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AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q3/9M'16 Earnings presentation

October 2016

بنك أبوظبي التجاري

ADCB

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Highlights (30 September 2016)

- Total assets grew 18% year on year and 12% year to date to AED 255 billion
- Net loans and advances to customers increased 14% year on year and 10% year to date to AED 162 billion
- Deposits from customers increased 18% year on year, and 7% year to date to AED 153 billion. Low cost current and savings account (CASA) deposits comprised 42.2% of total customers deposits
- Loan to deposit ratio from customers was 105.4% and advances to stable resources were 93.9% as at 30 September 2016
- Investment securities increased 15% year on year and 23% year to date to AED 26 billion, mainly driven by an increase in UAE government bonds
- As at 30 September 2016, capital adequacy and tier I ratios were 17.98% and 14.72% respectively. The decline in CAR was mainly on account of balance sheet growth and change in asset mix
- Total equity strengthened by AED 2.0 billion year on year to AED 30 billion as at 30 September 2016

				Change%	
Balance sheet highlights (AED million)	**Sep'16**	Dec'15	Sep'15	YTD	YoY
Loans and advances to customers, net[1]	161,562	146,250	142,198	10	14
Investment securities	25,750	20,864	22,332	23	15
Total assets	254,679	228,267	215,329	12	18
Deposits from customers	153,353	143,526	130,009	7	18
Borrowings	35,635	33,472	34,321	6	4
Total equity	29,602	28,733	27,516	3	8

Ratios (%)	**Sep'16**	Dec'15	Sep'15	bps	bps
CAR (Capital adequacy ratio)	17.98	19.76	19.68	(178)	(170)
Tier I ratio	14.72	16.29	16.14	(157)	(142)
Advances to stable resources	93.9	88.2	92.9	570	100

Figures may not add up due to rounding differences

[1] In Q2'16, loans and advances to banks were reclassified to "Deposits and balances due from banks, net" to better reflect the underlying nature of the business of the borrowers. Accordingly, comparative amounts pertaining to previous years were reclassified to conform to current period's presentation.

Consistent and resilient financial performance with strong fundamentals

Income statement highlights (AED mn)	Year to date trend		Change %	Quarterly trend			Change %	
	9M'16	9M'15	YoY	**Q3'16**	Q2'16	Q3'15	QoQ	YoY
Total net interest and Islamic financing income	**4,628**	4,729	(2)	**1,528**	1,526	1,545	0	(1)
Non - interest income	**1,697**	1,515	12	**541**	617	465	(12)	16
Operating income	**6,324**	6,245	1	**2,070**	2,143	2,011	(3)	3
Operating expenses	**(2,067)**	(2,112)	(2)	**(663)**	(666)	(740)	0	(10)
Operating profit before impairment allowances	**4,257**	4,133	3	**1,406**	1,477	1,271	(5)	11
Impairment allowances	**(1,083)**	(391)	177	**(380)**	(351)	(66)	8	476
Share in profit of associate	**5**	0	NA	**2**	2	0	NM	NA
Profit before taxation	**3,179**	3,742	(15)	**1,028**	1,128	1,205	(9)	(15)
Overseas income tax expense	**(26)**	(6)	NM	**(22)**	(2)	(1)	NM	NM
Net profit for the period	**3,153**	3,736	(16)	**1,006**	1,126	1,204	(11)	(16)
Net profit attributable to equity shareholders	**3,144**	**3,734**	**(16)**	**999**	**1,125**	**1,203**	**(11)**	**(17)**

Figures may not add up due to rounding differences

9M'16 vs. 9M'15 comparison:

- Operating income of AED 6,324 million was up 1% year on year. 9M'15 benefited from significant recoveries and interest in suspense reversals which were not repeated in 9M'16
- Total net interest income of AED 4,628 million was 2% lower year on year, partially offset by higher non-interest income of AED 1,697 million, up 12% over 9M'15
- Interest expense for 9M'16 was AED 1,796 million compared to AED 1,118 million in 9M'15, impacted by higher funding costs, reflective of the tighter liquidity environment
- Whilst profitability declined year on year, the Bank maintained a robust ROAE of 16% and ROAA of 1.66% for the nine month period of 2016

Q3'16 vs. Q3'15 comparison:

- Operating income of AED 2,070 million was up 3% year on year, while non-interest income of AED 541 million was up 16% over Q3'15
- Operating profit before impairment allowances of AED 1,406 million was up 11% year on year, benefiting from an efficiently managed cost base. Operating expenses for Q3'16 declined 10% year on year to AED 663 million
- Net profit of AED 1,006 million was 16% lower year on year, impacted by higher funding costs and impairment allowances of AED 380 million compared to AED 66 million in Q3'15

Key indicators (9M'16)

Earnings per share
(EPS – AED)

0.58

Return on average equity
(ROAE %)*

16.0

Return on average assets
(ROAA %)*

1.66

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

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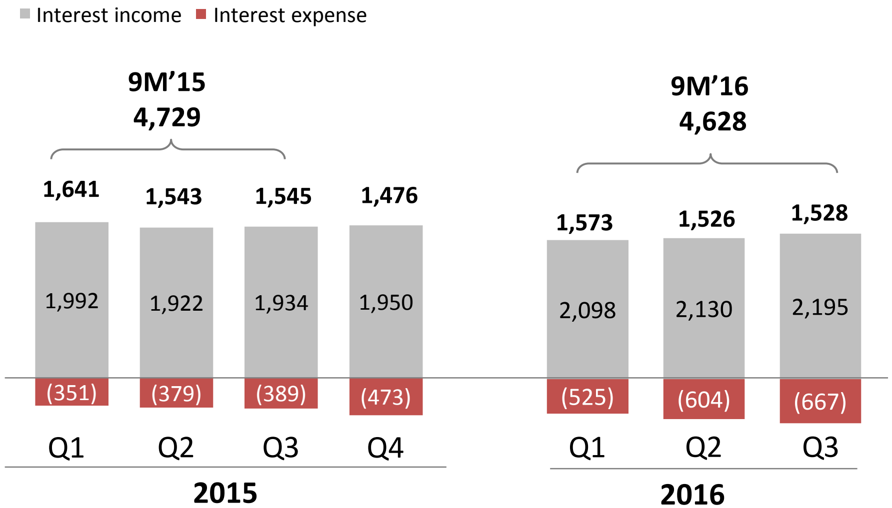
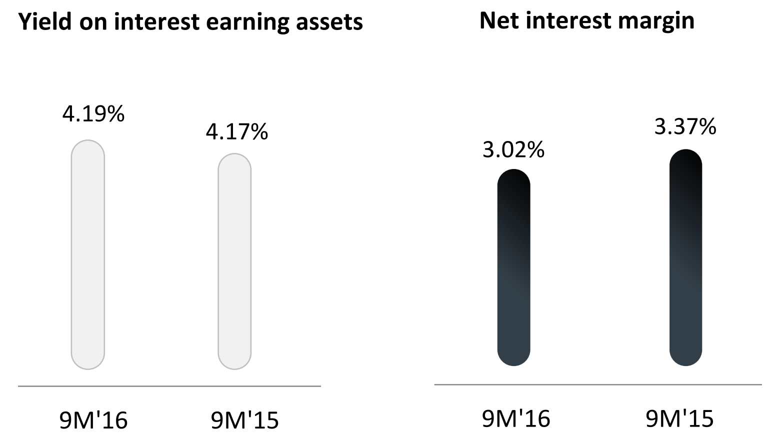
Increase in cost of funds reflective of the tighter liquidity environment

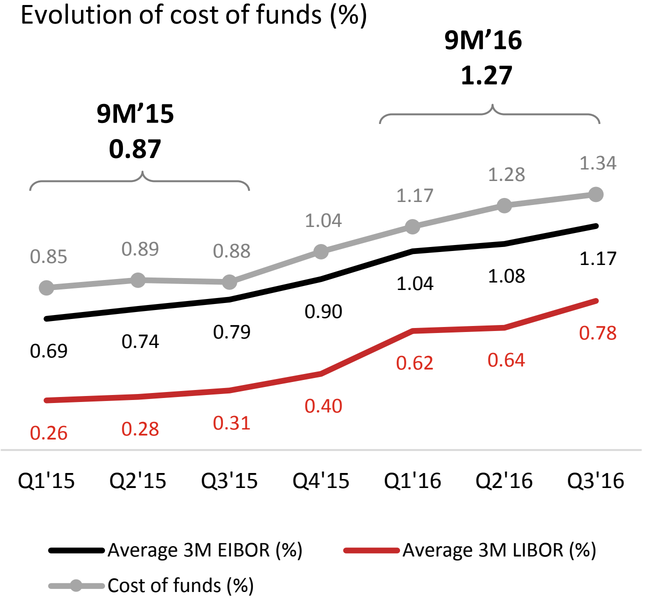
Net interest and Islamic financing income (AED million)



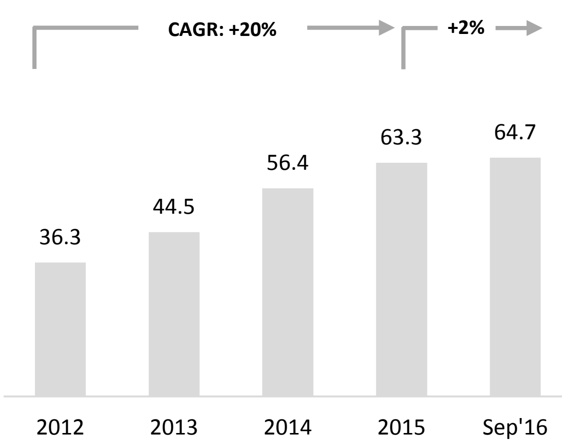
Evolution of NIMs & yields



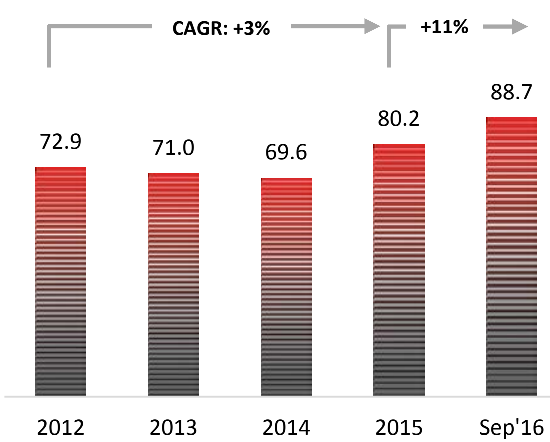
Evolution of cost of funds (%)



CASA deposits (AED billion)

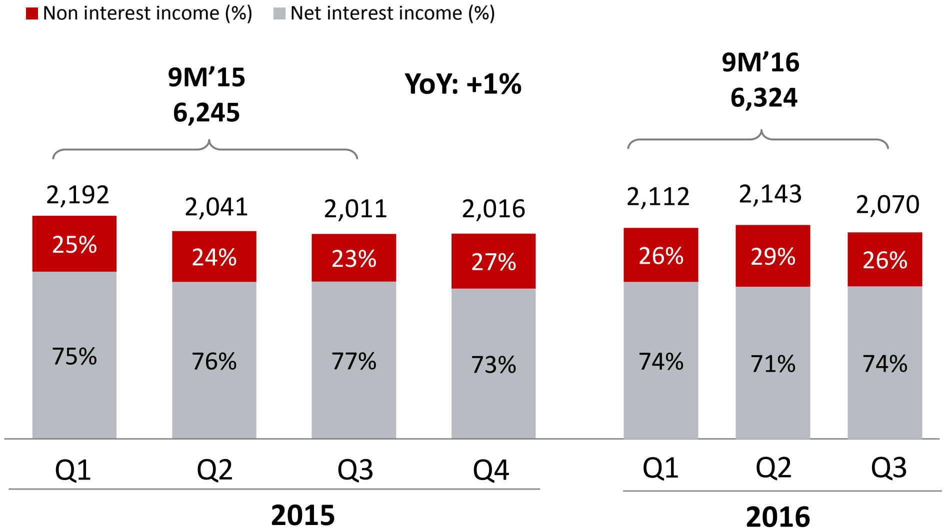


Time deposits (AED billion)

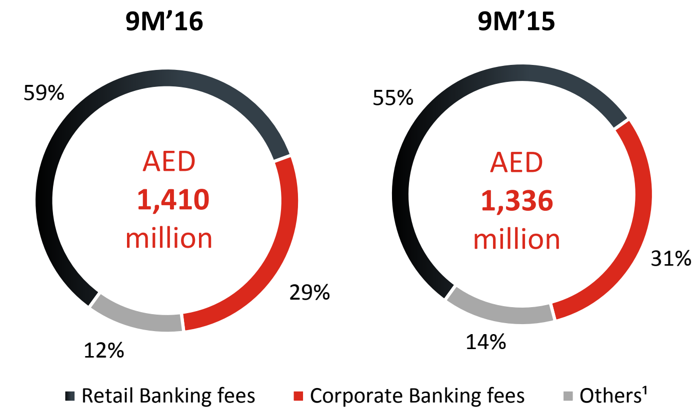


Continued focus on diversifying revenues

Operating income (AED million)

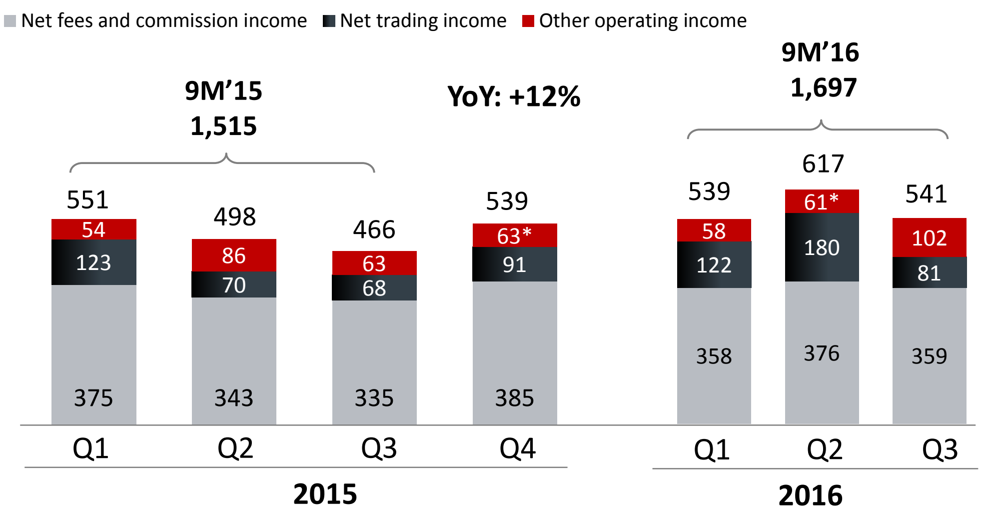


Gross fee income breakdown (AED million)



[1] Others include brokerage, fees from trust and other fiduciary activities and other fees

Non-interest income (AED million)



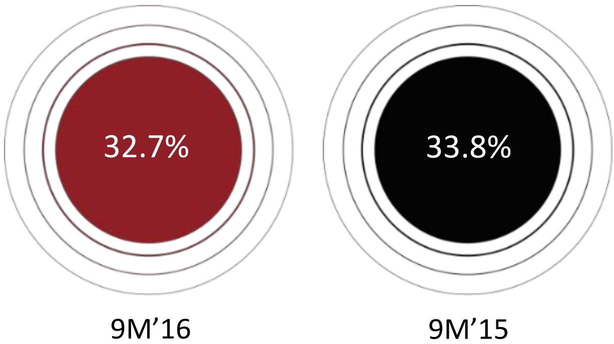
* Other income includes revaluation of investment properties in Q4'15/ Q2'16

Highlights (9M'16 vs. 9M'15)

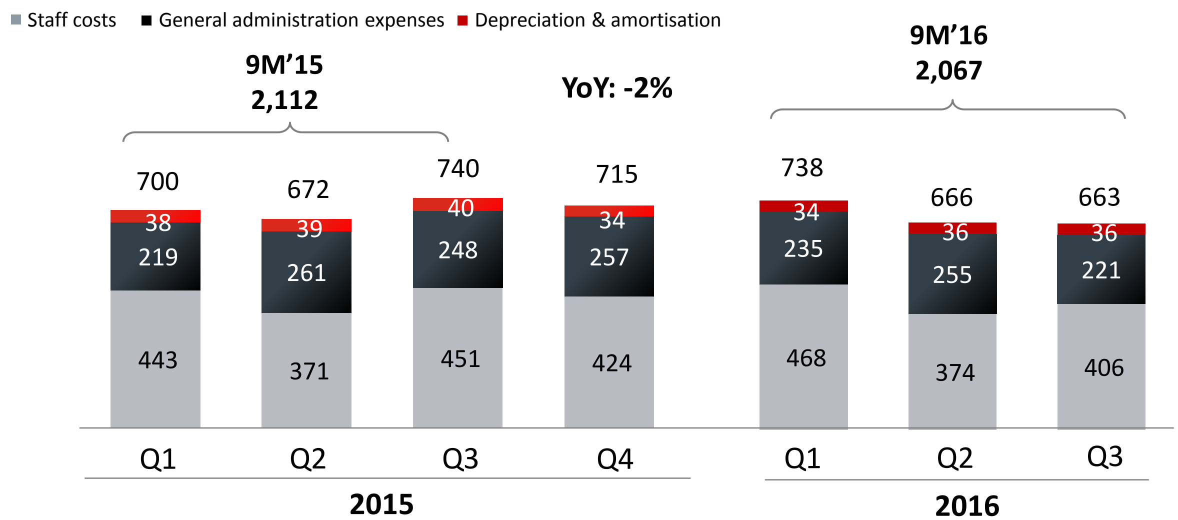
- Non-interest income of AED 1,697 million accounted for 27% of operating income, compared to 24% in 9M'15 and was up 12% year on year. Increase in non-interest income was mainly on account of higher trading income and higher fee & commission income. Net fee and commission income of AED 1,092 million was up 4% year on year
- Gross retail banking fees of AED 833 million (excluding brokerage) were up 13% year on year, driven by higher loan volumes and credit card spend
- Gross corporate banking fees were 405 million compared to AED 410 million in 9M'15
- Trading income of AED 382 million was up 47% year on year, primarily on account of higher FX and derivative income

Improved cost to income ratio of 32.7%, remains within our target range

Cost to income ratio
within our target range



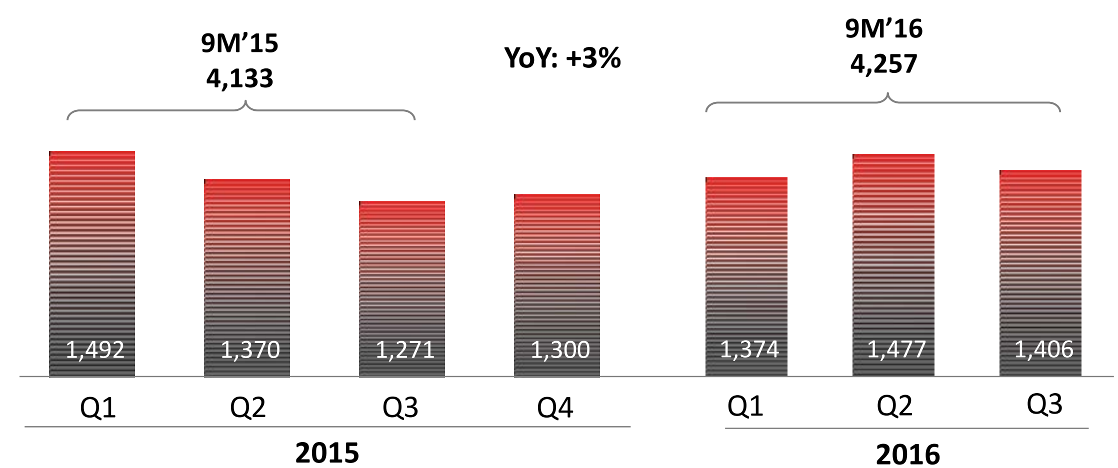
Operating expenses (AED million)



Highlights

- 9M'16 operating profit before impairment allowances of AED 4,257 million increased 3% year on year, while Q3'16 operating profit of AED 1,406 million was up 11% over Q3'15
- 9M'16 operating expenses of AED 2,067 million declined 2% year on year, which resulted in a cost to income ratio of 32.7% in 9M'16 compared to 33.8% in 9M'15, an improvement of 110 basis points
- Q3'16 operating expenses of AED 663 million declined 10% year on year, resulting in an improved cost to income ratio of 32.1% for the quarter, compared to 36.8% for Q3'15

Operating profit before impairment allowances (AED million)



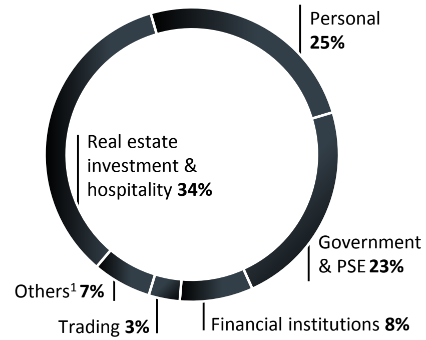
Net loans to customers +10% YTD, with continuous focus on granular loan growth

Highlights

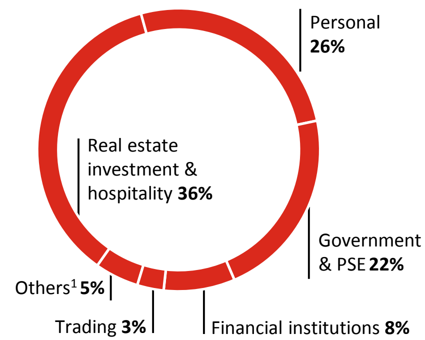
- Net loans to customers increased 14% year on year and 10% year to date to AED 161,562 million, comprising 63% of total assets (Dec’15: 64%)
- Consumer Banking loans (net) were up 12% year on year and 10% year to date, while Wholesale Banking loans (net) were up 15% year on year and 11% year to date
- Consumer Banking loans comprised 46% and Wholesale Banking loans comprised 54% of total loans (net)
- 94% of loans (gross) were within the UAE in line with the Bank’s UAE centric strategy
- 58% of loans (gross) were in Abu Dhabi, 30% were in Dubai and 7% in other Emirates as at 30 September 2016
- Personal loans comprised 25% of total gross loans (Dec’15: 26%)
- Islamic Banking continued to be a key driver of growth, with net Islamic financing assets up 28% year on year and 21% year to date at AED 17,240 million as at 30 September 2016

Gross loans by economic sector

Sep’16
Gross loans = AED 167,455 million



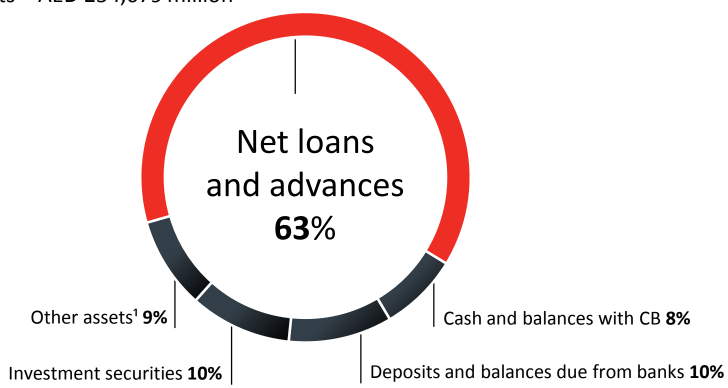
Dec’15
Gross loans = AED 152,426 million



[1] Others include agriculture, energy, transport, manufacturing and services

Composition of assets

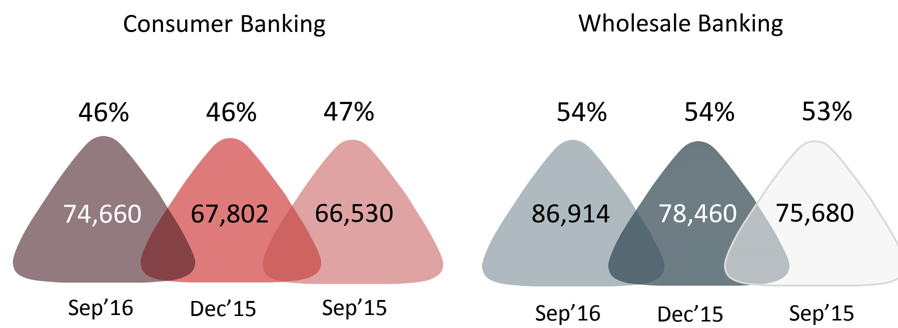
Sep’16
Total assets = AED 254,679 million



[1] Other assets include derivative financial instruments, investments in associate, investment properties, property and equipment (net), intangible assets and reverse repo placements

Contribution to net loans and advance to customers by business segment (AED million)

Sep’16
Net loans = AED 161,562 million



Consumer banking includes retail and high net worth individuals and their businesses

Customer deposits +7% YTD, CASA deposits comprised 42.2% of total customer deposits

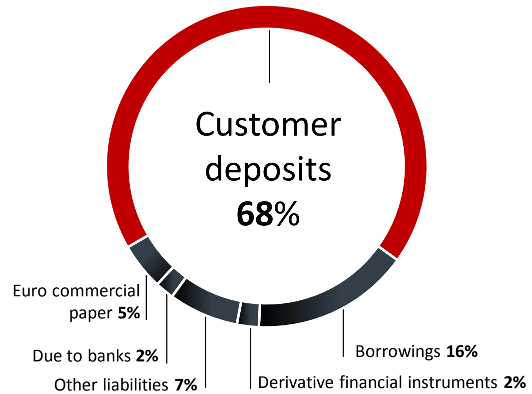
Highlights

- Customer deposits increased 18% year on year and 7% year to date to AED 153,353 million, comprising 68% of total liabilities (Dec'15:72%)
- CASA deposits comprised 42.2% of total customer deposits
- As at 30 September 2016, CASA balances were AED 64.7 billion, up 2%, while time deposits of AED 88.7 billion were up 11% year to date
- Consumer Banking deposits were up 20% year on year and 15% year to date, while Wholesale Banking deposits were up 30% year on year and 11% year to date
- Consumer Banking deposits comprised 32%, Wholesale Banking deposits comprised 43% and Treasury comprised 25% of total customer deposits
- Total Islamic deposits increased 26% year on year and 20% year to date to AED 12,277 million as at 30 September 2016

Composition of liabilities

Sep'16

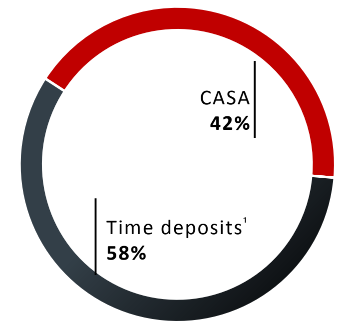
Total liabilities = AED 225,077 million



Customer deposit breakdown

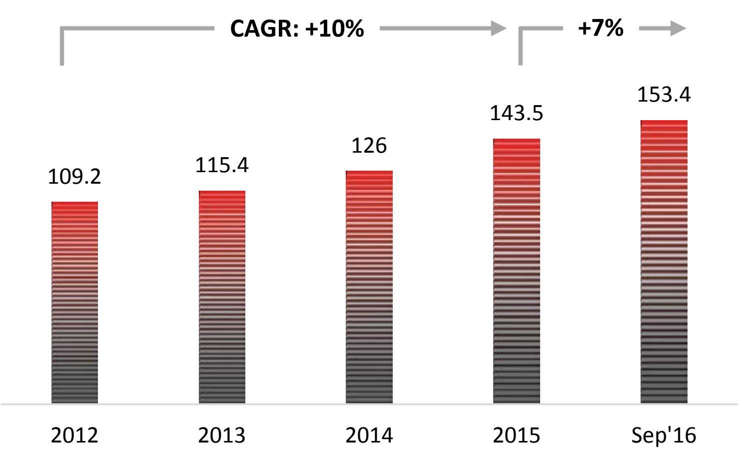
Sep'16

Customer deposits = AED 153,353 million

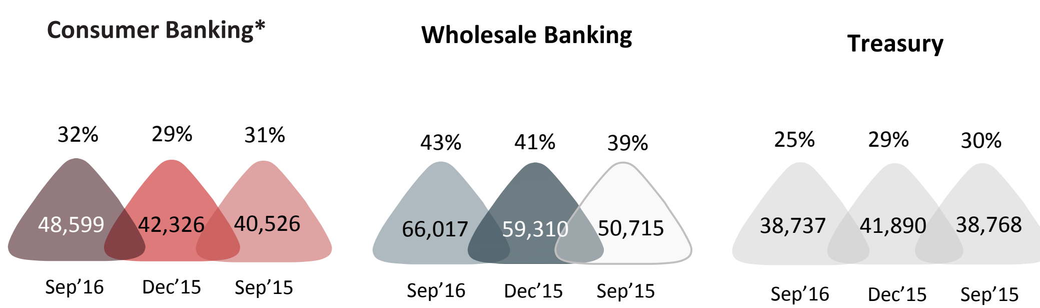


[1] Time deposits include long-term government and Murabaha deposits

Customer deposits (AED billion)



Contribution to total deposits by business segment (AED million)

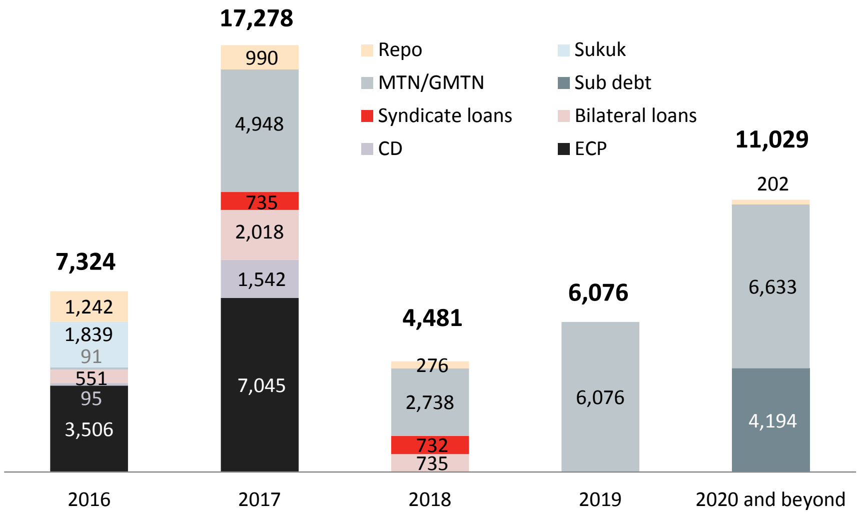


* Consumer banking includes retail and high net worth individuals and their businesses

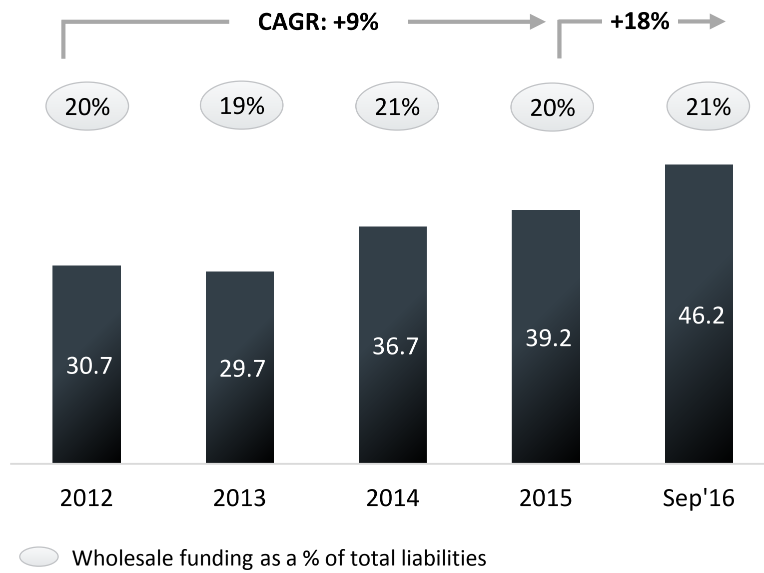
Diversified sources of funding by markets, tenors, currencies and products

Maturity profile

As at 30 September 2016 (AED million)



Wholesale funding including Euro commercial paper (AED billion)



Wholesale funding including Euro Commercial Paper accounted for 21% of total liabilities, providing a stable, long-term and reliable source of funding

Wholesale funding split as at 30 September 2016

Source of funds	AED million
GMTN/EMTN	20,484
Subordinated debt	4,194
Euro Commercial paper	10,551
Borrowings through repurchase agreements	2,711
Islamic Sukuk notes	1,839
Bilateral loans	3,304
Syndication loan	1,466
Certificate of Deposits	1,637
Total	**46,186**

Net lender of

AED 23 bn*

in the interbank markets

(As at 30 September 2016)

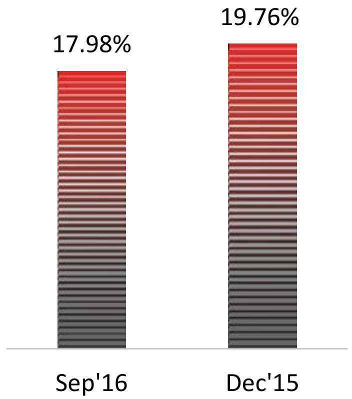
* Includes AED 5 billion of certificate of deposits with central banks

Strong capital ratios and high liquidity levels maintained

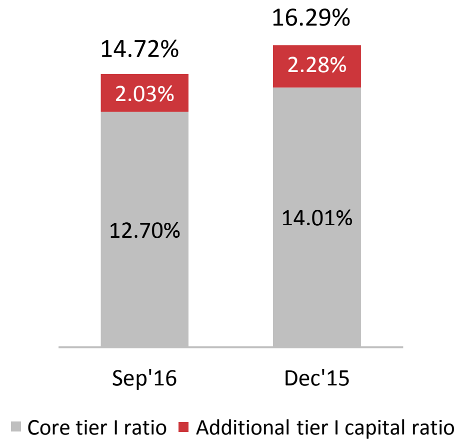
Highlights

- As at 30 September 2016, the Bank's capital adequacy ratio (Basel II) and Tier I ratios were 17.98% and 14.72% respectively, while core Tier I ratio was 12.70%, and total risk weighted assets were at AED 197 billion
- Decline in CAR was mainly on account of balance sheet growth and change in asset mix. The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and Tier I minimum requirement is 8%
- As at 30 September 2016, the Bank's liquidity ratio was 26.4%, compared to 2015 average of 25% and 24.9% as at 30 June 2016
- As at 30 September 2016, the Bank's loan to deposit ratio was 105.4%, investment securities totaled AED 26 billion, while the Bank continued to be a net lender of AED 23 billion in the interbank markets

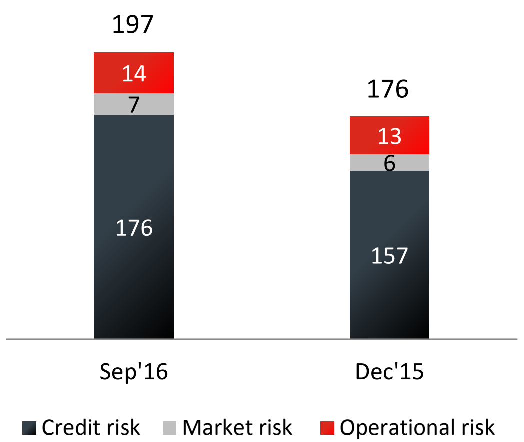
Capital adequacy ratio



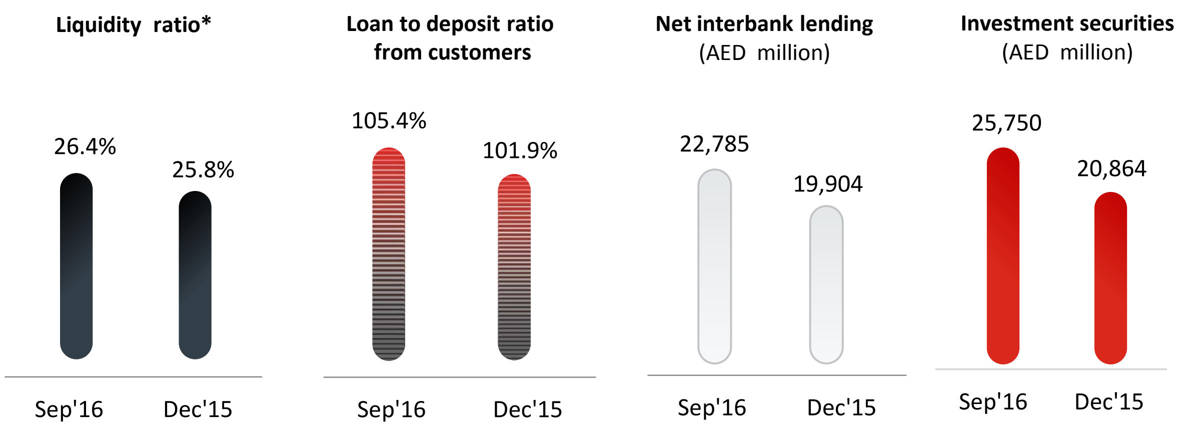
Tier I and core tier I ratios



Risk weighted assets (AED billion)



Strong liquidity



Liquid assets include cash and balances with Central Banks, deposits and balances due from banks, reverse repo placements, trading securities, and liquid investments

Liquidity ratio: liquid assets/total assets

Investment securities - 98% of total portfolio invested in bonds

Highlights

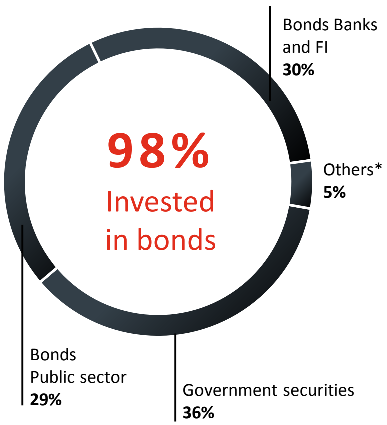
- Investment securities increased 23% to AED 25,750 million over 31 December 2015, mainly attributable to increase in UAE government bonds providing further liquidity for the Bank
- 98% of the total portfolio was invested in bonds issued by government, corporate, public sector, banks and financial institutions
- Average life of the investment securities portfolio is 3.3 years
- 66% invested in the UAE and other GCC countries

Portfolio summary:

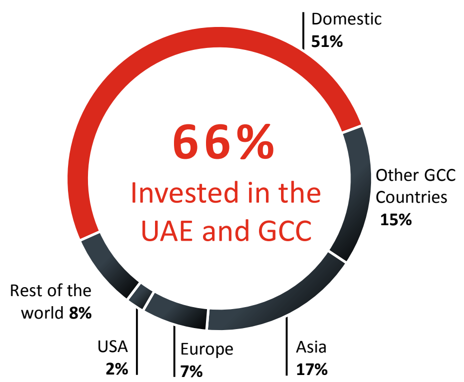
- 36% of the portfolio is invested in Government securities
- Non Government Bond Portfolio – 64% of total portfolio
  - Rated A- or better: 57%
  - Rated Investment grade (i.e. BBB+ to BBB-): 30%
  - Rated below IG (BB+ and below including unrated): 13%

Investments

By issuer

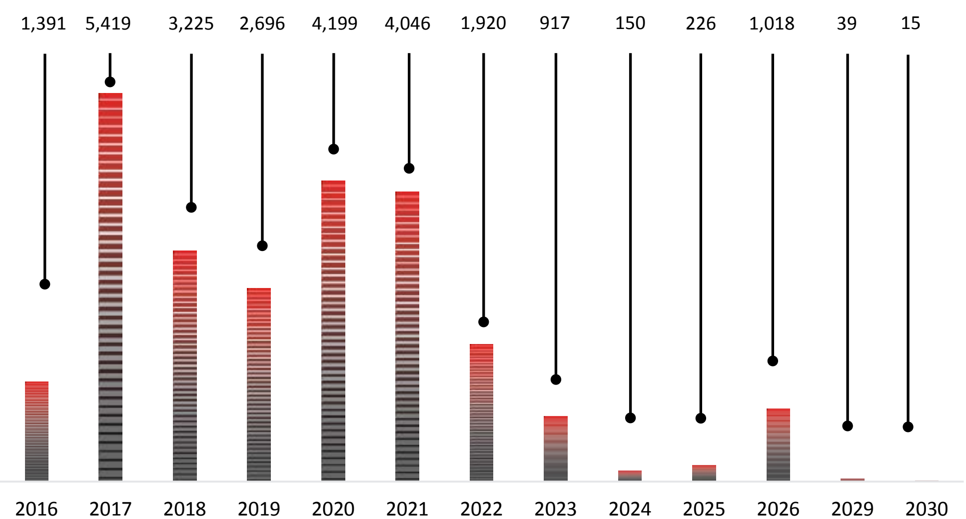


By region

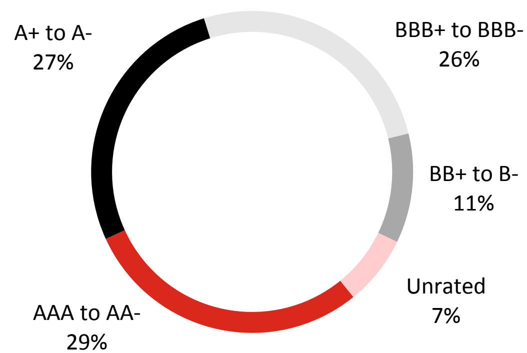


* Include corporate bonds, equity instruments and mutual funds

Maturity profile of investment securities portfolio (AED million)



Total bond portfolio = AED 25,261 million
Credit ratings as at 30 September 2016 (Standard & Poor's)

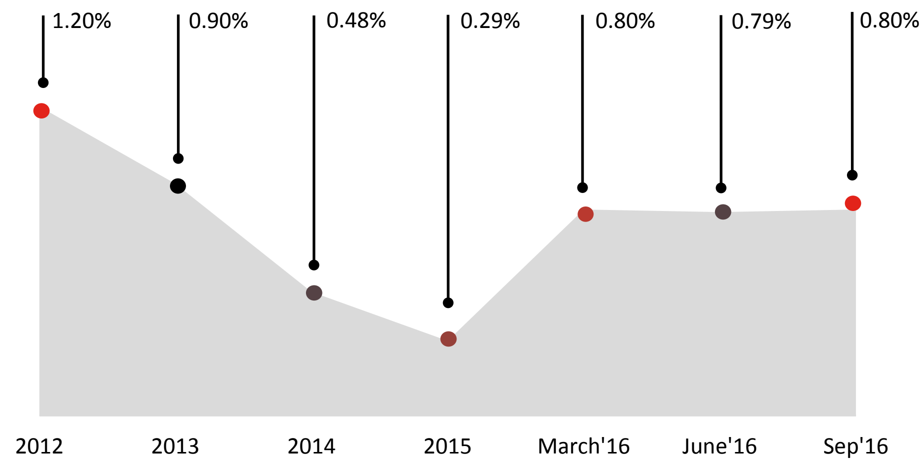


Healthy asset quality metrics

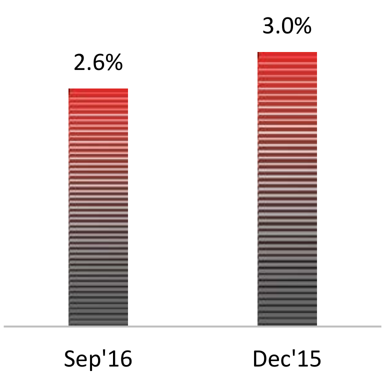
Highlights

- As at 30 September 2016, non-performing loans (NPL) and provision coverage ratios were 2.6% and 133.1% respectively, compared to 3.0% and 128.5% as at 31 December 2015
- Non-performing loans were AED 4,445 million compared to AED 4,834 million as at 31 December 2015. Cost of risk was 80 bps compared to 79 bps for June'16
- Total loan impairment charges, net of recoveries amounted to AED 1,115 million for 9M'16, which included collective impairment charges of AED 227 million to account for the increase in the loan book and reflecting our prudent risk management approach
- Collective impairment allowance balance was AED 3,196 million and 1.81% of credit risk weighted assets, while individual impairment allowance balances were AED 2,808 million as at 30 September 2016

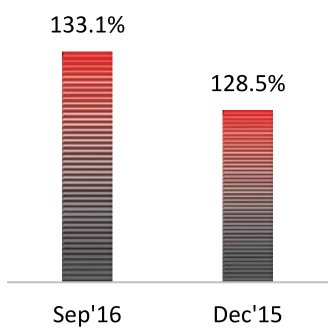
Cost of risk



Non-performing loan ratio



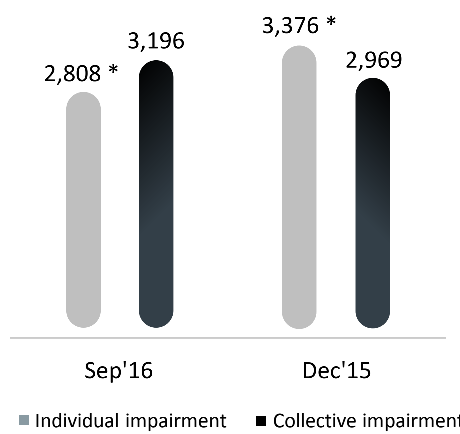
Provision coverage ratio[1]



[1] Excludes Dubai World exposure and related provision as the client is performing since 2011 in accordance with the new restructured terms

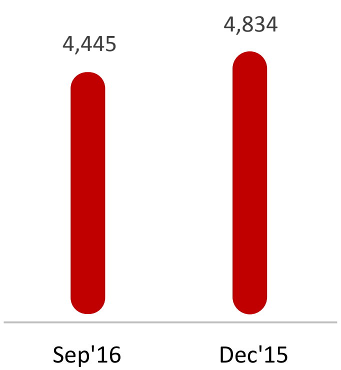
Impairment allowances (AED million)

(Includes impairment allowances to banks)



* Includes provision for Dubai World exposure

Non-performing loans (AED million)



Summary

- Our focus on the UAE remains a key strategic pillar and differentiator for ADCB
- 9M’16 operating profit of AED 4.257 billion was up 3% year on year, while Q3’16 operating profit of AED 1.406 billion was up 11% over Q3’15
- While 9M’16 net profit of AED 3.153 billion was 16% lower year on year, primarily impacted by higher funding costs and impairment allowances, the Bank maintained an industry leading ROAE of 16% and ROAA of 1.66% for the nine month period of 2016
- 9M’16 cost to income ratio improved to 32.7% from 33.8% in 9M’15, an improvement of 110 basis points year on year
- Continued focus on diversifying revenues, 9M’16 non-interest income comprised 27% of operating income compared to 24% in 9M’15
- Resilient balance sheet, loan and deposit growth remained healthy, up 10% and 7% respectively over 31 December 2015
- Continued focus on granular loan growth, year to date Consumer Banking loans (gross) were up 9% and Wholesale Banking loans (gross) were up 5%
- As at 30 September 2016, low cost CASA deposits comprised 42.2% of total customer deposits
- Capital ratios remained robust, with a CAR of 17.98% and Tier I ratio of 14.72%
- Healthy asset quality indicators, NPL and provision coverage ratios of 2.6% and 133.1% respectively

2016 Awards

“Best Bank for Liquidity Management in the Middle East”

Global Finance

“Best Brand Initiative of the Year” across Asia, Middle East and Africa

Asian Banker

“Best Property Management Team– UAE” for ADCP

Capital Finance International (CFI)

"Best Transaction Service Bank in the Middle East"

Euromoney

“Islamic Bank of the Year” – Sharia Compliant Window

The Banker Magazine

“Best Managed Bank in the UAE”

Asian Banker

“Best Bank for Cash management in the UAE”

Global Finance

“Best Retail Bank in the UAE”

Asian Banker

“Islamic Banker of the Year”

The Asset Triple A Islamic Finance Awards

“The Asian Banker CEO Leadership Achievement Award for the UAE”

Asian Banker

“Best Cash Manager in the UAE”

Euromoney Cash Management Survey

“SME Bank of The Year” & “UAE Domestic Technology & Operations Bank of the Year”

Asian Banking and Finance

“Retail Innovation of the Year” for its introduction of the Voice Biometrics initiative “ADCB VoicePass”

Asian Banking and Finance

“Best Investor Relations Website in the Middle East”

Middle East Investor Relations Association (MEIRA)

“Best Annual Report in the Middle East and South Asia” & “Best Non-Traditional Annual Report”

ARC Awards International

Balance sheet

AED million	Sep'16	Dec'15	Change%
Cash and balances with Central Banks	19,729	20,180	(2)
Deposits and balances due from banks, net[1]	25,967	22,382	16
Reverse-repo placements	810	4,256	(81)
Investment securities	25,982	20,926	24
Loans and advances, net	161,562	146,250	10
Other assets*	20,629	14,272	45
Total assets	254,679	228,267	12
Due to banks	4,272	1,692	152
Deposits from customers	153,353	143,526	7
Euro commercial paper	10,551	5,700	85
Borrowings	35,635	33,472	6
Other liabilities **	21,267	15,144	40
Total liabilities	225,077	199,534	13
Total shareholders' equity	29,602	28,728	3
Non -controlling interests	-	5	(100)
Total liabilities and shareholders' equity	254,679	228,267	12

Note: [1] Deposits and balances due from banks include AED 3.9 billion as at 30 September 2016 (AED 7.4 bn as at December 31, 2015) of loans to banks that were earlier reported under loans and advances to customers, net.

*Other assets include derivative financial instruments, investment in associate, investment properties, property and equipment (net), intangible assets.
**Other liabilities include derivative financial instruments.

Income statement

	3 months ended September 30			9 months ended September 30		
AED million	2016	2015	Change %	2016	2015	Change %
Interest income and income from Islamic financing	2,195	1,934	13	6,423	5,848	10
Interest expense and profit distribution	(667)	(389)	72	(1,796)	(1,118)	61
Total net interest and Islamic financing income	1,528	1,545	(1)	4,628	4,729	(2)
Net fees and commission income	359	335	7	1,092	1,052	4
Net trading income	81	68	19	382	261	47
Other operating income	102	63	62	222	202	10
Non interest income	541	465	16	1,697	1,515	12
Operating income	2,070	2,011	3	6,324	6,245	1
Operating expenses	(663)	(740)	(10)	(2,067)	(2,112)	(2)
Operating profit before impairment allowances	1,406	1,271	11	4,257	4,133	3
Impairment allowances	(380)	(66)	476	(1,083)	(391)	177
Share in profit/(loss) of associate	2	0	NA	5	0	NA
Profit before taxation	1,028	1,205	(15)	3,179	3,742	(15)
Overseas income tax expense	(22)	(1)	NM	(26)	(6)	NM
Net profit for the period	1,006	1,204	(16)	3,153	3,736	(16)
Net profit attributable to equity shareholders	**999**	**1,203**	**(17)**	**3,144**	**3,734**	**(16)**

The Difference Is...

AMBITION + DISCIPLINE

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