Abu Dhabi Commercial Bank
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ABU DHABI COMMERCIAL BANK PJSC REPORTS

NINE MONTH 2018 NET PROFIT OF AED 3.483 BILLION

THIRD QUARTER 2018 NET PROFIT OF AED 1.151 BILLION

Abu Dhabi, 21 October 2018 – Abu Dhabi Commercial Bank PJSC ("ADCB" or the "Bank") today reported its financial results for the nine month period ended 30 September 2018 ("9M'18").

Key highlights (30 September 2018)

- **Robust performance for the nine month period, strong revenue growth driven by higher NIMs**

  Nine month comparison (9M'18 vs. 9M'17)

  - Net profit of AED 3.483 billion was up 9%
  - Total net interest income and Islamic financing income of AED 5.417 billion was up 9%
  - Operating income of AED 6.937 billion was up 5%
  - Operating profit before impairment allowances of AED 4.593 billion was up 4%
  - Impairment allowances (net) of AED 1.117 billion was 9% lower
  - Non-interest income of AED 1.521 billion was 5% lower
  - Net interest margin of 3.07% compared to 2.89% in 9M'17

- **Optimal management of cost of funds, improved cost of risk and continued investment in digital transformation**

  - Cost to income ratio for 9M'18 was 33.8% compared to 32.6% in 9M'17, remaining within our target range
  - Cost of funds for 9M'18 was 1.86% compared to 1.46% in 9M'17, increasing less than benchmark rates
  - Cost of risk for 9M'18 improved to 0.67% from 0.81% in 9M'17
  - As at 30 September 2018, NPL and provision coverage ratios were 2.97% and 133.0% respectively, compared to 2.12% and 162.9% as at 31 December 2017

- **Comfortable liquidity position**

  - Net loans and advances increased 1% to AED 165 billion over 31 December 2017
  - Deposits from customers increased 4% to AED 170 billion over 31 December 2017
  - Low cost CASA (Current and savings account) deposits comprised 41 % of total customer deposits
  - Loan to deposit ratio of 97.3% compared to 100.1% as at 31 December 2017
  - Maintaining a strong liquidity ratio of 27.0%
  - Net lender of AED 11 billion in the interbank markets
  - Liquidity coverage ratio (LCR) of 123% compared to a minimum ratio of 90% prescribed by UAE Central Bank

- **Strong capital ratios**

  - Capital adequacy ratio (Basel III) of 16.90% and common equity tier 1 (CET1) ratio of 12.98% remained above the UAE Central Bank minimum capital requirements of 12.75% and 9.25% (including buffers)

Note: On 3 September 2018, ADCB announced the commencement of exploratory talks regarding a potential merger with Union National Bank, as well as similar and separate discussions with Al Hilal Bank. At this time, there is no certainty that these negotiations will result in a transaction. ADCB is committed to the highest standards of regulatory disclosure and will update the market if and when there are any material developments.

Ala'a Eraiqat, Member of the Board and Group Chief Executive Officer, commented on the results:

"We are pleased with the Bank's performance for the nine-month period of 2018. Net profit for the third quarter was up 5% year on year, while year-to-date net profit was up 9% over the prior year, with a solid return on equity of 15.7%.

The Bank continues to focus on creating sustainable value for all our stakeholders through economic cycles within a robust governance and risk framework.

Central to our approach is implementing strict discipline in pricing risk and on managing exposure and concentration, enforced by board and management level committees. At a time when the financial services industry is changing rapidly, including the implementation of Basel III and IFRS9, ADCB is focused on stringent compliance with industry and market regulations, while engaging proactively with regulators to ensure that the Bank stays ahead of the curve. Implementing the highest levels of governance concerns the whole organisation and requires significant focus. Therefore culture metrics account for a high portion of our employees' performance assessments to promote ADCB's ethical and service values: integrity, respect, ambition, discipline and care.

Furthermore, the operating environment continues to be influenced by rapid changes in technology, transforming customer expectations and behaviour. We are therefore investing heavily in digital transformation, talent development and IT security to position ourselves as a progressive player in this evolving environment. Implementation of our strategy is guided by a clear and compelling vision, and a strong set of shared values.

We remain positive on the outlook for the UAE economy as new reforms, initiatives and economic stimulus launched by the Government drive further growth. We will continue to create long-term value for our customers and shareholders."

Deepak Khullar, Group Chief Financial Officer, commented on the results:

"The Bank posted a strong set of results for the third quarter with top and bottom line growth remaining healthy over the previous year. For the nine-month period of 2018, operating income of AED 6.937 billion was up 5%, and operating profit (after impairment allowances) of AED 3.476 billion was up 8% year on year.

Net loans were up 1% year to date, with the Bank continuing to de-risk its unsecured retail loan portfolio, while growing its Wholesale Banking loans by 5%. Customer deposits were up 4%, mainly on account of an increase in corporate time deposits.

In October 2018, the Bank's credit rating was re-affirmed by S&P at A/Stable/A-1, a testament to our well-established franchise, stable management, and balanced earnings generation across different business segments. Our capital ratios remain strong, with a CET1 ratio of 12.98% and total CAR of 16.90% as at 30 September 2018.

This has been another good quarter for the Bank, with improvements in profitability, as we continue to invest significant resources in our business within a strong control framework."

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9M'18/ Q3'18 financial highlights

	Year to date trend			Quarterly trend				
			Change %				Q3'18 Change %	
Income statement highlights (AED mn)	**9M'18**	9M'17	YoY	**Q3'18**	Q2'18	Q3'17	QoQ	YoY
Total net interest and Islamic financing income	**5,417**	4,983	9	**1,804**	1,784	1,677	1	8
Non - interest income	**1,521**	1,602	(5)	**490**	504	569	(3)	(14)
Operating income	**6,937**	6,585	5	**2,295**	2,288	2,247	0	2
Operating expenses	**(2,344)**	(2,147)	9	**(799)**	(775)	(736)	3	9
Operating profit before impairment allowances	**4,593**	4,437	4	**1,496**	1,513	1,511	(1)	(1)
Impairment allowances	**(1,117)**	(1,232)	(9)	**(347)**	(390)	(418)	(11)	(17)
Share in profit/(loss) of associate	**7**	7	NM	**2**	3	2	NM	NM
Profit before taxation	**3,484**	3,212	8	**1,151**	1,126	1,094	2	5
Overseas income tax expense	**(0)**	(6)	NM	**1**	(1)	(2)	NM	NM
Net profit for the period	**3,483**	3,206	9	**1,151**	1,125	1,092	2	5
			Change %				**Change %**	
Balance sheet highlights (AED mn)	**Sep'18**	Sep'17	YoY	**Sep'18**	June'18	Dec'17	QoQ	YTD
Total assets	273,375	259,599	5	273,375	271,722	265,003	1	3
Net loans and advances	165,213	165,988	0	165,213	165,733	163,282	0	1
Deposits from customers	169,794	163,122	4	169,794	171,521	163,078	(1)	4
Ratios (%)	**Sep'18**	Sep'17	bps	**Sep'18**	June'18	Dec'17	bps	bps
Basel III Capital adequacy ratio (CAR)	16.90	18.47*	(157)	16.90	16.66	19.09	24	(219)
Tier I ratio	14.87	15.25*	(38)	14.87	14.25	15.92	62	(105)
Loan to deposit ratio (LTD)	97.3	101.8	(450)	97.3	96.6	100.1	70	(280)

* Basel II
Components may not sum exactly to totals because of rounding

Key indicators (9M'18)

Net profit (AED billion)	Return on average equity (ROAE %)*	Return on average assets (ROAA %)*	Basic earnings per share (EPS – AED)
3.483	15.7	1.64	0.64

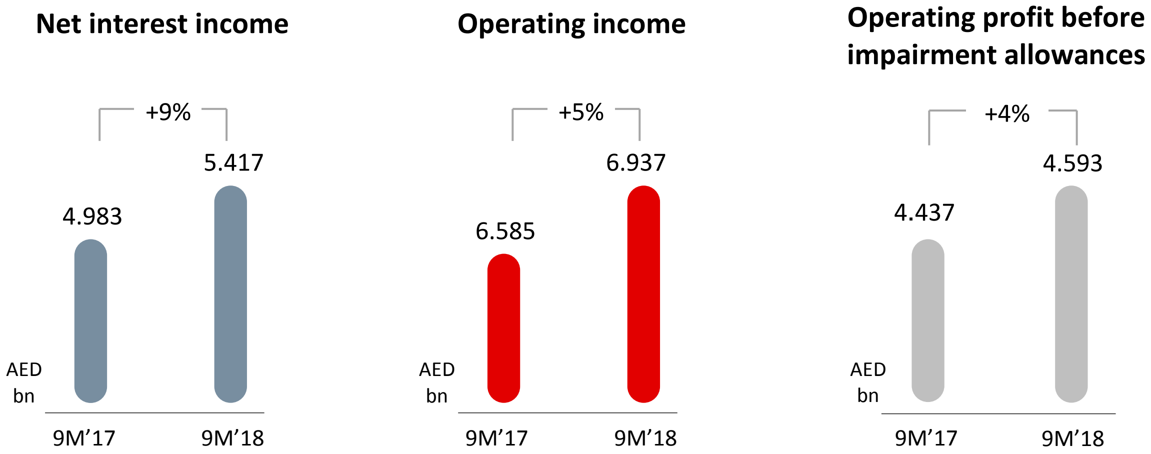
* Annualised, for ROAE/ROAA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting interest expense on Tier I capital notes

Note: On 3 September 2018, ADCB announced the commencement of exploratory talks regarding a potential merger with Union National Bank, as well as similar and separate discussions with Al Hilal Bank. At this time, there is no certainty that these negotiations will result in a transaction. ADCB is committed to the highest standards of regulatory disclosure and will update the market if and when there are any material developments.

Comparisons in this section are calculated for the nine-month period of 2018 ("9M'18") versus the nine-month period of 2017 ("9M'17"), unless otherwise specified.

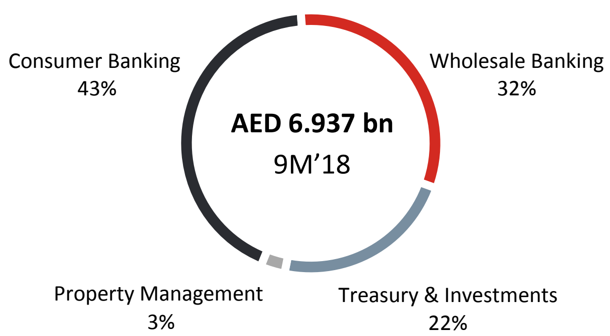
Robust performance in the nine-month period, strong revenue growth driven by higher NIMs

- The Bank reported a net profit of AED 3.483 billion for the nine-month period, an increase of 9% year on year, supported by a healthy expansion in NIMs driven by optimal management of cost of funds, combined with lower impairment charges. On a quarterly basis, net profit of AED 1.151 billion was up 2% over the previous quarter and 5% over the previous year. The Bank's key financial indicators remain strong with a return on average equity of 15.7% and a return on average assets of 1.64% in 9M'18 compared to 15.1% and 1.57%, respectively in 9M'17.



- Total operating income was AED 6.937 billion, up 5%. Each business segment contributed to the strong underlying performance of the Bank. The Consumer and Wholesale Banking groups comprised 43% and 32% of total operating income respectively. Treasury and Property Management contributed 22% and 3% to total operating income respectively.

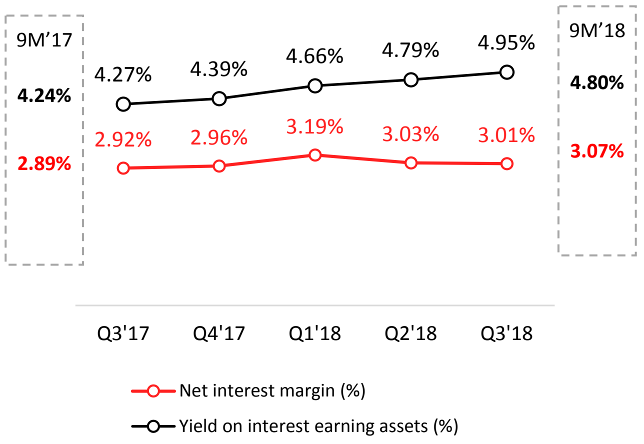
Percentage contribution to operating income



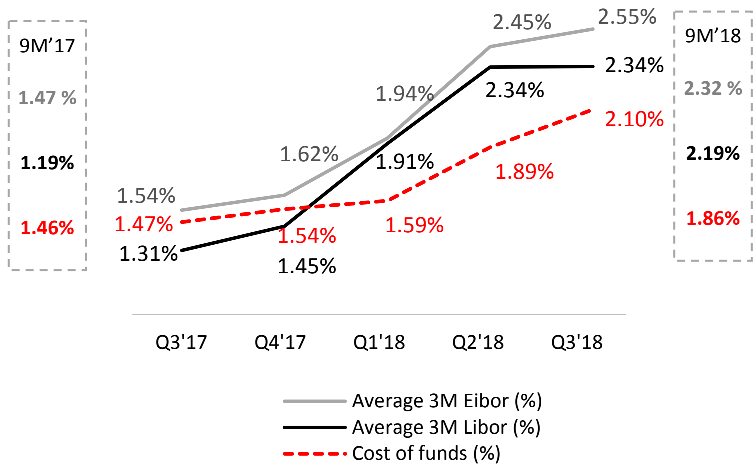
Optimal management of cost of funds

- Gross interest income (including Islamic financing income) was AED 8.465 billion, up 16%, driven by higher volumes and benchmark rates, coupled with a change in the composition of the asset book towards higher yielding assets. Net interest margin for 9M'18 improved to 3.07% from 2.89% in 9M'17, an increase of 18 basis points, despite the increased cost of carrying high quality liquid assets (HQLA) to meet LCR and recently introduced NSFR regulations. Net interest income of AED 5.417 billion was up 9% year on year. Yield on interest earning assets increased by 56 basis points to 4.80% in 9M'18, supported by the repricing of assets. Cost of funds increased to 1.86% in 9M'18 from 1.46% in 9M'17, an increase of 40 basis points year on year, compared to an increase of 85 basis points in average 3M Eibor and a 100 basis points increase in 3M Libor over the same period.

Net interest margin and yield on interest earning assets



Cost of funds



Non-interest income impacted by weaker fees & commission income partially offset by higher trading gains

- Non-interest income of AED 1.521 billion was down 5%, mainly on account of higher fee and commission related expenses and lower volumes. This was partially offset by a healthy pick up in card related fees, income from the merchant acquiring business and income from trade finance commission. Gross fees and commission income of AED 1.543 billion was up 1%. Trading income of AED 343 million was up 28%, primarily due to higher net gains from dealing in foreign currencies. The decrease in other operating income was primarily due to one-off gains recorded in 9M'17 and lower income from the property management business in 9M'18.

Committed to improve efficiency, cost to income ratio remains comfortably within our target range

- Operating expenses were AED 2.344 billion, up 9%, mainly driven by higher staff costs as the Bank continues to invest in recruiting and retaining top talent to further enhance business capabilities and support growth, as well as investing in significant resources to excel in customer service, operational excellence and digital transformation. Cost to income ratio of 33.8% remained within our target range.

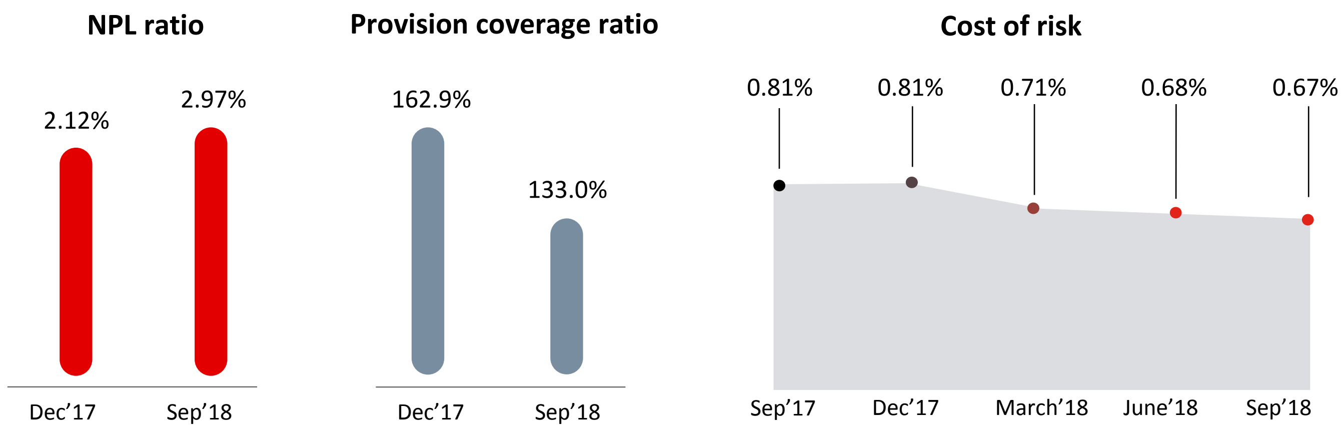
Cost to income ratio

32.6%	33.8%
9M'17	9M'18

Improved cost of risk

- Net impairment charges were AED 1.117 billion, 9% lower than 9M'17, translating to an annualised cost of risk of 0.67% compared to 0.81% in September'17. Strategic decision taken last year to de-risk the unsecured retail portfolio in the current economic environment has resulted in a much improved cost of risk for 9M'18.

- As at 30 September 2018, stage 3/non-performing loan ratio (NPL) was 2.97% compared to 2.12% at year end. Non-performing loans increased to AED 5.307 billion from AED 3.692 billion as at 31 December 2017, led by a few corporate accounts. Effective 1 January 2018, the Bank successfully transitioned to the IFRS 9 accounting standard. Under IFRS 9, impairment allowances against loans and advances were AED 7.058 billion, with a provision coverage ratio of 133.0%. Stage 1 and 2 expected credit loss allowances were 2.61% of credit risk weighted assets, well above the minimum 1.5% stipulated by the UAE Central Bank.



Comfortable liquidity position

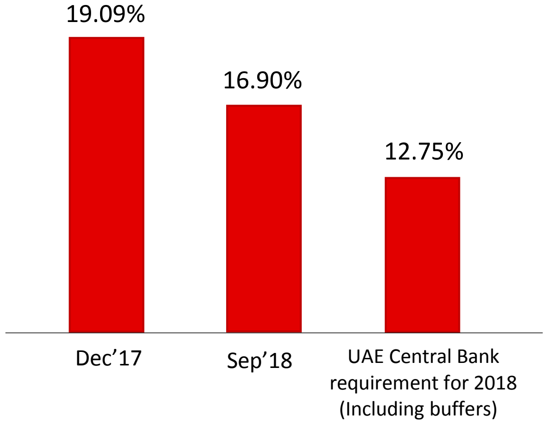
- Net loans and advances to customers increased to AED 165 billion, up 1% year to date, with the Bank continuing to de-risk its unsecured retail loan portfolio, while growing its Wholesale Banking loans by 5%. Total customer deposits increased to AED 170 billion, up 4% year to date, driven by an increase in corporate time deposits. At a time of rising benchmark rates, current account deposits were maintained, while time deposits increased to meet the LCR and recently introduced NSFR regulations. As at 30 September 2018, CASA balances totaled AED 70 billion and comprised 41% of total customer deposits. Loan to deposit ratio remained comfortable at 97.3% compared to 100.1% as at 31 December 2017.

- The Bank continues to maintain a comfortable liquidity position, with a liquidity coverage ratio of 123%, compared to a minimum ratio of 90% prescribed by the UAE Central Bank. Liquidity ratio was 27% compared to 24.5% as at 31 December 2017, led by an increase in deposits and balances due from banks and an increase in quoted investments.

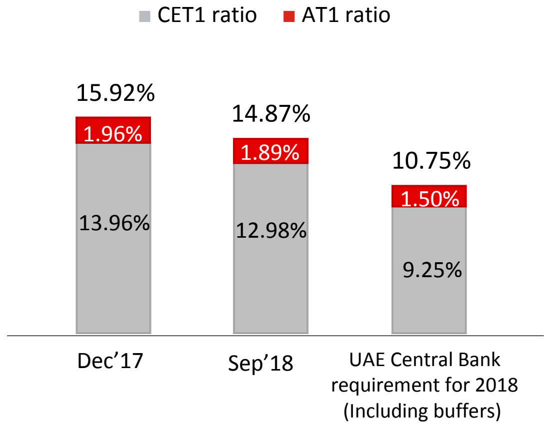
Strong capital position and comfortable liquidity levels

- The Bank remains well capitalised with a Basel III capital adequacy ratio (CAR) of 16.90% and a common equity tier 1 (CET1) ratio of 12.98%, well above the minimum capital requirements of 12.75% and 9.25% (including buffers) respectively, as prescribed by the UAE Central Bank. The reduction in CAR compared to December 2017 was primarily on account of the 2017 dividend payout, IFRS 9 adjustments, increase in credit risk weighted assets and repayment of subordinated debt (Tier 2 capital).

Capital adequacy ratio (Basel III)



Tier I ratio (Basel III)



Awards - 2018

"Best Cash Management Bank in the UAE and Middle East"

Global Finance

Ranked 2nd in S&P/Hawkamah ESG Pan Arab Index for Leadership in Corporate Sustainability

Hawkamah

"Best Affinity Card in Middle East & North Africa"

MasterCard Leadership Forum

"Most Popular Credit Card of the Year 2018"

Souqalmal.com

"Credit Card Product of the Year in Middle East"

The Asian Banker

"Best Affinity Credit Card in Middle East & Asia/Oceania"

Freddie Awards 2018

"Best Domestic Trade Finance Bank Of The Year"

Global Finance

"Best Trade Finance Portal in the UAE and Middle East"

Global Finance

"Best Integrated Corporate Banking Site in the UAE and Middle East"

Global Finance

"Best Online Portal Services in the UAE"

Global Finance

"Best Islamic Wholesale Banking Solutions"

Global Islamic Finance Awards

About ADCB (30 September 2018):

ADCB was formed in 1985 and as at 30 September 2018 employed over 5,000 people from 84 nationalities, serving retail customers and corporate clients in 50 branches, in addition to the 2 SimplyLife Sales & Service Centers and 4 uBank Centers in the UAE, 2 branches in India, 1 branch in Jersey and representative offices in London and Singapore. As at 30 September 2018, ADCB's total assets were AED 273 billion.

ADCB is a full-service commercial bank which offers a wide range of products and services in both conventional and Shari'ah compliant banking, operating in four business segments including Consumer Banking, Wholesale Banking, Treasury and Investments and Property Management.

ADCB is owned 62.52% by the Government of Abu Dhabi (Abu Dhabi Investment Council). Its shares are traded on the Abu Dhabi Securities Exchange. As at 30 September 2018, ADCB's market capitalisation was AED 42 billion.

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By their nature, these forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond ADCB's control, including, among others, the UAE domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact and other uncertainties of future acquisition or combinations within relevant industries.

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