

ABU DHABI COMMERCIAL BANK PJSC REPORTS
FULL YEAR 2017 NET PROFIT OF AED 4.278 BILLION, UP 3% YEAR ON YEAR
FOURTH QUARTER 2017 NET PROFIT OF AED 1.072 BILLION, UP 7% YEAR ON YEAR
RECOMMENDS CASH DIVIDEND OF AED 0.42 PER SHARE*
EQUIVALENT TO 51% OF NET PROFIT

Abu Dhabi Commercial Bank PJSC (“ADCB” or the “Bank”) today reported its financial results for the year ended 31 December 2017.

2017/Q4'17 financial highlights

Income statement highlights (AED mn)	Year on year trend			Quarterly trend				
	2017	2016	Change% YoY	Q4'17	Q3'17	Q4'16	Q4'17 Change % QoQ YoY	
Total net interest and Islamic financing income	6,701	6,201	8	1,718	1,677	1,573	2	9
Non - interest income	2,194	2,294	(4)	592	569	598	4	(1)
Operating income	8,895	8,495	5	2,311	2,247	2,171	3	6
Operating expenses	(2,948)	(2,796)	5	(800)	(736)	(729)	9	10
Operating profit before impairment allowances	5,948	5,700	4	1,511	1,511	1,443	0	5
Impairment allowances	(1,674)	(1,521)	10	(441)	(418)	(437)	6	1
Share in profit of associate	10	8	26	3	2	2	NM	NM
Profit before taxation	4,284	4,187	2	1,072	1,094	1,008	(2)	6
Overseas income tax expense	(6)	(30)	NM	(0)	(2)	(4)	NM	NM
Net profit for the period	4,278	4,157	3	1,072	1,092	1,004	(2)	7
Net profit attributable to equity shareholders	4,278	4,149	3	1,072	1,092	1,004	(2)	7

Balance sheet highlights (AED mn)	Change%			Change%				
	2017	2016	YoY	Dec'17	Sep'17	Dec'16	QoQ YoY	
Total assets	265,003	258,289	3	265,003	259,599	258,289	2	3
Loans and advances to customers, net	163,282	158,458	3	163,282	165,988	158,458	(2)	3
Deposits from customers	163,078	155,442	5	163,078	163,122	155,442	0	5

Ratios (%)	Change%			Change%				
	2017	2016	bps	Dec'17	Sep'17	Dec'16	bps	
CAR (Capital adequacy ratio)	19.09 ²	18.92	17	19.09 ²	18.47	18.92	62	17
Tier I ratio	15.92 ²	15.66	26	15.92 ²	15.25	15.66	67	26
Loan to deposit ratio	100.1	101.9	(180)	100.1	101.8	101.9	(170)	(180)

Figures may not add up due to rounding differences

2017 Key indicators

Net profit (AED billion)	Return on average equity (ROAE %) ¹	Return on average assets (ROAA %) ¹	Basic earnings per share (EPS – AED)
4.278	15.0	1.58	0.80

* Subject to approval by the UAE Central Bank and shareholders at the Annual General Meeting

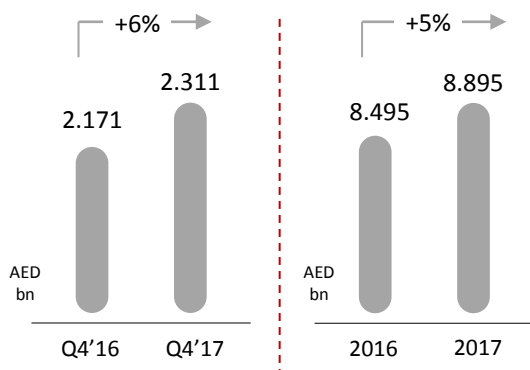
¹ Annualised, for ROE/ROAA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and interest expense on Tier I capital notes

² Basel III

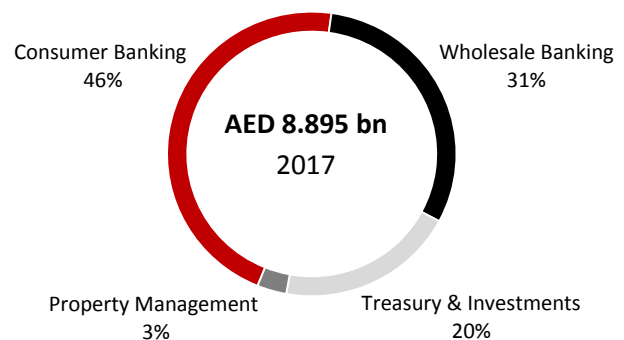
Delivering sustainable growth and long term value for shareholders

- ▶ Net profit for the year ended 31 December 2017 was AED 4.278 billion, an increase of 3% year on year, whilst net profit for the fourth quarter of 2017 was AED 1.072 billion, an increase of 7% year on year. The Bank's key financial indicators remained strong with a return on average equity of 15% and a return on average assets of 1.58% for 2017 compared to 15.7% and 1.65% respectively for 2016.
- ▶ Operating income of AED 8.895 billion was up 5% over 2016, while operating profit before impairment allowances of AED 5.948 billion was up 4% over 2016, reflecting the Bank's strong fundamentals and resilient financial performance in 2017. The Bank's solid underlying performance was also reflected in our quarterly numbers, with an operating income of AED 2.311 billion, up 6% over Q4'16 and operating profit before impairment allowances of AED 1.511 billion, up 5% over Q4'16. Each of our business segments delivered good growth and contributed to the Bank's strong results in 2017; Consumer Banking Group comprised 46% of total operating income, whilst Wholesale Banking and Treasury & Investments Groups comprised 31% and 20% respectively.

Operating income

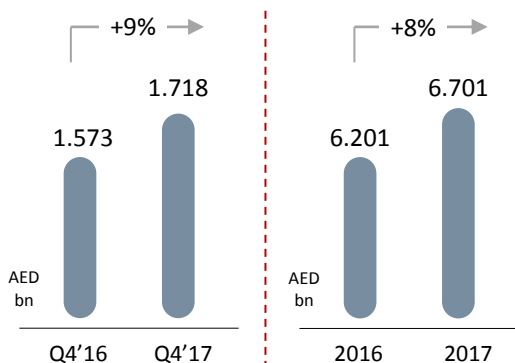


Percentage contribution to operating income

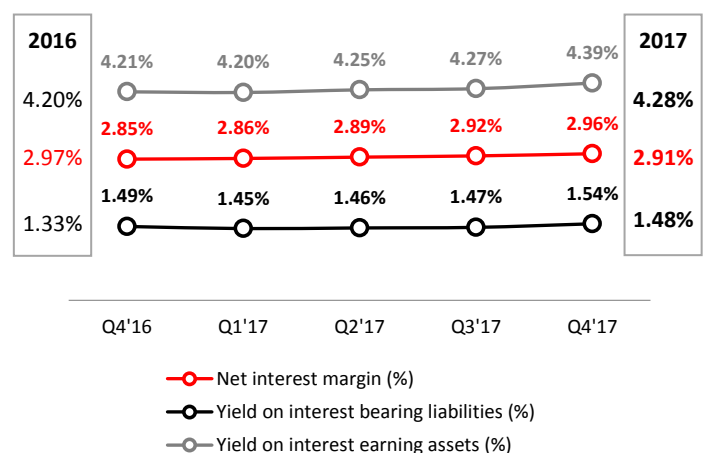


- ▶ The Bank reported strong top line growth, with net interest and Islamic financing income of AED 6.701 billion for 2017, an increase of 8% year on year, and net interest and Islamic financing income of AED 1.718 billion for the fourth quarter of 2017, an increase of 9% over Q4'16. Gross interest and Islamic financing income of AED 9.854 billion was up 13% over 2016, driven by a 11% increase in average interest earning assets over 2016. The prior year benefited from interest in suspense reversals which were not repeated in 2017. Average interest bearing liabilities increased 11% over the prior year, resulting in an interest expense of AED 3.153 billion, up 24% year on year. Despite a slight uptick in cost of funds in the last quarter of 2017 (in line with the rising benchmark rates), net interest margin was maintained at 2.91%, whilst asset yields remained healthy at 4.28% in 2017.

Net interest income



Evolution of yields



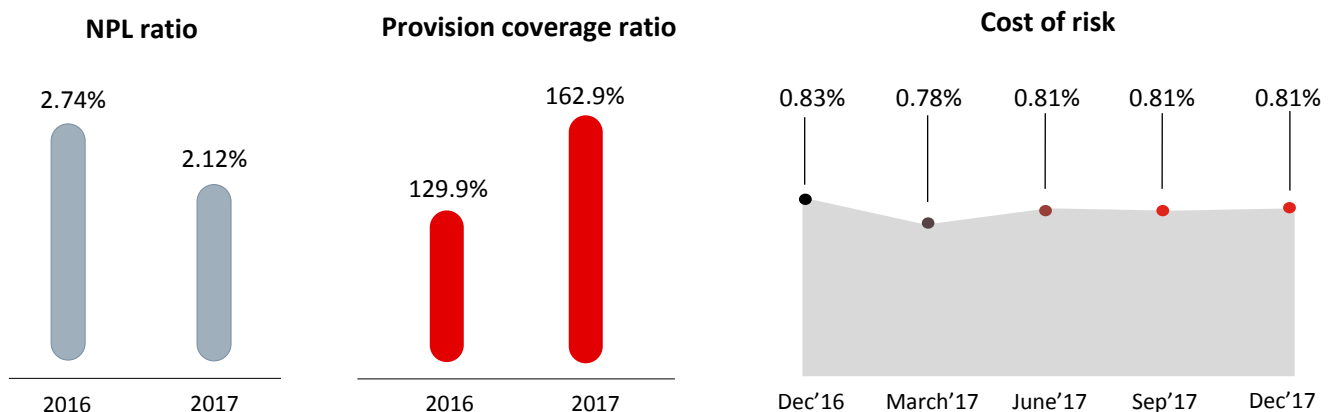
- ▶ Non-interest income of AED 2.194 billion was 4% lower over the previous year and accounted for 25% of operating income in 2017 compared to 27% in 2016. This was mainly on account of weaker trading income of AED 354 million in 2017 compared to AED 522 million reported in 2016, driven by lower FX income against a very strong prior year, which benefited from opportunistic trades. This was partially offset by net fees and commission income of AED 1.507 billion, up 2% and other income of AED 367 million, up 29% over 2016.
- ▶ Operating expenses for the year ended 2017 were AED 2.948 billion, up 5% over the prior year and in line with revenue growth. This resulted in a stable cost to income ratio of 33.1% compared to 32.9% in 2016. Staff expenses were up 3% at AED 1.709 billion and comprised 58% of total operating expenses compared to 59% in 2016. General administrative expenses were AED 1.073 billion, 8% higher year on year, primarily attributable to continued investment in our businesses, systems and infrastructure, including a state of the art core banking system and a set of digital initiatives to enhance operational efficiency to offer a superior customer service. During 2017, the Bank completed the migration and consolidation of its core banking system, following two years of complex programming, testing and training.

Cost to income ratio

32.9%	33.1%
2016	2017

Healthy asset quality metrics

- ▶ Significant improvement in asset quality indicators, with a non-performing loan (NPL) ratio of 2.1% compared to 2.7% as at 31 December 2016. Similarly, provision coverage ratio improved significantly to 162.9% from 129.9% as at 31 December 2016. Non-performing loans were AED 3.692 billion compared to AED 4.600 billion as at 31 December 2016, a decrease of 20% year on year. Cost of risk for 2017 was 0.81% compared to 0.83% in 2016.
- ▶ Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 1.670 billion compared to AED 1.552 billion in 2016. Whilst recoveries were stronger in 2017 at AED 259 million, compared to recoveries of AED 138 million in 2016, 2016 had benefited from significant impairment allowance releases, that were not repeated in 2017, which resulted in a higher net impairment allowance charge for the year. As at 31 December 2017, the Bank's collective impairment allowance balance was AED 3.172 billion and individual impairment allowance balance was AED 2.862 billion. Collective impairment allowances were 1.79% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank.

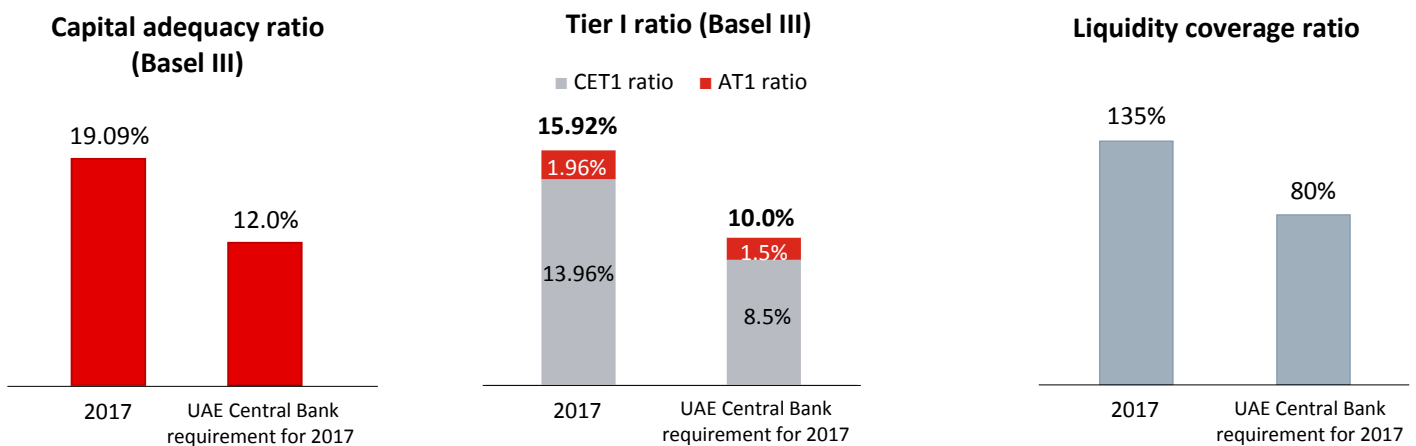


Diversified loan growth and continued focus on growing CASA deposits

- ▶ As at 31 December 2017, total assets were AED 265 billion and net loans were AED 163 billion, an increase of 3% over 2016. Consumer Banking loans increased 2%, while Wholesale Banking loans increased 4% year on year. 94% of loans to customers (gross) were within the UAE, in line with the Bank's UAE centric strategy. Total customer deposits increased to AED 163 billion as at 31 December 2017, up 5% year on year. At year end CASA balances totaled AED 70.7 billion, an increase of 9% over the previous year, and comprised 43.4% of total customer deposits compared to 41.8% in 2016. Loan to deposit ratio improved to 100.1% from 101.9% as at 31 December 2016.

Remain well capitalised and liquid; solid foundation to comply with the evolving regulatory requirements

- ▶ The Bank continues to maintain a comfortable liquidity position, with a liquidity coverage ratio of 135%, compared to a minimum ratio of 80% prescribed by the UAE Central Bank. As at 31 December 2017, investment securities were AED 49 billion, an increase of 49% over 2016, mainly driven by an increase in government bonds, whilst maintaining a healthy liquidity ratio of 24.5%.
- ▶ The Bank remains well capitalised with a capital adequacy ratio (Basel III) of 19.09% and a common equity tier 1 (CET1) ratio of 13.96%, well above the minimum capital requirements of 12% and 8.5% (including buffers) respectively prescribed by the UAE Central Bank.



Business review:

Consumer Banking Group* (CBG)

Our agility and a determined focus on the developing needs of our customers, helped the Group deliver a good performance over the past year, despite an operating environment that remains challenging. Operating income for the Group rose 3% to AED 4.081 billion and operating profit before impairment allowances also increased by 3% to AED 2.242 billion over 2016. Deposits from customers increased by 3% over 2016, while loan growth was 2% over 2016. This achievement was underpinned by a boost in our secured loan book and double digit growth in our CASA book.

We continued to strengthen our businesses, gaining market share, launching innovative new products and further investing in digital to ensure we are well-positioned for the future. Mobile banking is our fastest-growing digital channel. Over the past year, the number of active users adopting the ADCB Mobile app increased by 38% and monthly log-ins grew almost 10%. In total, 96% of our retail financial transactions occur electronically, with growing use of mobile and internet banking. As a consequence, we launched a second uBank digital centre in 2017, allowing customers to switch from traditional banking to paperless digital banking, with the help of biometric authentication, digital signatures and video assistance from 'virtual relationship officers'.

ADCB Private, our private banking business, has once again delivered a strong performance, topping AED 11 billion in assets under management at the end of 2017, whilst SimplyLife our mass-market banking operation, contributed AED 3.4 billion to the retail asset book in 2017. Another significant milestone in 2017 was the launch of our merchant acquiring business, quickly gaining ground in a competitive market. By the year-end, we had signed up over 440 merchants.

Our ongoing investment in digital technology offers another opportunity to improve our service, offering customers easier, faster and more secure banking, while at the same time markedly increasing our efficiency. This year we plan to roll out further enhancements to our service, building on our existing, robust, multi-channel infrastructure.

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

Wholesale Banking Group (WBG)

While constrained by ongoing regional market challenges, our performance across 2017 was buoyed by rising investment, a partial recovery in the oil price and easing liquidity. We experienced good underlying performance across all segments and increased our market share. Operating income rose by 6% to AED 2.736 billion and operating profit before impairment allowances delivered an increase of 4% to AED 1.958 billion. Customer deposits and net loans both expanded by 4% over 2016 to AED 69 billion and 90 billion respectively at year end.

We saw positive growth in the SME and mid-sized corporate loan books in 2017, building on our considerable gains in market share over the past few years. Our SME business continues to be a net contributor of liabilities to our balance sheet. In the large corporate and the Government sector (GREs), we also grew the loan book and made gains in market share particularly in cash management and trade finance. We have also been recognised as the premier real estate escrow account provider in Abu Dhabi, by both the number of accounts and liabilities.

The upgrade of our core banking system in 2017 has allowed us to better leverage technology, including digital functionality, to enhance the excellence of our services. Our increasing investment in digital technology will allow us to sharpen our advantage in customer service, helping us to continue to grow market share. Most notably, our channel migration programme is rapidly converting clients from physical to electronic banking. In just two years, the proportion of clients using digital channels has risen from 38% to 80%.

Our cash management business is recognised as a leader in the region. In 2017, Euromoney magazine named the bank a 'Five Star Cash Manager', 'Five Star Trade Finance Bank in the Middle East' and 'Best Bank for Transaction Services in the Middle East'. These awards are based on client feedback, and effectively rank ADCB as the leading provider in the region, offering products and services that rank among the best globally.

Wholesale Banking has a clear strategy for profitable growth, which we believe will continue to deliver value in the years ahead. We plan to maintain our strategy of growing market share, especially in lending to SMEs and mid-sized corporates, and to extend our leadership in transaction banking. Our increasing investment in digital technology will allow us to sharpen our advantage in customer service.

Treasury & Investments Group (Treasury)

Treasury enjoyed a strong year with an operating income of AED 1.778 billion and operating profit before impairment allowances of AED 1.569 billion, increases of 11% and 12% respectively over the previous year. Robust balance sheet management and a healthy investment book, coupled by FX trading opportunities and a growth in product sales yielded strong results across the year. Treasury's contribution to the bank's profits remains substantial and accounts for 20% of operating income, providing valuable diversification from the CBG and WBG businesses.

We have been one of the most active banks in the region in the Formosa market over the past year, issuing more than USD 1.5 billion in four transactions throughout 2017. We were also active in Australia's Kangaroo market for the first time in four years, becoming the only Middle Eastern bank to issue a multi-tranche transaction in this market. We raised AU\$ 350 million, swapping it back into US dollars.

Despite rising benchmark interest rates, our cost of funds remained stable through both customer deposits and capital markets activity. As liquidity in the UAE interbank market eased in 2017, we successfully repriced customer liabilities. We also tactically took advantage of niche capital market opportunities to raise funds at highly-competitive rates.

Wholesale borrowings of AED 41 billion at year end provide a diversified and stable term structure for our liability profile.

While there are implications for capital and liquidity with the introduction of Basel III, we are well-prepared for these changes, buoyed by our strong capital position and high liquidity coverage ratio.

Our strategic focus on technology has enabled us to transact in a growing number of products. Our treasury technology architecture is state-of-the-art and provides management and the ADCB Board with all required risk metrics. The foreign exchange platform continued to be upgraded in 2017, and the implementation and consolidation of the Bank's core banking system enhanced the capabilities of our own treasury technology.