

**Press Release:** Immediate Release

## **ABU DHABI COMMERCIAL BANK PJSC REPORTS**

### **NINE MONTH 2014 NET PROFIT OF AED 3.179 BN, UP 16% YEAR ON YEAR**

### **THIRD QUARTER 2014 NET PROFIT OF AED 1.018 BN, UP 11% YEAR ON YEAR**

**Abu Dhabi, 22 October 2014** – Abu Dhabi Commercial Bank PJSC (“ADCB” or the “Bank”) today reported its financial results for the nine month period ended 30 September 2014 (“9M’14”).

#### **Key highlights (30 September 2014)**

- ▶ Sustained profitability and strong operating performance  
**(9M’14 vs. 9M’13)**
  - Net profit up 16% to AED 3.179 bn
  - Net profit attributable to equity shareholders up 18% to AED 3.028 bn
  - Operating income up 2% to AED 5.645 bn. 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 reported an increase of 3% and non-interest income reported an increase of 6% at AED 1.452 bn
  - Net fees and commission income up 19% at AED 896 mn
  
- ▶ Significant improvement in cost of funds and efficiently managed cost base
  - Interest expense improved 20% year on year to AED 1.056 bn in 9M’14
  - Cost to income ratio was 32.8% in 9M’14 and remains within our target range
  
- ▶ Consistent improvement in asset quality
  - As at 30 September 2014, NPL and provision coverage ratios improved to 3.4% and 128.7% respectively, compared to 4.1% and 109.7% as at 31 December 2013
  - Collective impairment allowance balance was 2.21% of credit risk weighted assets as at 30 September 2014
  - Cost of risk was 0.52% for 9M’14, compared to 1.07% for 9M’13 and 0.90% as at 31 December 2013
  
- ▶ Strong and conservative balance sheet providing a solid foundation to accelerate business growth
  - Net loans and advances up 3% to AED 136 bn over 31 December 2013
  - Customer deposits up 5% to AED 122 bn over 31 December 2013
  - CASA deposits accounted for 47% of total deposits compared to 39% as at 31 December 2013
  
- ▶ Strong liquidity and capital position at industry leading levels
  - Capital adequacy ratio of 21.25% and Tier 1 ratio of 16.90%
  - Net lender of AED 16 bn in the interbank markets
  - Loan to deposit ratio improved to 111.8% from 114.1% as at 31 December 2013

The Bank delivered strong financial results for the nine month period of 2014, reporting a net profit AED 3.179 bn, up 16% from 9M'13. This represents an EPS of AED 0.55 for 9M'14 versus AED 0.43 for 9M'13.

**Ala'a Eraiqat, Member of the Board and Chief Executive Officer, commented on the results:** "The Bank's strong performance with a record profit of AED 3.179 bn for the nine month period of 2014 reflects the emphasis we place on sustainable growth and our commitment to our strategic pillars. ADCB has a strong and conservative balance sheet that gives us the platform to accelerate business growth in the UAE and we continuously seek to capitalise on value-adding opportunities in key segments.

Improving economic conditions combined with our strong risk management culture and disciplined approach to balance sheet management resulted in significant improvement in asset quality metrics year to date. Our capital is at industry leading levels, our liquidity remains strong and our cost of risk is at record low levels.

In July 2014, global ratings agency Standard & Poor's revised its outlook on ADCB to "Positive" and affirmed our ratings at 'A/A-1'. The outlook revision is a reflection of our strong financial performance, tangible improvement in our funding profile, revenue generation and asset quality metrics. This is a testament to the work we are all doing as a team and reaffirms the steps we have taken to improve our financial performance since 2009.

As we enter the last quarter of 2014, we remain positive and confident that our strong balance sheet will provide a platform for future growth."

**Commenting on the results, Deepak Khullar, Group Chief Financial Officer said:** "ADCB delivered double digit growth in net profit year on year, in line with the Bank's well defined long-term strategy. For the nine month period to 30 September 2014, key drivers for growth included continued improvement in our funding profile, with cost of funds at 0.90%, robust fee income growth, up 19% year on year at AED 896 mn and improvement in our asset quality, with total impairment charges at AED 608 mn. For the nine month period of 2014, non-interest income was slightly lower year on year, on account of one-off gains reported in 2013 related to the retirement of hedges. Our cost to income ratio for the nine month period was 32.8% as we continue to invest in our people, infrastructure and systems to help us grow revenues."

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#### 9M’14/ Q3’14 Financial highlights

Income statement highlights (AED mn)	Nine month trend			Quarterly trend				
	9M’14	9M’13	Change % YoY	Q3’14	Q2’14	Q3’13	Q3’14 Change % QoQ YoY	
Total net interest income*	4,193	4,086	3	1,400	1,412	1,366	(1)	2
Non - interest income	1,452	1,470	(1)	470	462	454	2	3
Operating income	5,645	5,556	2	1,870	1,874	1,821	0	3
Operating expenses	(1,854)	(1,674)	11	(648)	(581)	(591)	12	10
Operating profit before impairment allowances	3,791	3,882	(2)	1,221	1,293	1,230	(6)	(1)
Net impairment allowances	(608)	(1,137)	(46)	(201)	(233)	(308)	(14)	(35)
Overseas income tax expense	(3)	(5)	(35)	(2)	(2)	(2)	(5)	34
Net profit for the period	3,179	2,741	16	1,018	1,058	920	(4)	11

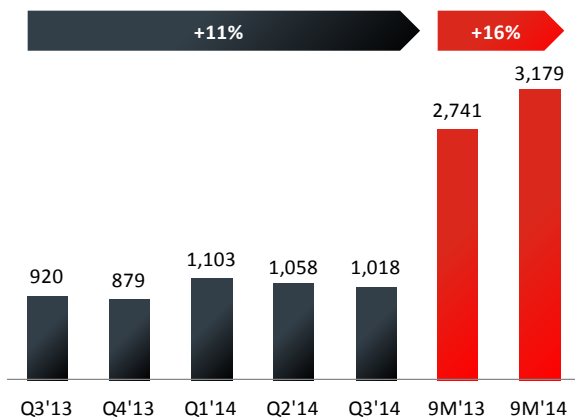
Balance sheet highlights (AED mn)	Change			Change %				
	Sep’14	Sep’13	%	Sep’14	June’14	Dec’13	QoQ	YTD
Total assets	198,425	174,683	14	198,425	197,799	183,143	0	8
Net loans and advances	135,887	120,220	13	135,887	134,302	131,649	1	3
Deposits from customers	121,516	112,022	8	121,516	119,041	115,428	2	5
Ratios (%)	Sep’14	Sep’13	bps	Sep’14	June’14	Dec’13	bps	bps
CAR (Capital adequacy ratio)	21.25	21.14	11	21.25	20.12	21.21	113	4
Tier I ratio	16.90	16.48	42	16.90	15.83	16.62	107	28
LTD (Loan to deposit ratio)	111.83	107.32	451	111.83	112.82	114.05	(99)	(222)

#### Performance indicators:

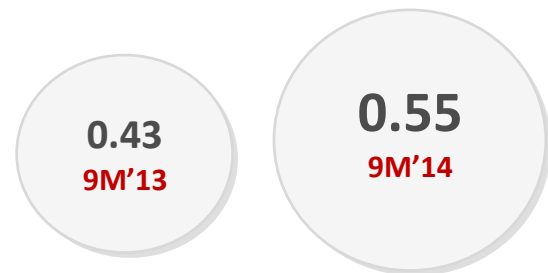
- ▶ Net profit for the first nine month period of 2014 was AED 3,179 mn compared to AED 2,741 mn in 9M’13, an increase of 16% year on year, net profit attributable to equity shareholders was AED 3,028 mn, an increase of 18% over 9M’13.
- ▶ Net profit for the third quarter of 2014 was AED 1,018 mn compared to AED 920 mn in Q3’13, up 11% year on year.
- ▶ Basic earnings per share were AED 0.55 for the nine month period of 2014, compared to AED 0.43 in 9M’13.
- ▶ As at 30 September 2014, ROE was 18.2% and ROAA at 1.99% for the nine month period of 2014 compared to 15.7% and 1.75% respectively over the same period in 2013.

\*Includes income from Islamic financing and Islamic profit distribution

### Net profit (AED mn)



### Basic earnings per share (EPS - AED)



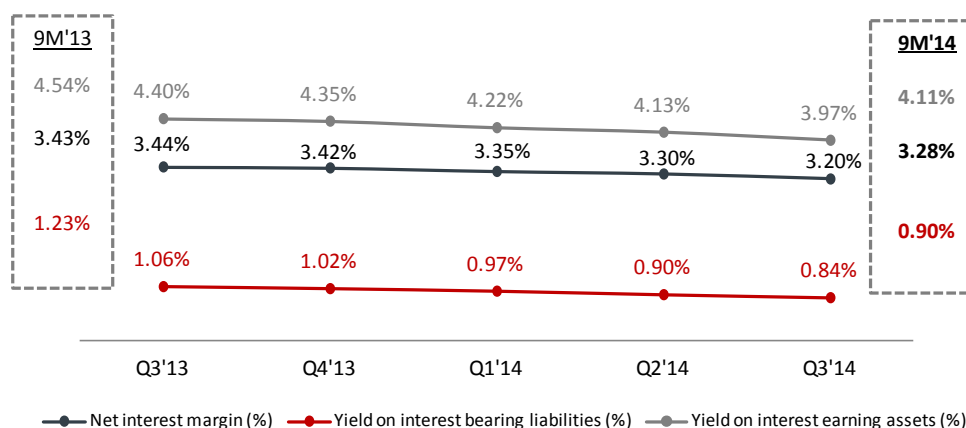
### Operating income

- ▶ Total operating income for the first nine months of 2014 was AED 5,645 mn, an increase of 2% over 9M'13. 9M'13 included a one-off gain of AED 100 mn arising from retirement of hedges. Excluding the one off gain, operating income increased 3% and non-interest income increased 6% year on year to AED 1,452 mn.
- ▶ Total net interest income<sup>1</sup> for the nine month period of 2014 was AED 4,193 mn, an increase of 3% over 9M'13. Interest expense<sup>2</sup> in 9M'14 was 20% lower year on year at AED 1,056 mn and on a quarterly basis it was AED 337 mn in Q3'14, which represented a decline of 12% year on year and 6% quarter on quarter. The bank relies on diversified sources of funding and our ongoing efforts to increase low cost customer deposits resulted in a significant contribution of CASA deposits year to date, accounting for 47% of total customer deposits compared to 39% as at 31 December 2013. Cost of funds for 9M'14 was 90 bps, an improvement of 33 bps year on year and net interest margin was 3.28% for the nine months of 2014.
- ▶ Net fees and commission income for the nine months of 2014 increased significantly to AED 896 mn, up 19% year on year. This was primarily attributed to higher corporate banking fees up 26% year on year at AED 346 mn, and retail banking fees up 10% year on year at AED 620 mn. Net fees and commission income accounted for 62% of total non-interest income in 9M'14, compared to 51% in 9M'13. Net trading income in 9M'14 was AED 334 mn, 18% lower year on year, mainly on account of lower gains from trading securities.

<sup>1</sup> Includes net income from Islamic financing

<sup>2</sup> Includes Islamic profit distribution

### Evolution of yields



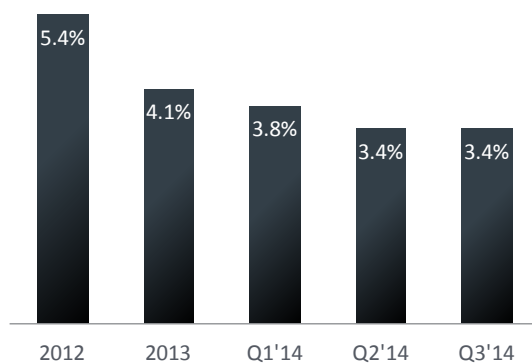
## Operating expenses and cost to income ratio

- ▶ Operating expenses for the nine months of 2014 were AED 1,854 mn, an increase of 11% year on year, with a cost to income ratio of 32.8% and staff costs as a percentage of total operating expenses remained unchanged at 57%.

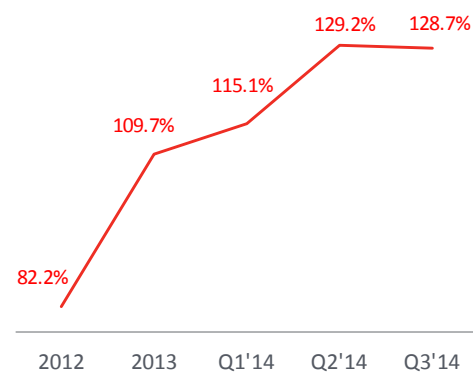
## Asset quality

- ▶ As at 30 September 2014, the NPL ratio improved to 3.4% from 4.1% as at 31 December 2013 and the provision coverage ratio improved significantly to 128.7% from 109.7% at 31 December 2013, whilst cost of risk for 9M'14 was 52 bps.
- ▶ Net impairment allowance charge for the nine months of 2014 was AED 608 mn. Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 624 mn in 9M'14 compared to AED 1,164 mn in 9M'13. Provisions for the investment portfolio totaled a net write back of AED 16 mn in 9M'14.
- ▶ As at 30 September 2014, the Bank's collective impairment allowance balance was AED 2,919 mn, 2.21% of credit risk weighted assets and the individual impairment balance stood at AED 3,844 mn.

Non performing loans ratio (NPL ratio)



Provision coverage ratio



## Assets

- ▶ As at 30 September 2014, total assets were AED 198,425 mn, representing an increase of 8% over 31 December 2013, mainly on account of higher cash and balances with central banks, deposits and balances due from banks and loans and advances.
- ▶ Gross loans and advances were AED 142,651 mn, representing an increase of 3% over 31 December 2013. 90% of gross loans were within the UAE, in line with the Bank's UAE centric strategy.
- ▶ Investment securities portfolio increased to AED 21,800 mn, representing an increase of 5% over 31 December 2013, mainly attributable to increase in available for sale investments in government securities and public sector bonds. 97% of the total portfolio was invested in bonds issued by government, corporates, public sector, banks and financial institutions.

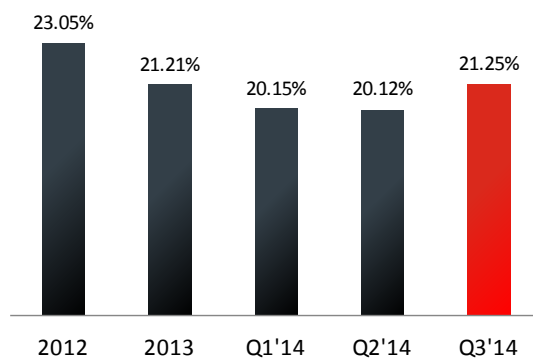
## Customer deposits

- ▶ Total customer deposits were AED 121,516 mn, representing an increase of 5% over 31 December 2013, with CASA deposits accounting for 47% of total customer deposits, compared to 39% as at 31 December 2013.
- ▶ Loan to deposit ratio improved to 111.83% compared to 114.05% as at 31 December 2013.

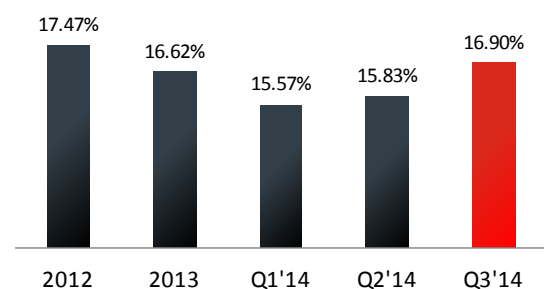
## Capital and liquidity

- ▶ 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% 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%.
- ▶ Net lender of AED 16 bn in the interbank markets as at 30 September 2014.
- ▶ As at 30 September 2014, the Bank's liquidity ratio improved to 26.4% compared to 22.8% as at 31 December 2013 and 25.2% as at 30 September 2013.

**Capital adequacy ratio (CAR)**



**Tier I ratio**



## Awards - 2014

World Finance Magazine Award; "Best Corporate Governance in UAE"

The Banker Middle East Product Awards 2014; "Best New SME Product", "Best SME Customer Service" and "Best Trade Finance Offering"

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 Magazine; "Best Domestic Cash Management 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"

Banker Middle East Industry Awards; "Best Corporate Bank and Best Transaction Bank"

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"

Asian Banking and Finance Magazine; "UAE Domestic Cash Management Bank of the Year"

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

## About ADCB (30 September 2014):

ADCB was formed in 1985 and as at 30 September 2014 employed over 4,000 people from 62 nationalities, serving over 580,000 retail customers and approximately 49,000 corporate and SME clients in 50 branches, 3 pay offices and 2 branches in India, 1 branch in Jersey and a representative office in London. As at 30 September 2014, ADCB's total assets were AED 198 bn.

ADCB is a full-service commercial bank which offers a wide range of products and services such as retail banking, wealth management, private banking, corporate banking, commercial banking, cash management, investment banking, corporate finance, foreign exchange, interest rate and currency derivatives and Islamic products, project finance and property management services.

ADCB is owned 59.4% by the Government of Abu Dhabi (Abu Dhabi Investment Council - 58.08% and Abu Dhabi Government Entity – 1.35%). Its shares are traded on the Abu Dhabi Securities Exchange. As at 30 September 2014, ADCB's market capitalisation was AED 44 bn.

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