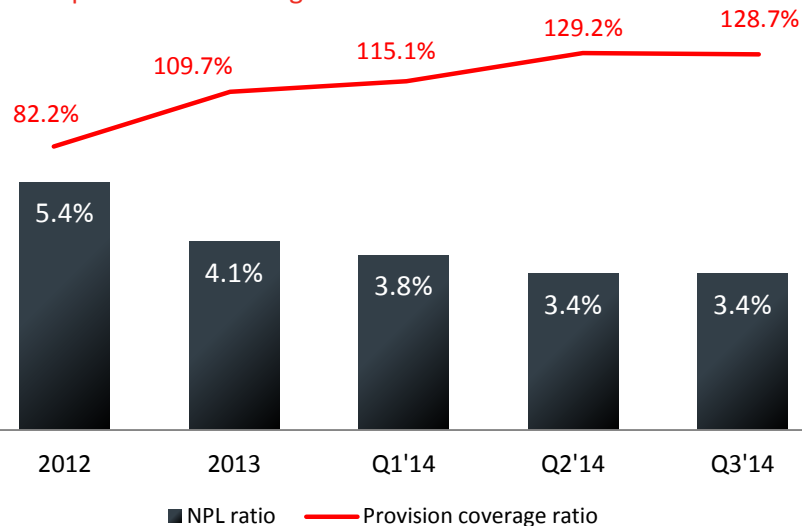
### Highlights

- ▶ Cost of risk for 9M'14 was 52 bps compared to 1.07% for 9M'13 and 0.90% as at 31 December 2013
- ▶ NPL ratio improved to 3.4% vs. 4.1% at year end, and provision coverage ratio improved to 128.7% from 109.7% at year end
- ▶ Non-performing loans were at AED 4,868 mn compared to AED 5,722 mn as at 31 December 2013, an improvement of 15% year to date
- ▶ Collective impairment allowance balance was AED 2,919 mn and 2.21% of credit risk weighted assets and individual impairment allowance balance was AED 3,844 mn as at 30 September 2014

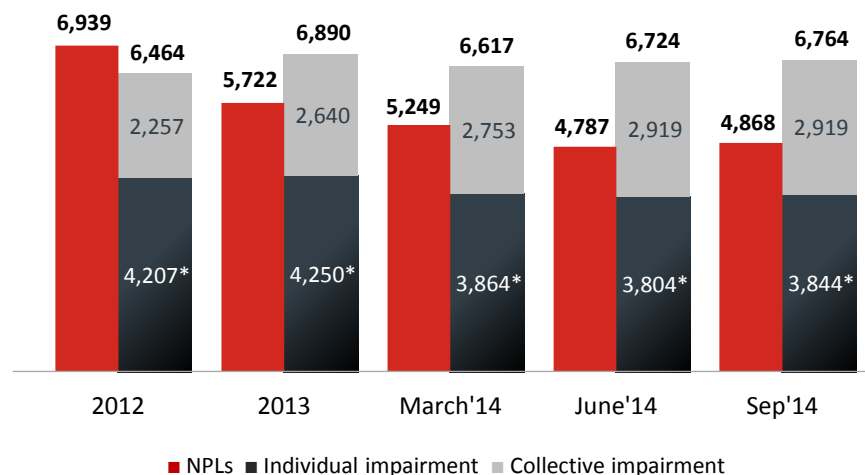
### Cost of risk<sup>1</sup>



### 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 charged (net of recoveries) including investments/average loans & advances and investments

\* Includes provision for Dubai World exposure

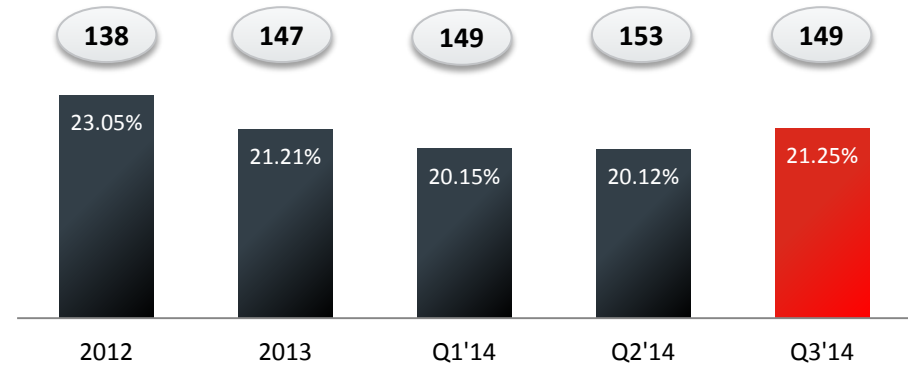
## Strong liquidity and capital position at industry leading levels...

### Highlights

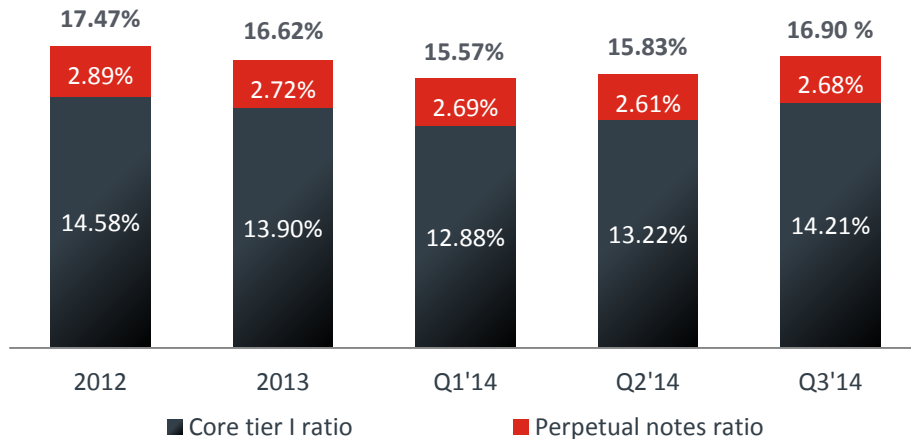
- ▶ As at 30 September 2014, the Bank's capital adequacy ratio was 21.25% compared to 21.21% as at 31 December 2013
- ▶ Tier I ratio was 16.90% compared to 16.62% at year end
- ▶ The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and Tier I minimum requirement is 8%
- ▶ The Bank's liquidity ratio improved to 26.4% in 9M'14 compared to 25.2% in 9M'13 and 22.8% as at 31 December 2013
- ▶ Net lender of AED 16 bn in the interbank markets as at 30 September 2014

### Capital adequacy ratio

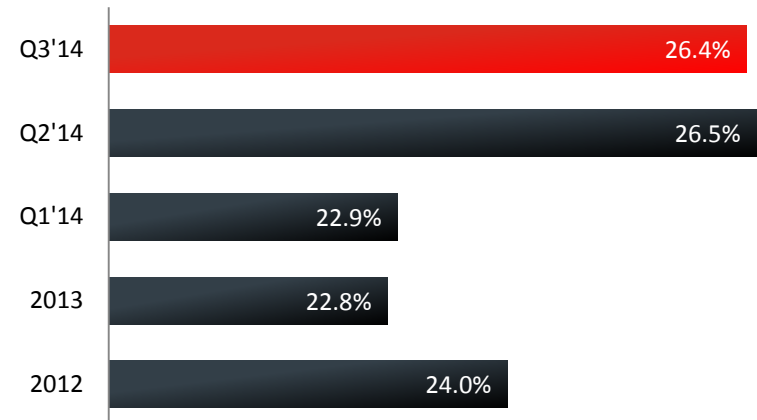
Risk weighted assets (AED bn)



### 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
- ▶ Sustained profitability and strong operating performance
- ▶ Significant improvement in cost of funds and efficiently managed cost base
- ▶ Continued improvement in asset quality
- ▶ Strong liquidity and capital position at industry leading levels



# Appendix

## 9M'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”

Euromoney Award; “Best Cash Management Bank in the UAE” for the second year in a row

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	Sep'14	Dec'13	Change %
Cash and balances with Central Banks	14,309	9,961	44
Deposits and balances due from banks	16,549	11,345	46
Trading securities	176	885	(80)
Derivative financial instruments	4,144	3,616	15
Investment securities	21,800	20,855	5
Loans and advances, net	135,887	131,649	3
Investment properties	593	561	6
Other assets	4,129	3,405	21
Property and equipment, net	797	805	(1)
Intangible assets	41	62	(33)
<b>Total assets</b>	<b>198,425</b>	<b>183,143</b>	<b>8</b>
Due to banks	3,747	4,291	(13)
Derivative financial instruments	4,684	3,966	18
Deposits from customers	121,516	115,428	5
Euro Commercial Paper	6,842	5,940	15
Borrowings	30,321	23,786	27
Other liabilities	5,699	4,911	16
<b>Total liabilities</b>	<b>172,809</b>	<b>158,321</b>	<b>9</b>
Total shareholders' equity	25,607	24,177	6
Non -controlling interests	10	645	(98)
<b>Total liabilities and shareholders' equity</b>	<b>198,425</b>	<b>183,143</b>	<b>8</b>

## Income statement

AED mn	9M'14	9M'13	Change %
Interest income and income from Islamic financing	5,248	5,410	(3)
Interest expense and profit distribution	(1,056)	(1,324)	(20)
<b>Net interest and Islamic financing income</b>	<b>4,193</b>	<b>4,086</b>	<b>3</b>
Net fees and commission income	896	751	19
Net trading income	334	409	(18)
Other operating income	222	310	(28)
<b>Non interest income</b>	<b>1,452</b>	<b>1,470</b>	<b>(1)</b>
<b>Operating income</b>	<b>5,645</b>	<b>5,556</b>	<b>2</b>
Staff expenses	(1,056)	(951)	11
Other operating expenses	(680)	(604)	13
Depreciation	(97)	(95)	2
Amortisation of intangible assets	(20)	(24)	(14)
<b>Operating expenses</b>	<b>(1,854)</b>	<b>(1,674)</b>	<b>11</b>
<b>Operating profit before impairment allowances &amp; taxation</b>	<b>3,791</b>	<b>3,882</b>	<b>(2)</b>
Impairment allowance on loans and advances	(813)	(1,309)	(38)
Recovery of loans	189	145	30
Recoveries on written off available for sale investments	16	27	(43)
Overseas income tax expense	(3)	(5)	(35)
<b>Net profit</b>	<b>3,179</b>	<b>2,741</b>	<b>16</b>
<b>Attributed to:</b>			
<b>Equity holders of the Parent</b>	<b>3,028</b>	<b>2,572</b>	<b>18</b>
Non-controlling interests	151	168	(10)
<b>Net Profit</b>	<b>3,179</b>	<b>2,741</b>	<b>16</b>