

# A Better Way

AMBITION + DISCIPLINE



Abu Dhabi Commercial Bank PJSC

2014 Earnings presentation



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“A Better Way: Ambition + Discipline”, continue to follow a corporate strategy based on measured growth and discipline

## Our five strategic pillars

1

Growth through a UAE -centric approach, with controlled internationalisation

2

Stability through liability growth

3

Maintain a culture of service excellence and efficiency

4

Manage our risk in line with pre-defined risk strategy

5

Success through staff

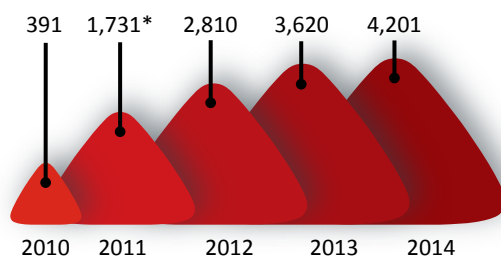
# A Better Way: Ambition + Discipline

## Financial Highlights

Net profit (AED mn)

# 16%

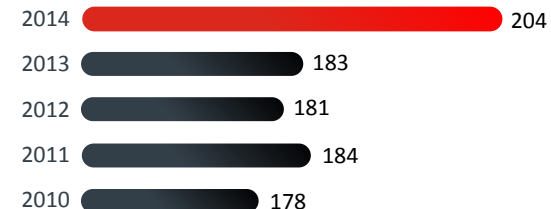
Increase in the past year



Total assets (AED bn)

# 11%

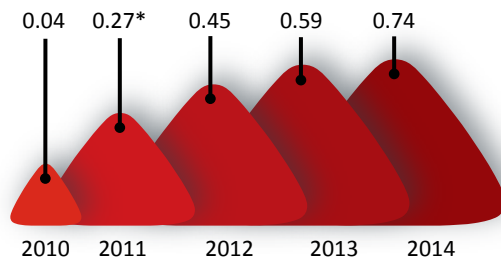
Increase in the past year



Basic earnings per share (AED)

# 25%

Increase in the past year



Capital adequacy ratio

# 21.03%

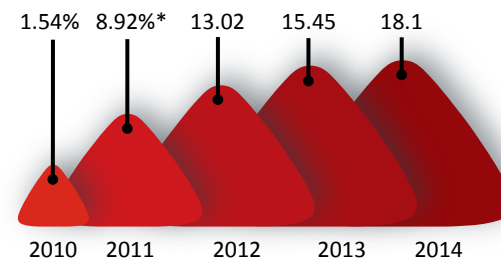
In 2014



Return on equity

# 18.1%

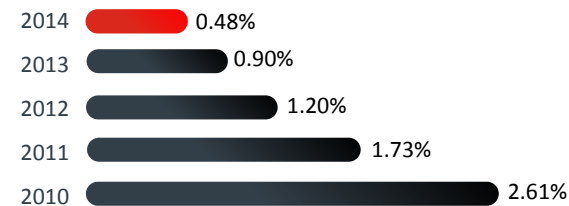
in 2014



Cost of risk

# 0.48%

In 2014



\* Normalised to reflect sale of investment in associate

## Balance sheet highlights

### Resilient balance sheet and disciplined growth

As at 31 December 2014

	AED mn	2014	2013	Change %
▶ Total assets crossed the AED 200 bn mark for the first time, representing an increase of 11% year to date, mainly on account of higher loans and advances, cash and balances with central banks and deposits and balances due from banks				
	Net loans	140,562	131,649	7
	Investment securities	21,652	20,855	4
	Total assets	204,019	183,143	11
▶ Net loans increased 7% and customer deposits grew 9% year to date, with CASA contribution accounting for 45% total customer deposits				
	Customer deposits	126,011	115,428	9
▶ Investment securities increased 4% over 31 December 2013, mainly attributable to increase in available for sale investments in government securities				
	Borrowings	30,320	23,786	27
	Shareholders' equity	26,408	24,177	9
	<b>Ratios (%)</b>			<b>Change bps</b>
▶ Strong capital and liquidity position, CAR of 21.03% and Tier 1 of 17.01% as at 31 December 2014				
	Capital adequacy ratio (CAR)	21.03	21.21	(18)
▶ Loan to deposit ratio improved to 111.55% from 114.05% over 31 December 2013				
	Tier I ratio	17.01	16.62	39
	Loan to deposit ratio (LTD)	111.55	114.05	(250)

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



## Income statement highlights

Record levels of net profit and operating income, sustainable profitability

### 2014 vs. 2013 Highlights

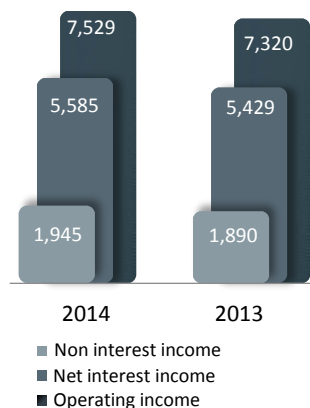
	AED mn	2014	2013	Change %
▶ Record net profit, crossing the AED 4 bn mark for the first time, representing an increase of 16% over 2013	Total net interest income <sup>1</sup>	<b>5,585</b>	5,429	3
▶ Excluding the one off gain from retirement of hedges in 2013 and income attributable to non-controlling interests (primarily funds consolidation), net profit attributable to equity shareholders grew by 24%	Non - interest income	<b>1,945</b>	1,890	3
▶ Operating income reached a record AED 7,529 mn, up 3% supported by 3% increase in total net interest income and 3% increase in non-interest income	Operating income	<b>7,529</b>	7,320	3
▶ Cost of funds improved significantly, interest expense decreased by 17%	Operating expenses	<b>(2,563)</b>	(2,358)	9
▶ Operating expenses were 9% higher, while cost to income ratio remained within our target range	Operating profit	<b>4,966</b>	4,961	0
▶ Impairment allowance charge was 43% lower at AED 762 mn	Impairment allowances	<b>(762)</b>	(1,334)	(43)
	Overseas income tax	<b>(3)</b>	(7)	(64)
	<b>Net profit</b>	<b>4,201</b>	3,620	16

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

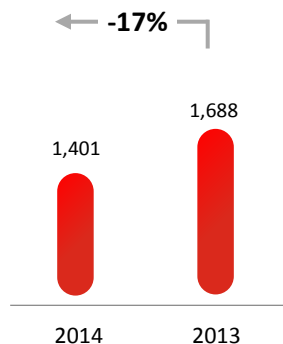
# Operating performance: Diversified revenue stream

## Robust fee income growth, lower cost of funds

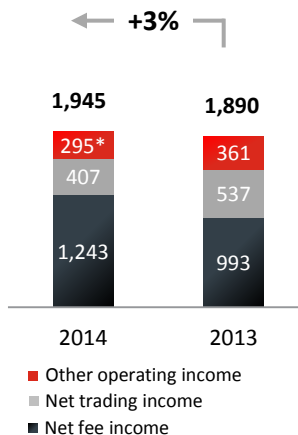
Operating income  
(AED mn)



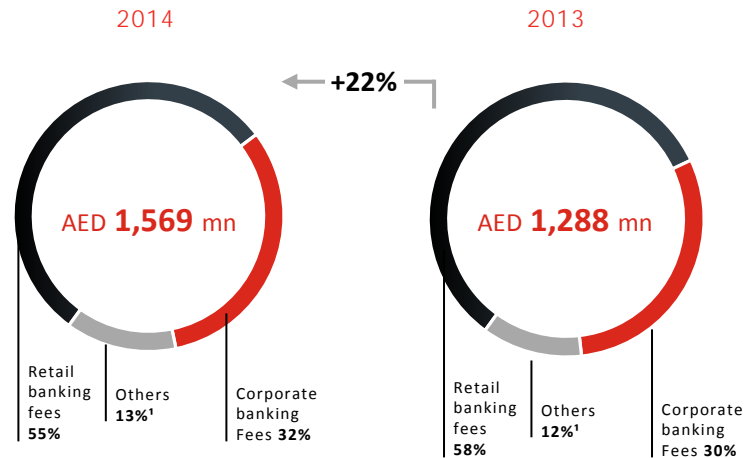
Interest expense (AED mn)



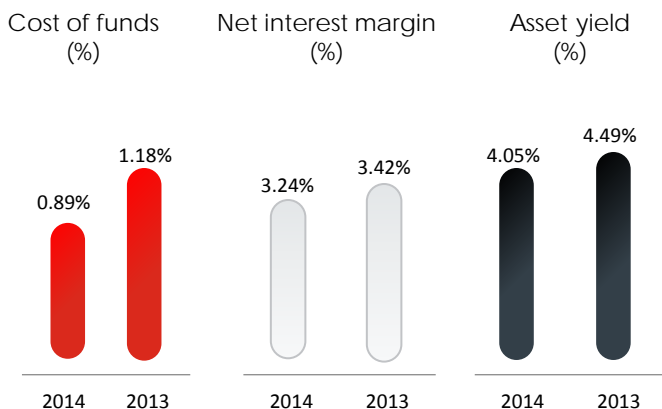
Non-interest income (AED mn)



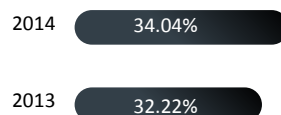
Gross fees and commission income



Evolution of yields



Cost to income ratio



Highlights

- ▶ Record operating income at AED 7,529 mn, up 3% over 2013
- ▶ Cost of funds reported a significant improvement from 1.18% in 2013 to 0.89% in 2014, mainly on account of higher proportion of low cost CASA deposits
- ▶ Net fees and commission income accounted for 64% of total non-interest income compared 53% in 2013
- ▶ Net trading income was 24% lower over 2013, mainly on account of lower gains from trading securities

\* 2014 other operating income includes revaluation of investment properties

<sup>1</sup> Others include brokerage, fees from trust and other fiduciary activities and other fees

# Composition of assets and loan book

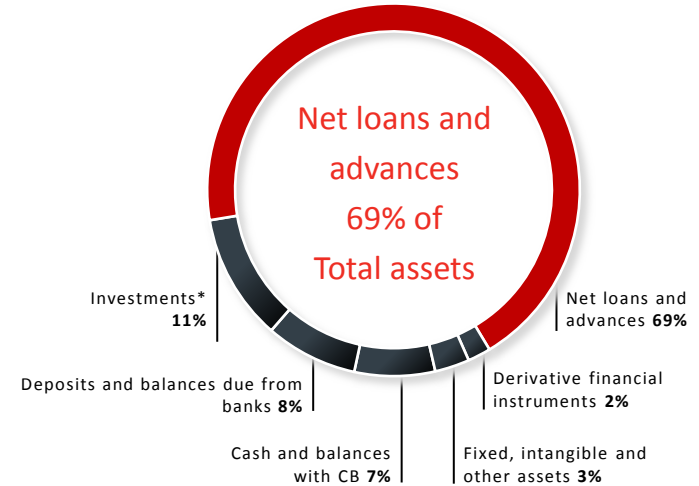
## UAE centric loan book

### Highlights

- ▶ Net loans and advances comprised 69% of total assets compared to 72% as at 31 December 2013. 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
- ▶ Gross loans increased 6% to AED 147 bn over 31 December 2013
- ▶ 90% of gross loans within UAE in line with the Bank's UAE centric strategy
- ▶ 55% of loan book (gross) in Abu Dhabi and 28% in Dubai
- ▶ Personal loans comprised 23% of total gross loans, compared to 22% as at 31 December 2013
- ▶ Wholesale banking loans comprised 56% and consumer banking loans comprised 44% of total loans (net)

### Composition of assets

Total assets = AED 204,019 mn



\* Investments include: investment securities, trading securities, investment properties and investments in associates

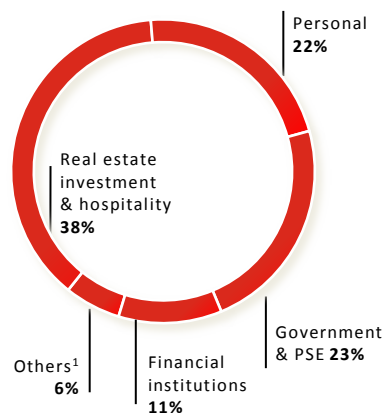
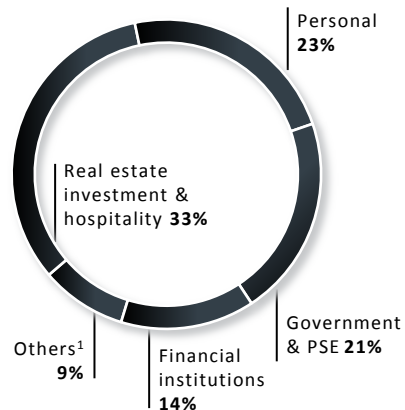
### Gross loans by industry

2014

Gross loans = AED 147,340 mn

2013

Gross loans = AED 138,539 mn



### % contribution to net loans

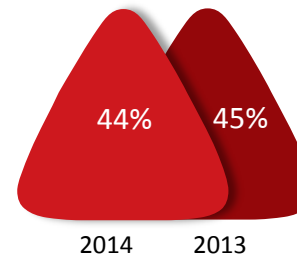
2014

Net loans = AED 140,562 mn

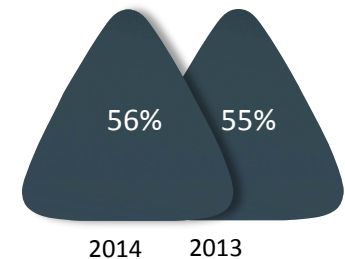
2013

Net loans = AED 131,649 mn

Consumer banking



Wholesale banking



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



# Composition of liabilities and customer deposits

## CASA contribution significantly higher

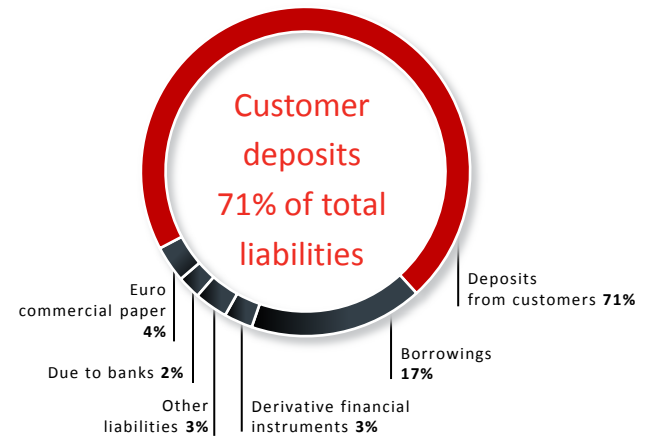
### Highlights

- ▶ Diversified sources of funding, customer deposits comprised 71% of total liabilities. Euro commercial paper and borrowings increased 7% and 27% respectively over 31 December 2013
- ▶ Customer deposits increased 9% to AED 126 bn as at 31 December 2014
- ▶ CASA customer deposits improved significantly, accounting for 45% of total customer deposits compared to 39% in 2013
- ▶ Consumer Banking deposits comprised 29% and Wholesale Banking deposits comprised 37% of total customer deposits
- ▶ Total Islamic deposits grew 15% to AED 9 bn year on year

### Composition of liabilities

2014

Total liabilities = AED 177,601 mn



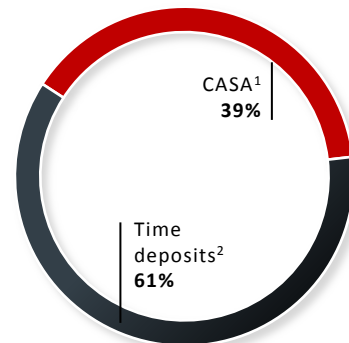
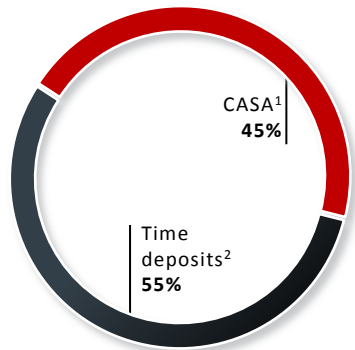
### % contribution to total deposits

2014

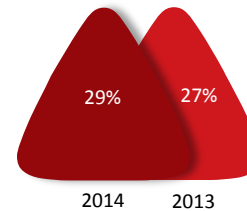
Customer deposits = AED 126,011 mn

2013

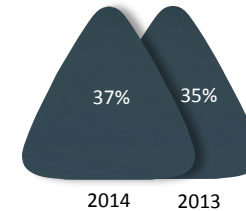
Customer deposits = AED 115,428 mn



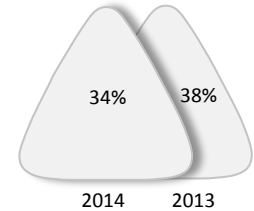
#### Consumer banking



#### Wholesale banking



#### Treasury



<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

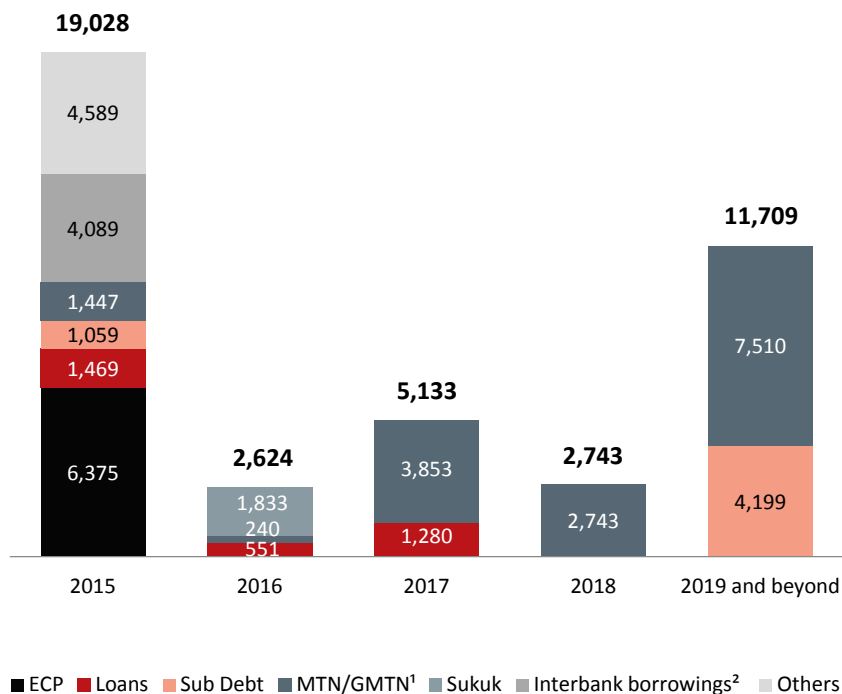
# Wholesale funding and maturity profile

## Stable funding and liquidity profile

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

### Maturity profile

As at 31 December 2014 (AED mn)



### Wholesale funding split

As at 31 December 2014

Source of funds	AED mn
GMTN/EMTN <sup>1</sup>	15,793
Sub Debt	5,258
Interbank borrowings <sup>2</sup>	4,089
Euro Commercial Paper	6,375
Others (Repo)	4,589
Islamic Sukuk Notes	1,833
Bilateral loans	3300
CD Issuances	-
<b>Total</b>	<b>41,237</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 15 bn in the interbank markets as at 31 December 2014

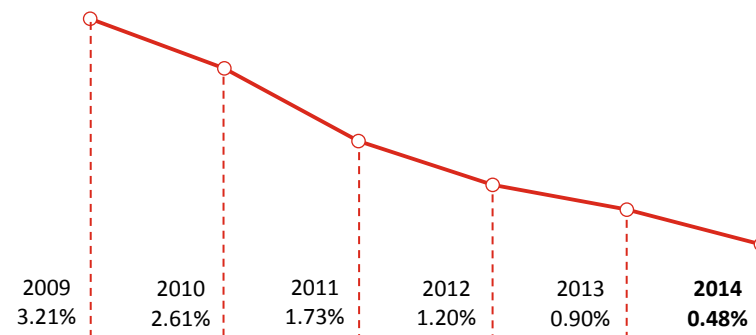
# Asset quality

## Continued improvement in asset quality metrics

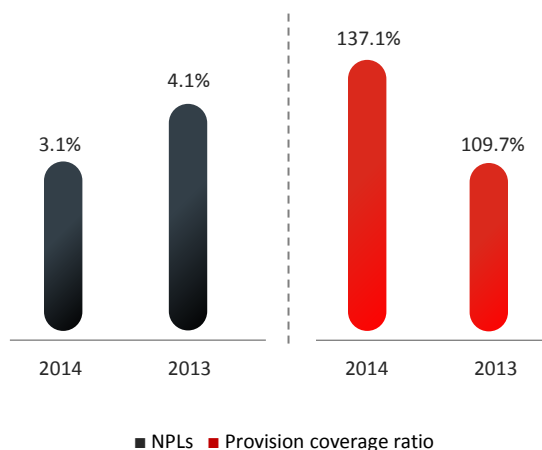
### Highlights

- ▶ Cost of risk for 2014 was 48 bps, a record low level for the Bank compared to 90 bps in 2013
- ▶ NPL ratio improved to 3.1% vs. 4.1% at year end, and provision coverage ratio improved to 137.1% from 109.7% as at 31 December 2013
- ▶ Non-performing loans were at AED 4,611 mn compared to AED 5,722 mn as at 31 December 2013, an improvement of 19% year on year
- ▶ Collective impairment allowance balance was AED 2,921 mn and 2.14% of credit risk weighted assets and individual impairment allowance balance was AED 3,857 mn as at 31 December 2014

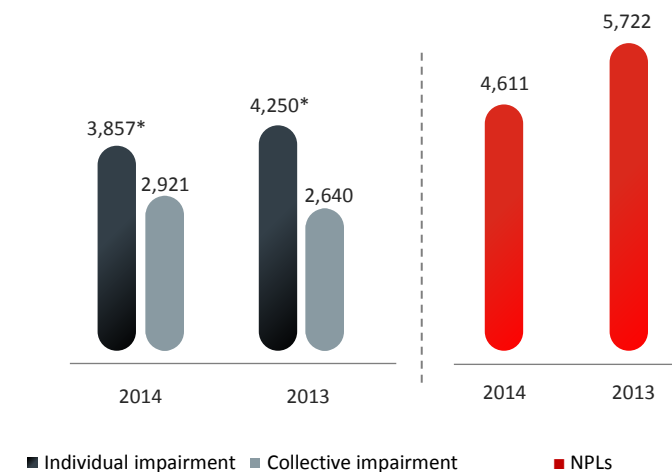
Cost of risk<sup>1</sup>



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

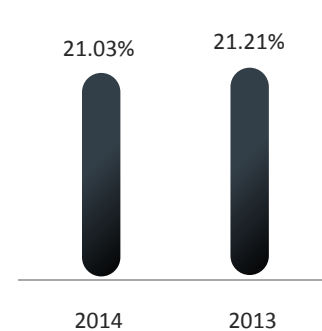
\* Includes provision for Dubai World exposure

## Strong liquidity and capital position at industry leading levels

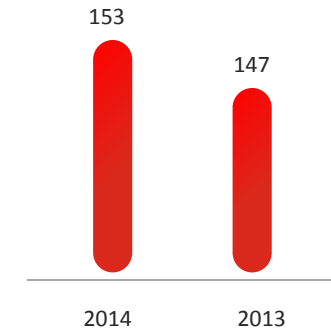
### Highlights

- ▶ As at 31 December 2014, the Bank's capital adequacy ratio was 21.03% compared to 21.21% as at 31 December 2013
- ▶ Tier I ratio was 17.01% compared to 16.62% as at 31 December 2013
- ▶ 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 25.2% compared to 22.8% in 2013, while loan to deposit ratio improved from 114.05% in 2013 to 111.55% as at 31 December 2014
- ▶ Net lender of AED 15 bn in the interbank markets as at 31 December 2014

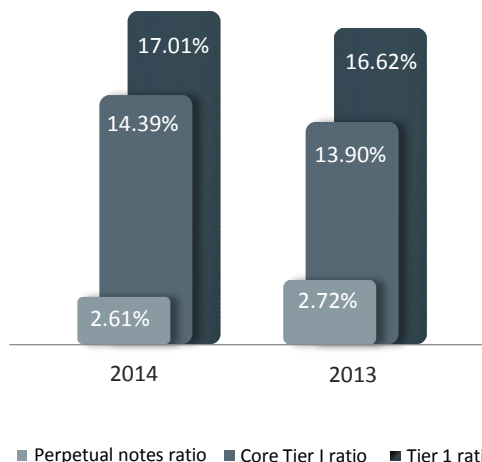
### Capital adequacy ratio



### Risk weighted assets (AED bn)

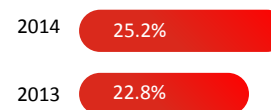


### Tier I and core Tier I ratios

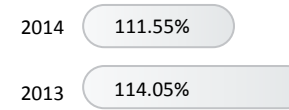


### Strong liquidity

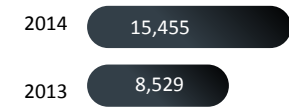
#### Liquidity ratio\*



#### Loan to deposit ratio



#### Interbank lending (AED mn)



\* 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

- ▶ “A Better Way: Ambition + Discipline”, continue to follow a corporate strategy based on measured growth and discipline
- ▶ Record levels of net profit and operating income, sustainable profitability
- ▶ Strong liquidity and capital position at industry leading levels
- ▶ Significant improvement in cost of funds and managed cost base
- ▶ Continued improvement in asset quality
- ▶ Tangible returns to shareholders
- ▶ Continue to build on a leading position across the emirates in the UAE

# Appendix



## 2014 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”

The Middle East HR Excellence Awards; “Nationalisation Initiative of the Year” for the ‘Tamooha’ initiative

The International Finance Magazine; “Best Islamic Banking Window in UAE”

“Hawkamah Bank Corporate Governance Award for 2014”

## Balance sheet

AED mn	2014	2013	Change %
Cash and balances with Central Banks	15,092	9,961	52
Deposits and balances due from banks	16,019	11,345	41
Trading securities	200	885	(77)
Derivative financial instruments	4,289	3,616	19
Investment securities	21,652	20,855	4
Loans and advances, net	140,562	131,649	7
Investment in associate	196	0	0
Investment properties	616	561	10
Other assets	4,552	3,405	34
Property and equipment, net	806	805	0
Intangible assets	36	62	(42)
<b>Total assets</b>	<b>204,019</b>	<b>183,143</b>	<b>11</b>
Due to banks	4,089	4,291	(5)
Derivative financial instruments	5,000	3,966	26
Deposits from customers	126,011	115,428	9
Euro Commercial Paper	6,375	5,940	7
Borrowings	30,320	23,786	27
Other liabilities	5,805	4,911	18
<b>Total liabilities</b>	<b>177,601</b>	<b>158,321</b>	<b>12</b>
Total shareholders' equity	26,408	24,177	9
Non -controlling interests	10	645	(98)
<b>Total liabilities and shareholders' equity</b>	<b>204,019</b>	<b>183,143</b>	<b>11</b>

## Income statement

AED mn	2014	2013	Change %
Interest income and income from Islamic financing	6,985	7,117	(2)
Interest expense and profit distribution	(1,401)	(1,688)	(17)
<b>Net interest and Islamic financing income</b>	<b>5,585</b>	<b>5,429</b>	<b>3</b>
Net fees and commission income	1,243	993	25
Net trading income	407	537	(24)
Revaluation of investment properties	22	0	0
Other operating income	273	361	(24)
<b>Non interest income</b>	<b>1,945</b>	<b>1,890</b>	<b>3</b>
<b>Operating income</b>	<b>7,530</b>	<b>7,320</b>	<b>3</b>
Staff expenses	(1,464)	(1,354)	8
Other operating expenses	(941)	(847)	11
Depreciation	(132)	(127)	4
Amortisation of intangible assets	(26)	(30)	(15)
<b>Operating expenses</b>	<b>(2,563)</b>	<b>(2,358)</b>	<b>9</b>
<b>Operating profit before impairment allowances &amp; taxation</b>	<b>4,967</b>	<b>4,961</b>	<b>0</b>
Impairment allowance on loans and advances	(1,041)	(1,554)	(33)
Recovery of loans	229	188	22
Recoveries on written off available for sale investments	49	32	54
Overseas income tax expense	(3)	(7)	(64)
<b>Net profit</b>	<b>4,201</b>	<b>3,620</b>	<b>16</b>
<b>Attributed to:</b>			
<b>Equity holders of the Parent</b>	<b>4,050</b>	<b>3,365</b>	<b>20</b>
Non-controlling interests	152	254	(40)
<b>Net Profit</b>	<b>4,201</b>	<b>3,620</b>	<b>16</b>