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AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q1'18 Earnings presentation

April 2018



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Balance sheet highlights

Balance sheet (AED million)	Mar'18	Dec'17	Mar'17	Change %	
				QoQ	YoY
Total assets	266,649	265,003	263,672	1	1
Net loans and advances to customers	162,824	163,282	159,802	0	2
Investment securities	47,499	49,192	40,958	(3)	16
Deposits from customers	166,881	163,078	162,362	2	3
Borrowings (including ECP)	44,650	43,465	46,361	3	(4)
Total equity	29,712	32,445	29,539	(8)	1

Figures may not add up due to rounding differences

Highlights (YTD comparison)

- ▶ Total assets grew 1% to AED 267 billion, deposits and balances due from banks increased by AED 6.3 billion to AED 18 billion, whilst investment securities decreased by AED 1.7 billion to AED 47 billion, mainly driven by a decrease in government bonds
- ▶ Net loans to customers remained unchanged at AED 163 billion on account of significant repayments, despite healthy volumes in both Consumer and Wholesale Banking
- ▶ Customer deposits increased by 2% to AED 167 billion, CASA/total customer deposits maintained at 44%
- ▶ Loan to deposit ratio improved to 97.6% from 100.1% as at 31 December 2017
- ▶ Total equity of AED 30 billion was 8% lower, mainly on account of a dividend pay-out of AED 2.2 billion and an IFRS 9 impact of AED 1.36 billion

Income statement highlights

Income statement (AED million)	Q1'18	Q4'17	Q1'17	Change %	
				QoQ	YoY
Total net interest and Islamic financing income	1,828	1,718	1,631	6	12
Non - interest income	526	592	598	(11)	(12)
Operating income	2,354	2,311	2,229	2	6
Operating expenses	(770)	(800)	(740)	(4)	4
Operating profit before impairment allowance	1,584	1,511	1,489	5	6
Impairment allowances	(380)	(441)	(386)	(14)	(2)
Net profit for the period	1,207	1,072	1,105	13	9

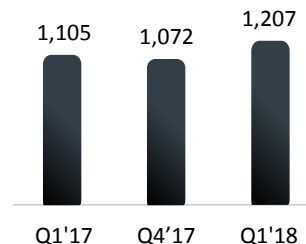
Figures may not add up due to rounding differences

Highlights (Q1'18 vs. Q1'17)

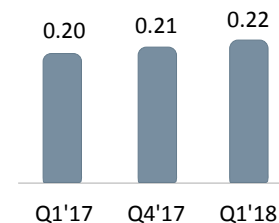
- ▶ Net profit increased 9% to AED 1.207 billion, driven by higher margins, a well managed funding mix and a disciplined cost base
- ▶ Total net interest income and Islamic financing income increased 12% to AED 1.828 billion, on account of higher benchmark rates, increasing volumes and higher interest in suspense reversals
- ▶ Non-interest income declined 12% to AED 526 million, due to lower trading income and lower net fees and commission income
- ▶ Operating expenses increased 4% to AED 770 million, cost to income ratio of 32.7% compared to 33.2% for Q1'17
- ▶ Net impairment allowance of AED 380 million improved 2%, whilst gross impairment allowance of AED 431 million improved 15%, on account of higher releases recorded in the current quarter

Key performance indicators

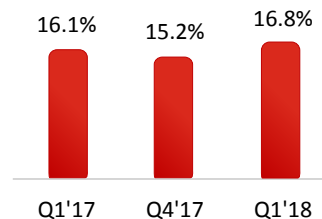
Net profit (AED million)



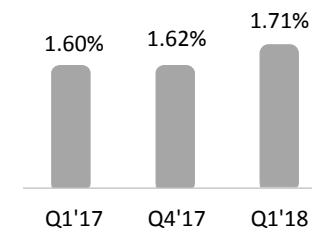
Basic earnings per share (EPS - AED)



Return on average equity (%)



Return on average assets (%)



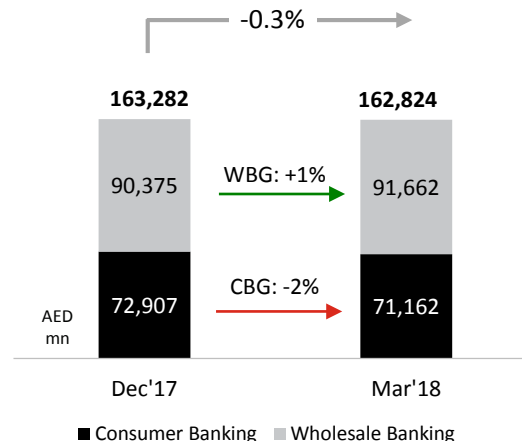
Balance sheet metrics

Stable loan growth on account of significant repayments De-risking of the unsecured Consumer loan portfolio

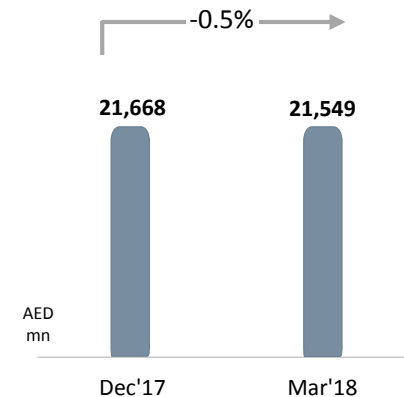
Highlights (YTD Comparison)

- ▶ Net loans to customers remained unchanged at AED 163 billion. YTD UAE banking industry average growth was 1.05%
- ▶ Gross loans increased by 0.4% (AED 705 million) to AED 170 billion
- ▶ WBG loan growth led by the Corporate segment
- ▶ CBG loan growth focused on growing the secured loan book, with a re-focus on the UAE National segment, whilst de-risking of the unsecured loan portfolio continues

Net loans

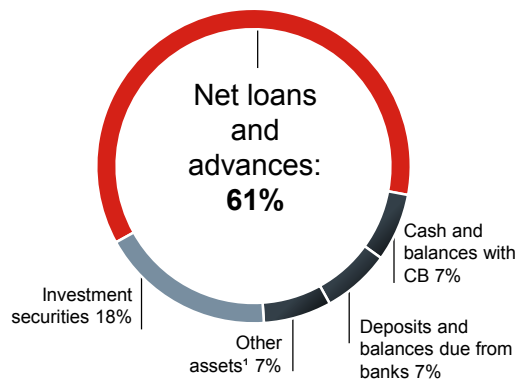


Net Islamic financing assets

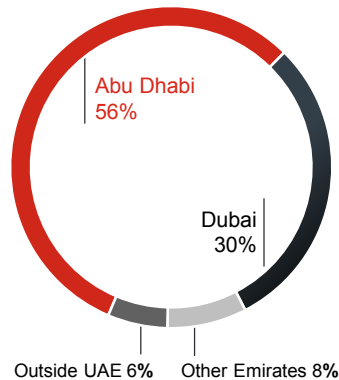


Resilient balance sheet Composition of assets

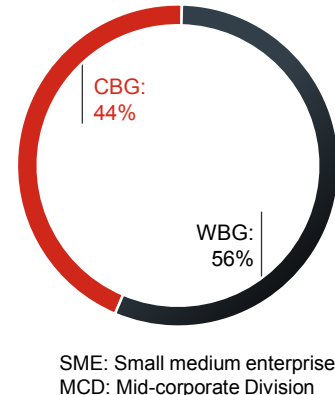
Total assets: AED 266,649 million



Portfolio exposure geared to Abu Dhabi and Dubai

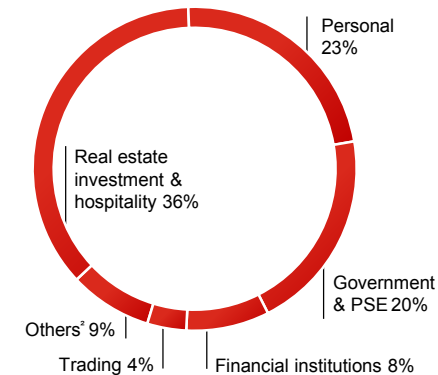


Well diversified by business segment, with focus on Retail, SME and MCD



Loans well-diversified by economic sector

Gross loans: AED 169,894 million



¹ Other assets include: Derivative financial instruments, Investments in associate, Investment properties, Property and equipment (net), Intangible assets, Reverse repo placements and Trading securities and Other assets

² Others include: Agriculture, Energy, Transport, Manufacturing, Services and others

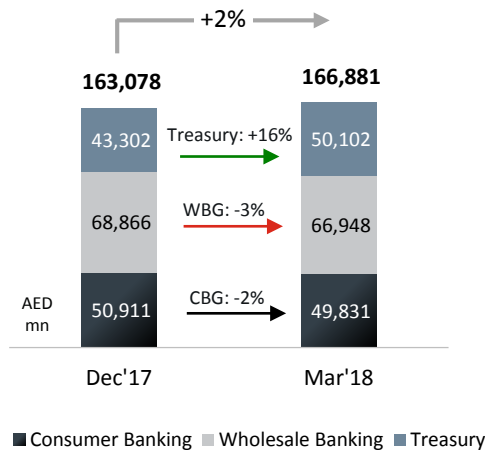
Customer deposit growth outpaced loan growth, resulting in an improved LTD ratio

Continued focus on gathering CASA deposits

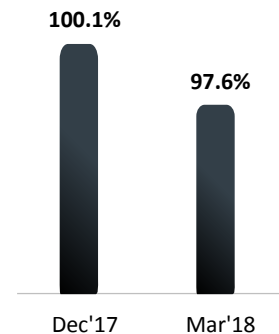
Highlights (YTD Comparison)

- ▶ Deposits from customers increased 2.3% to AED 167 billion. YTD UAE banking industry average growth was 2.2%
- ▶ Contraction in CBG and WBG deposits due to the retirement of expensive fixed deposits, partially offset by higher CASA deposits and an increase in treasury deposits
- ▶ CASA deposits increased by AED 2 billion to AED 73 billion and comprised 43.6% of total customer deposits
- ▶ Islamic deposits increased 5% to AED 16 billion, primarily attributable to increase in CASA and Wakala deposits

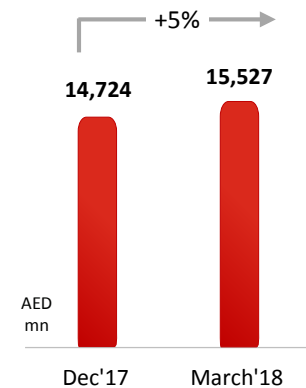
Customer deposits



LTD ratio (%)

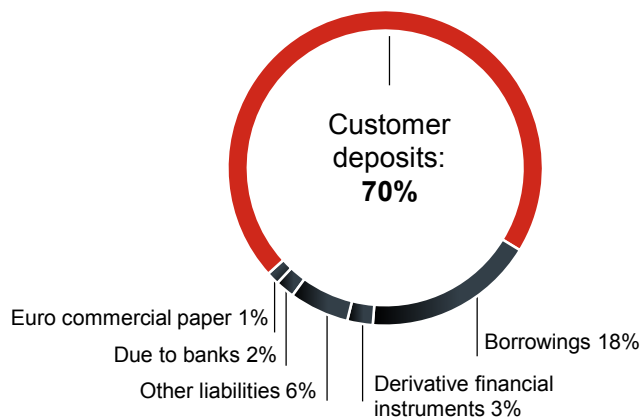


Islamic deposits



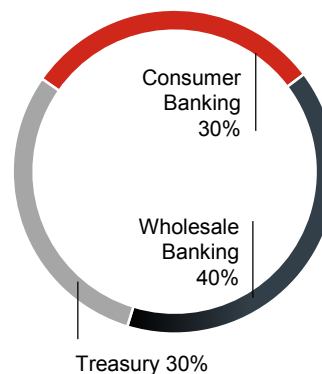
Diversified liability base, with increasing customer deposits

Total liabilities: AED 236,937 million



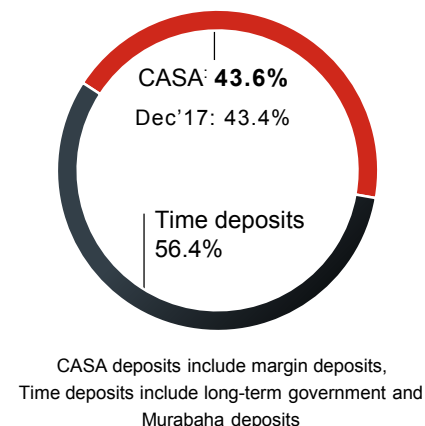
Customer deposits well diversified by business segment

Customer deposits: AED 166,881 million



Growing CASA balances, and increasing CASA%

CASA deposits: AED 72,748 million



Investment securities, 99% of total portfolio invested in bonds

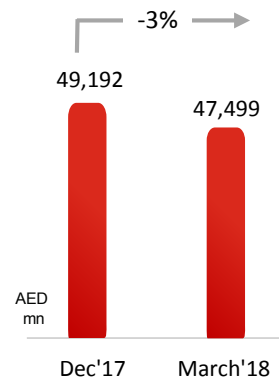
Highlights

- ▶ Investment securities of AED 47,499 million
- ▶ Average residual life of the investment securities portfolio is 3.2 years
- ▶ 67% invested in the UAE and other GCC countries

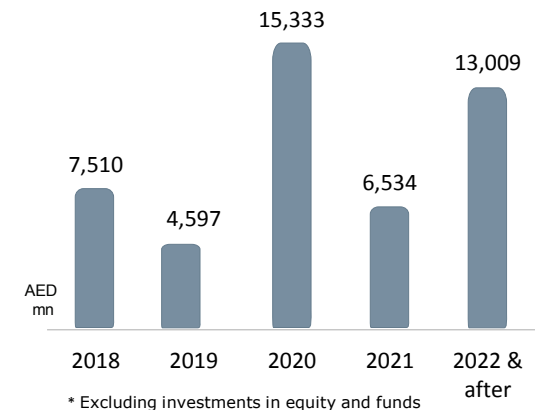
Bond portfolio summary (Excluding equity instruments and mutual funds)

- ▶ 59% of the portfolio is invested in Government securities
- ▶ Non Government bond portfolio – 41% of total portfolio
 - Rated A- or better: 62%
 - Rated BBB+ to BBB- : 32%
 - Rated BB+ and below including unrated: 6%

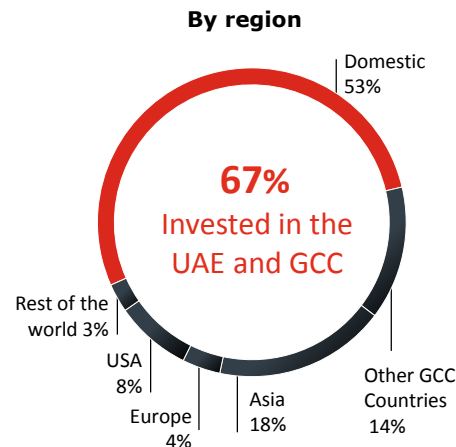
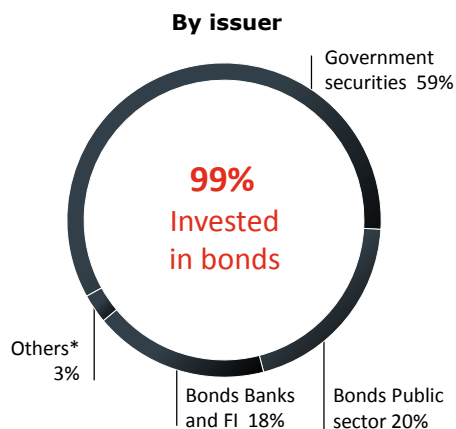
Investment securities



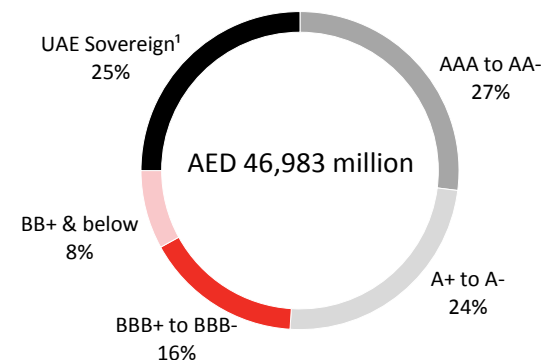
Maturity profile*



High quality investment portfolio mainly invested in government securities in the UAE



Total bond portfolio - Credit ratings as at 31 March 2018 (S&P or equivalent of Fitch or Moody's)

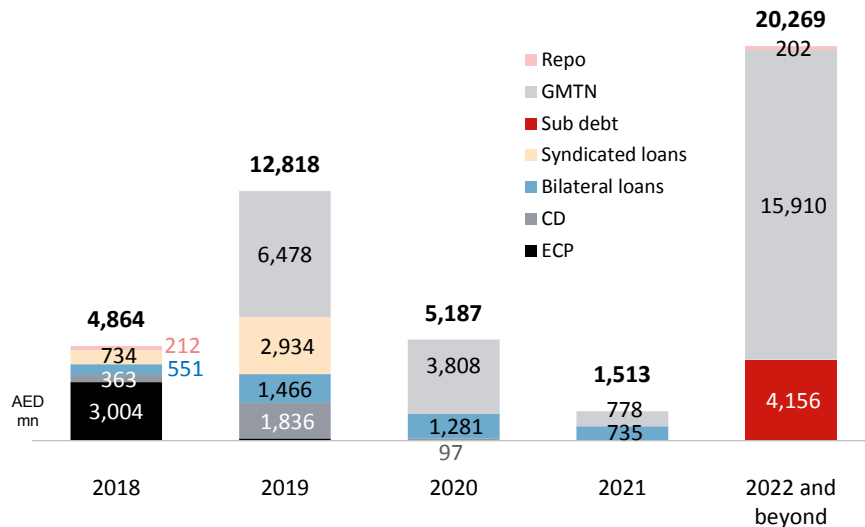


* Include corporate bonds, equity instruments and mutual funds

¹ UAE Sovereign internal rating mainly in Grade 2 and maps to external rating between AA to A

Wholesale funding and maturity profile Diversified sources of funding by markets, tenors, currencies and products

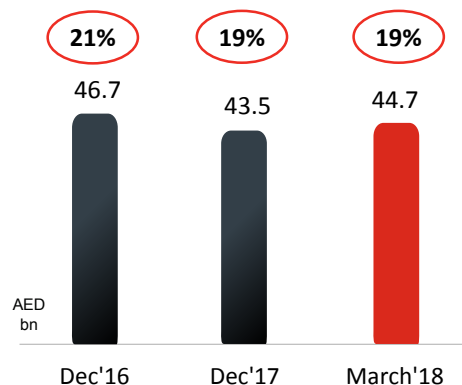
Maturity profile as at 31 March 2018



Wholesale funding split as at 31 March 2018

Source of funds	AED million
Global medium term notes (GMTN)	26,973
Subordinated debt	4,156
Euro Commercial paper	3,108
Repurchase agreements	415
Bilateral loans	4,033
Syndicated loans	3,669
Certificate of Deposits	2,297
Total	44,651

Wholesale funding including Euro commercial paper



○ Wholesale funding as a % of total liabilities

Net lender of
AED 11 billion*
in the interbank
markets

(As at 31 March 2018)

* Includes AED 3.7 billion of certificate of deposits with central banks

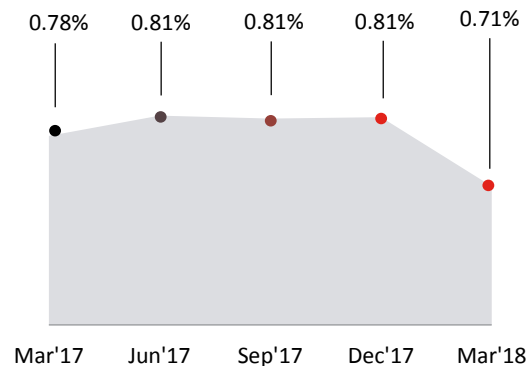
In March 2018, the Bank successfully launched and priced a USD 750 million RegS/144A compliant bond offering, marking the Bank's first USD public debt issuance since 2015 and first US 144A compliant market issuance since 2009

Successful transition to IFRS 9 accounting standard

Highlights

- ▶ Cost of risk improved to 0.71% from 0.81% as at 31 December 2017
- ▶ Net impairment charge of AED 380 million was 2% lower compared to Q1'17
- ▶ Non-performing loans and provision coverage ratios of 2.2% and 179.7%
- ▶ Stage 1 and 2 expected credit loss allowances were 2.88% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank

Cost of risk

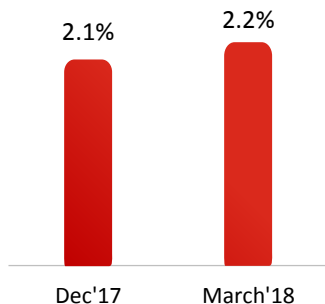


Cost of risk: Total provisions including investments/average loans & advances and investments

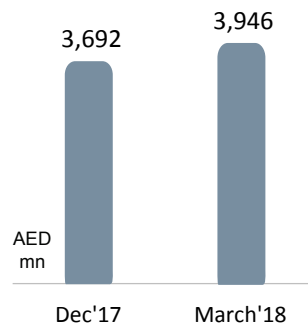
Impairment allowance of AED 7.6 billion by product



Non-performing loan ratio

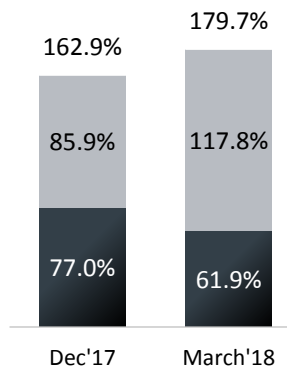


Non-performing loans¹



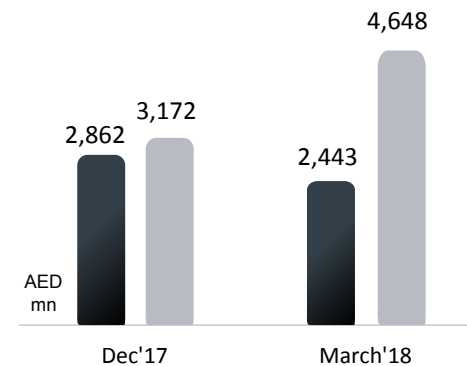
¹ Includes past due and impaired loans

Provision coverage ratio



■ Stage 3 (Individual impairment)
■ Stage 1 and 2 (Collective impairment)

Impairment allowances*



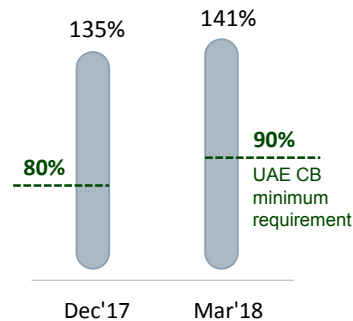
■ Stage 3 (Individual impairment) ■ Stage 1 and 2 (Collective impairment)
* Includes impairment allowances to banks

Robust capital ratios and comfortable liquidity levels

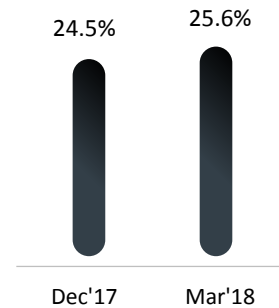
Highlights

- ▶ Capital adequacy ratio of 17.48% and common equity tier 1 (CET1) ratio of 12.37% remained well above the UAE Central Bank minimum capital requirements of 12.75% and 9.25% (including buffers), post dividend pay-out of AED 2.2 billion and IFRS 9 adjustment of AED 1.36 billion
- ▶ Liquidity coverage ratio (LCR) of 141% compared to a minimum ratio of 90% prescribed by the UAE Central Bank
- ▶ Liquidity ratio of 25.6% compared to 24.5% as at 31 December 2017, on account of AED 6.3 billion increase in deposits and balances due from banks

Liquidity coverage ratio

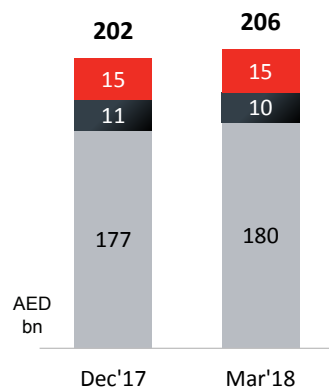


Liquidity ratio



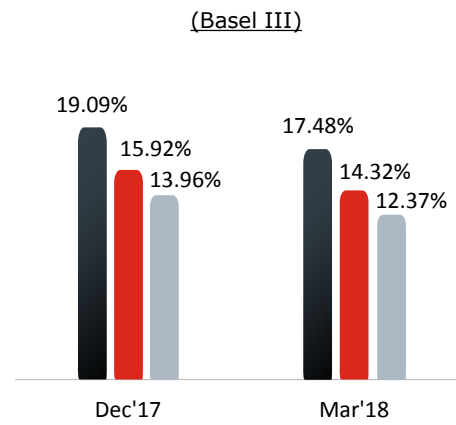
Liquidity ratio: Liquid assets*/total assets

Risk weighted assets



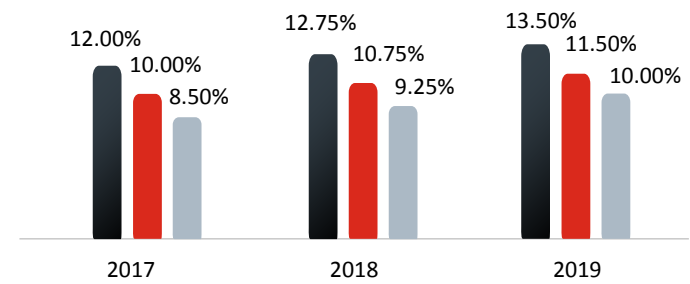
■ Credit risk ■ Market risk
■ Operational risk

Capital adequacy ratio



■ CAR ■ Tier I capital ratio ■ Common equity tier I ratio (CET I)

UAE Central Bank Minimum Capital Requirement (Basel III - Including buffers)



* Liquid assets include: Cash and balances with Central Banks, Deposits and balances due from banks, Reverse repo placements, Trading securities, and Quoted investment securities

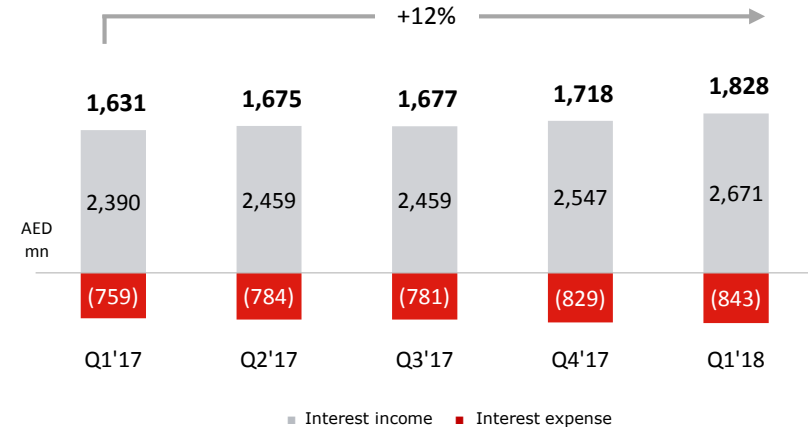
Income statement metrics

Strong top line growth driven by improved margins and well managed cost of funds

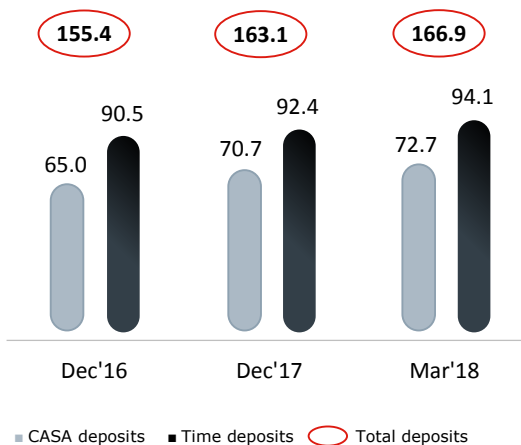
Highlights (Q1'18 vs. Q1'17)

- ▶ Net interest margin improved to 3.19% from 2.86% in Q1'17, an increase of 33 basis points, mainly on account of:
 - Rising benchmark rates
 - Increased volumes and change in asset mix towards higher yielding assets (reduction in interbank placements and increase in investment securities)
 - Higher interest in suspense reversals
- ▶ Cost of funds at 1.59% compared to 1.45% in Q1'17, an increase of 14 bps compared to 54 bps increase in 3M average Eibor and 84 bps increase in 3M average Libor over the same period
- ▶ Rising CASA balances continue to support cost of funds

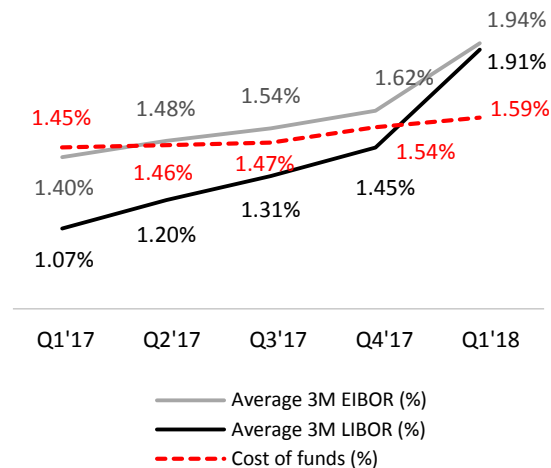
Net interest income



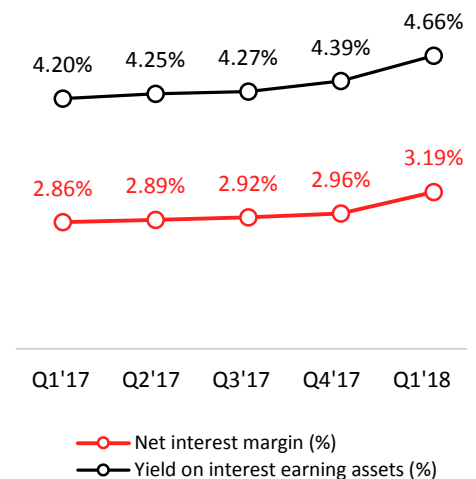
CASA and time deposits (AED billion)



Cost of funds



Net interest margin and asset yields

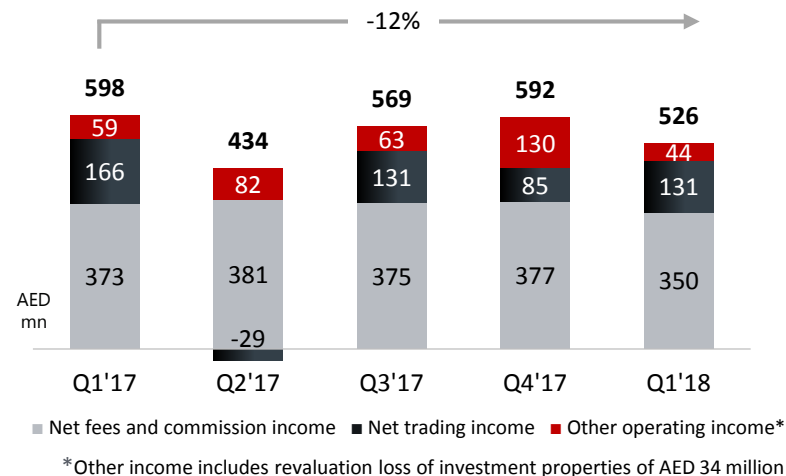


Continued focus on growing non-lending fee income

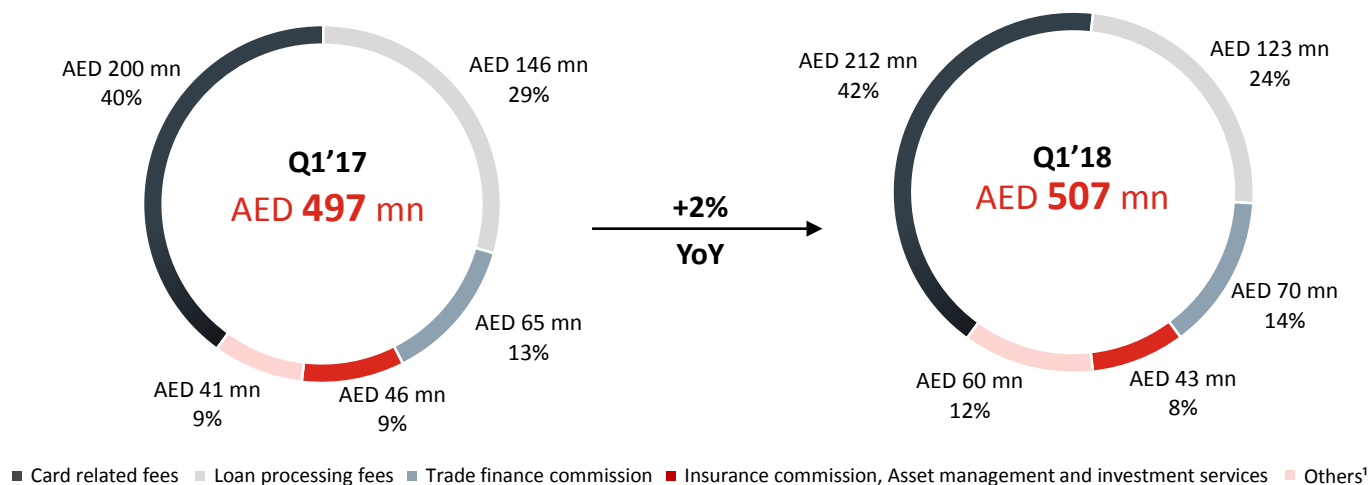
Highlights (Q1'18 vs. Q1'17)

- ▶ Gross fees and commission income of AED 507 million was up 2%, on account of higher card related and other fees
- ▶ Net fees and commission income declined 6% to AED 350 million, on account of:
 - Higher fees and commission expense, driven by the launch of the new Travel Card and the setup costs related to the new merchant acquiring business
 - Lower volumes as a result of de-risking of the unsecured Consumer loan portfolio
- ▶ Trading income declined 21% to AED 131 million, due to lower FX income against a strong prior year, which benefited from opportunistic trades

Non-interest income



Gross fees and commission income



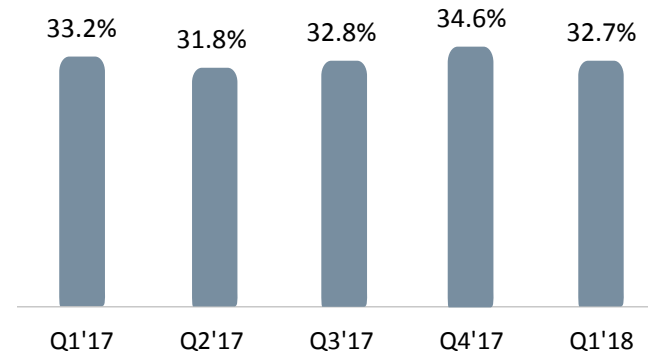
¹ Others include brokerage, fees from accounts related activities and other fees

Disciplined cost management and increased revenues resulting in an improved C:I ratio

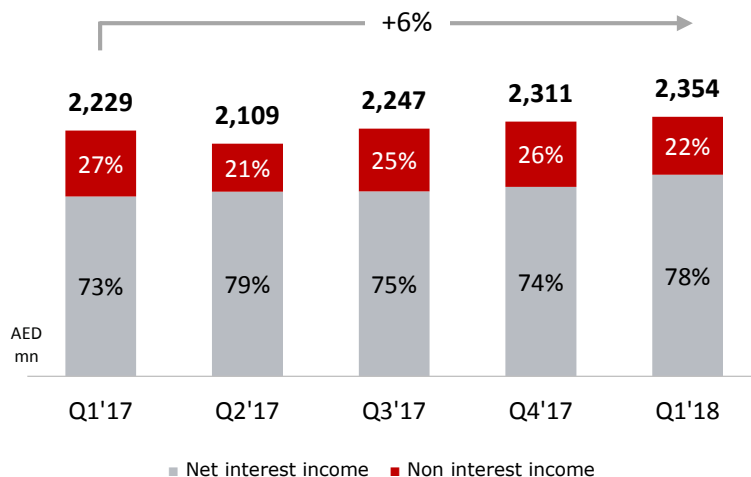
Highlights (Q1'18 vs. Q1'17)

- ▶ Operating income increased 6% to AED 2,354 million and operating expenses increased 4% to AED 770 million, resulting in an improved cost to income ratio of 32.7% compared to 33.2% in Q1'17
- ▶ Increase in operating expenses was mainly account of higher staff costs and ongoing investments in our businesses to accelerate the Bank's digital transformation

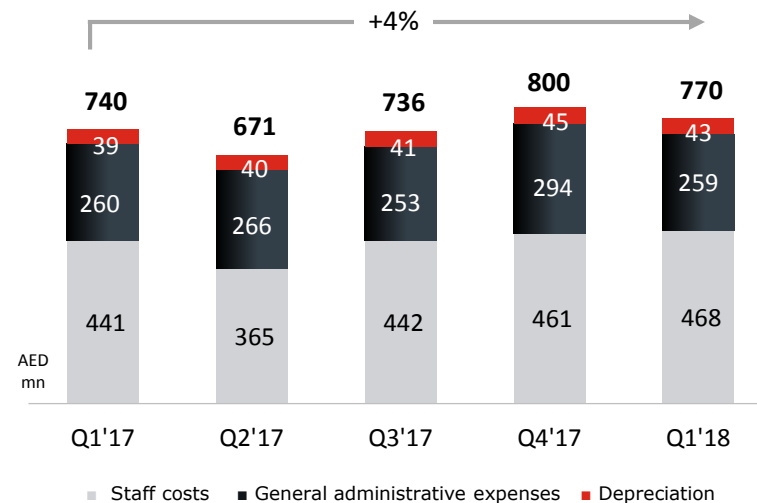
Cost to income ratio



Operating income



Operating expenses



Q1'18 Financial results – Key takeaways

A good quarter with stable key indicators

- ▶ YTD Net loans -0.3% and customer deposits +2.3% vs. industry wide net loans +1.05% and deposits +2.2%
- ▶ CASA/total customer deposits maintained at 43.6% of total customer deposits (Dec'17: 43.4%)
- ▶ CAR of 17.48% and common equity tier 1 (CET1) ratio of 12.37%
- ▶ Net profit of AED 1.207 billion, +9% YoY and ROE of 16.8%
- ▶ Operating income of AED 2.354 billion, +6% YoY, strong growth in net interest income, +12% YoY, NIM at 3.19%
- ▶ Non-interest income of AED 526 million, -12% YoY, mainly on account of lower trading income and net fees and commission income
- ▶ Cost to income ratio improved to 32.7% vs. 33.2% in Q1'17
- ▶ Cost of risk improved to 0.71% vs. 0.78% in Q1'17

Appendix

Awards

Q1'18 Awards

"Best Cash Management Bank in the Middle East"

Global Finance

"Best Cash Management Bank in the U.A.E"

Global Finance

"Best affinity Card in Middle East & North Africa "

MasterCard Leadership Forum

Ranked the 2nd in S&P/Hawkamah ESG Pan Arab Index for leadership in corporate sustainability

Hawkamah

2017 Awards

"Best Business Change or Transformation – Delivery of a Great Customer Experience Through Change" for Operational Excellence Framework 'SIMPLearn'

Gulf Customer Experience Awards

"Best Trade Finance Bank in The U.A.E"

Global Finance

"Five Star Cash Manager "

Euromoney

"Innovative Approach to Emiratisation to Deliver Exceptional Customer Experience" for Tamooha

Gulf Customer Experience Awards

"Best Contact Centre in the Region" for Contact Centre

Gulf Customer Experience Awards

"Best Supply Chain Finance Bank in the Middle East"

Global Finance

"Five Star Trade Finance provider in Middle East"

Euromoney

"Best Employee Engagement in Financial Services" for the Human Resources Team

Gulf Customer Experience Awards

"Best Insight and Feedback – Listening to Customers to Create an Impact" for Customer Experience and Research

Gulf Customer Experience Awards

"UAE Domestic Trade Finance Bank of the Year Award"

Asian Banking & Finance

"Best Bank for Transaction Services in the Middle East"

Euromoney Awards for Excellence

"3G CSR Award" in recognition of excellence in transparency, good governance and social responsibility

The Global Good Governance Awards (3G Awards)

"Mohammed Bin Rashid Al Maktoum Business Innovation Award"

"The Mohammed Bin Rashid Al Maktoum Business Innovation Awards"

"Debt Capital Markets in UAE"- Real Estate Survey 2017

Euromoney

"Outstanding Award for Business Innovation"

"The Mohammed Bin Rashid Al Maktoum Business Innovation Awards"

"The Best Annual Report Category in the Middle East"

The 9th Middle East Investor Relations Association (MEIRA) Awards

"Best Investor Relations Website in the Middle East"

The 9th Middle East Investor Relations Association (MEIRA) Awards

"APCP- Best Property Management Team - UAE 2017"

The Capital Finance International (CFI)

"Islamic Banker of the Year 2017 Award"

Global Islamic Finance Awards (GIFA)

"(Market Leader) in 2017" - Cash management

Euromoney

"Best Trade Bank in the Middle East"

Trade and Forfeiting Review (TFR)

"The Institute for Corporate Governance"

Hawkamah

"Women in Leadership Achievement Award" under the category of best DNI (Diversity and Inclusion Initiative) for its Tamooha

The 19th Global Women in Leadership Economic Forum

Balance sheet

	March'18	Dec'17	Change%
Cash and balances with central banks, net	18,739	19,997	(6)
Deposits and balances due from banks, net ¹	17,769	11,452	55
Reverse-repo placements, net	123	99	25
Investment securities ²	48,080	49,677	(3)
Loans and advances to customers, net	162,824	163,282	0
Other assets ³	19,115	20,496	(7)
Total assets	266,649	265,003	1
Due to banks	4,703	5,177	(9)
Deposits from customers	166,881	163,078	2
Euro commercial paper	3,108	2,910	7
Borrowings	41,542	40,555	2
Other liabilities ⁴	20,703	20,838	(1)
Total liabilities	236,937	232,558	2
Total equity	29,712	32,445	(8)
Total liabilities and equity	266,649	265,003	1

¹ Deposits and balances due from banks include AED 5.9 bn as at March 31, 2018 (AED 5.1 bn as at December 31, 2017) of loans to banks that were earlier reported under loans and advances to customers, net

² Includes trading securities

³ Other assets include derivative financial instruments, investment in associate, investment properties, property and equipment (net), intangible assets

⁴ Other liabilities include derivative financial instruments

Income statement

AED million	March'18	March'17	Change%
Interest income and income from Islamic financing	2,671	2,390	12
Interest expense and profit distribution	(843)	(759)	11
Net interest and Islamic financing income	1,828	1,631	12
Net fees and commission income	350	373	(6)
Net trading income	131	166	(21)
Other operating income	45	59	(24)
Non interest income	526	598	(12)
Operating income	2,354	2,229	6
Staff expenses	(468)	(441)	6
General administrative expenses	(259)	(260)	(0)
Depreciation	(43)	(39)	10
Operating expenses	(770)	(740)	4
Operating profit before impairment allowances & taxation	1,584	1,489	6
Impairment allowances	(380)	(386)	(2)
Share in profit of associate	3	3	NM
Overseas income tax expense	0	(1)	NM
Net profit	1,207	1,105	9
Attributed to:			
Equity holders of the Bank	1,207	1,105	9
Net Profit	1,207	1,105	9

Leading Through

AMBITION + DISCIPLINE



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