



Leading Through

AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q3/9M'18 Earnings presentation

October 2018



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9M'18 highlights

MEASURED GROWTH



NET LOANS

AED 165 bn (+1% YtD)

CUSTOMER DEPOSITS

AED 170 bn (+4% YtD)

CREATING SHAREHOLDER VALUE



NET PROFIT

AED 3.483 bn (+9% YoY)

ROAE

15.7% (+60 bps YoY)

STRONG METRICS



CET1

12.98% (-98 bps YtD)

COST OF RISK

0.67% (-14 bps YoY)

Continued execution of our strategy

Balance sheet highlights

AED mn	Sep'18	% Change vs.		
		Jun'18	Dec'17	Sep'17
Total assets	273,375	1	3	5
Net loans and advances	165,213	(0)	1	(0)
Investment securities	49,645	1	1	18
Deposits from customers	169,794	(1)	4	4
Borrowings (including ECP)	45,144	(1)	4	1
Total shareholders' equity	31,800	4	(2)	1

Components may not sum exactly to totals because of rounding

Highlights (YtD comparison)

- ▶ Total assets grew 3% to AED 273 billion. Deposits and balances due from banks increased by AED 6 billion to AED 18 billion
- ▶ Investment securities increased 1% to AED 50 billion
- ▶ Net loans to customers increased by 1% to AED 165 billion, led by growth in Wholesale Banking loans. Gross loan growth was 2%
- ▶ Customer deposits increased by 4% to AED 170 billion, CASA/total customer deposits were at 41%. Overall CASA deposits totaled AED 70 billion
- ▶ Loan to deposit ratio of 97.3% compared to 100.1% as at 31 December 2017
- ▶ Total equity of AED 32 billion was 2% lower, mainly on account of a dividend pay-out of AED 2.2 billion and an IFRS 9 impact of AED 1.36 billion

Deposit growth continued to outpace loan growth

Income statement highlights

AED mn	% Change		Q3'18	% Change vs.	
	9M'18	9M'17		Q2'18	Q3'17
Net interest income	5,417	9	1,804	1	8
Non - interest income	1,521	(5)	490	(3)	(14)
Operating income	6,937	5	2,295	0	2
Operating expenses	(2,344)	9	(799)	3	9
Operating profit	4,593	4	1,496	(1)	(1)
Impairment allowances	(1,117)	(9)	(347)	(11)	(17)
Net profit	3,483	9	1,151	2	5

Components may not sum exactly to totals because of rounding

Highlights (9M'18 vs. 9M'17)

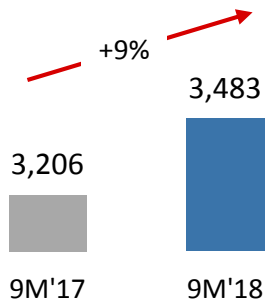
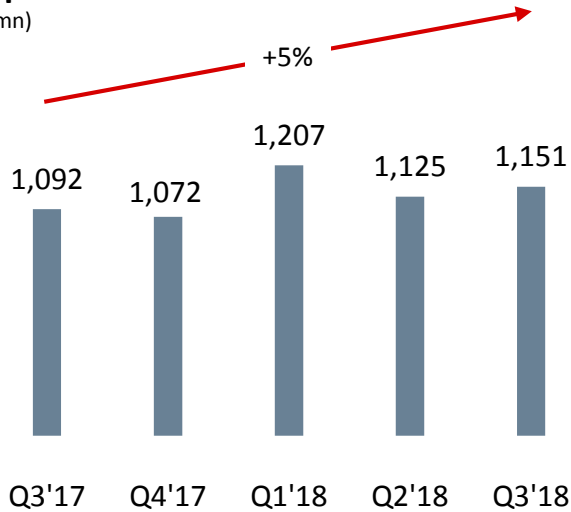
- ▶ Net profit increased by 9% to AED 3.483 billion, mainly driven by a healthy expansion in NIMs, driven by optimal management of cost of funds, combined with lower impairment charges
- ▶ Total net interest income and Islamic financing income increased 9% to AED 5.417 billion, on account of higher volumes and rising benchmark rates, coupled with a change in the composition of the asset book
- ▶ Non-interest income decreased 5% to AED 1.521 billion, impacted by weaker fees and commission income, partially offset by higher trading gains
- ▶ Operating income increased 5% to AED 6.937 billion, whilst operating expenses increased 9% to AED 2.344 billion, resulting in a cost to income ratio of 33.8% compared to 32.6% in 9M'17
- ▶ Impairment charges (net) improved 9% to AED 1.117 billion, as a result of the continued de-risking of the unsecured retail portfolio

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

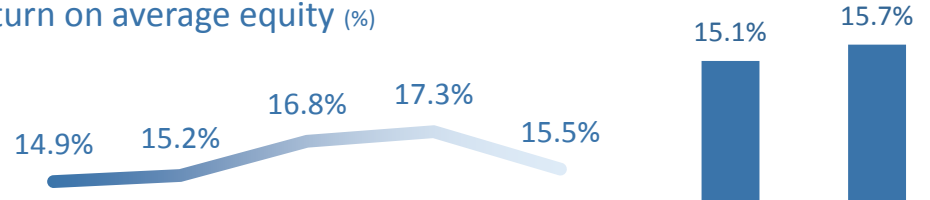
Key performance indicators

Net profit

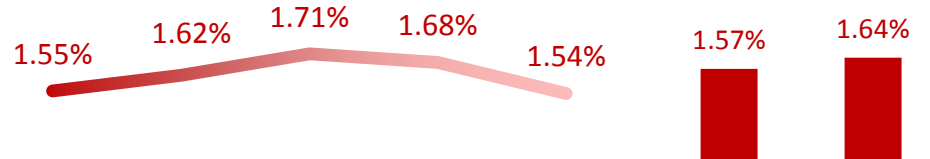
(AED mn)



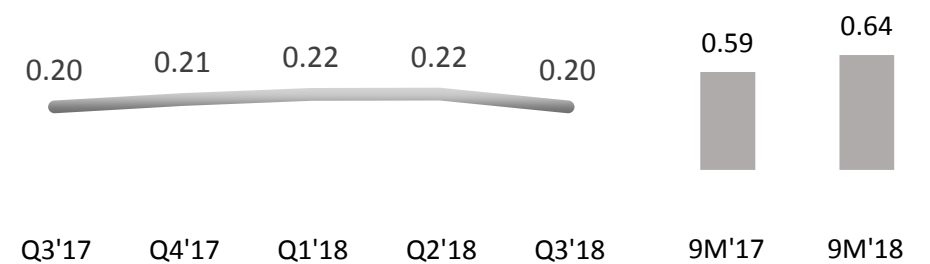
Return on average equity (%)



Return on average assets (%)



Earnings per share (AED)



Components may not sum exactly to totals because of rounding

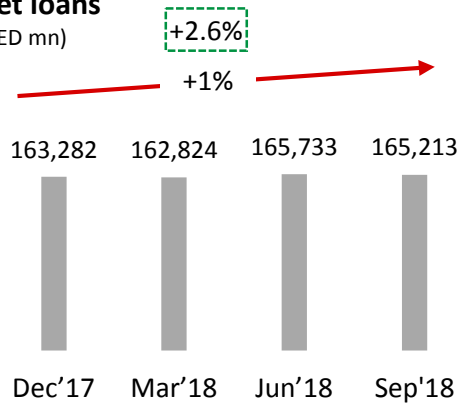
Sustained profitability and solid key performance indicators

Balance sheet metrics

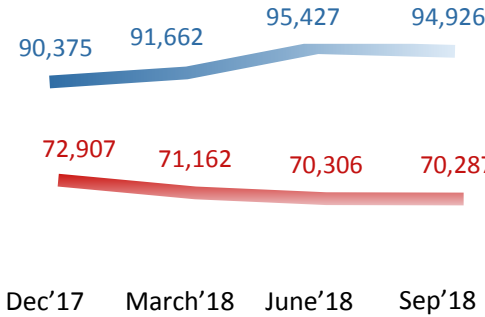
Loan and deposit growth

Net loans

(AED mn)



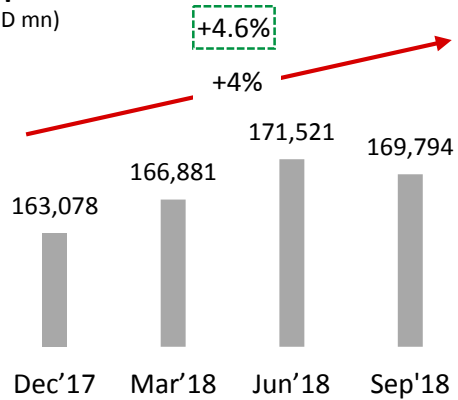
Wholesale
Banking
(WBG)



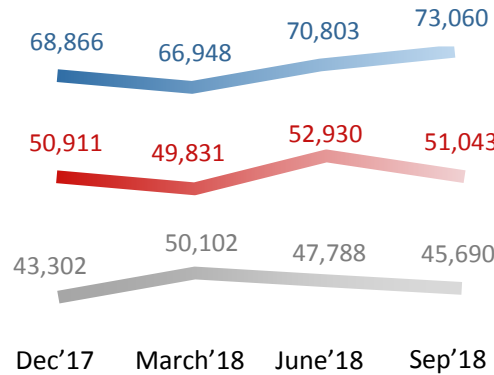
Consumer
Banking
(CBG)

Deposits

(AED mn)



Wholesale
Banking



Consumer
Banking

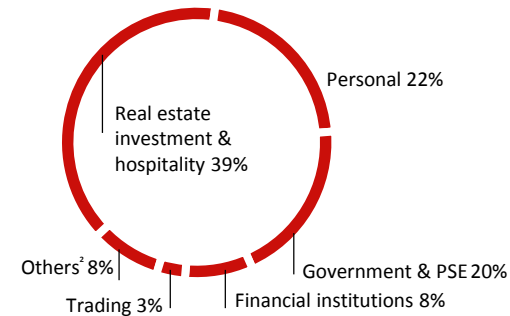
Treasury

UAE Banking industry average until August'18

Components may not sum exactly to totals because of rounding

Gross loans by economic sector

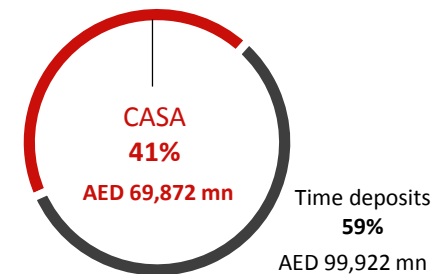
AED 172,243 mn (As at 30 September 2018)



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

CASA deposit %

AED 169,794 mn (As at 30 September 2018)

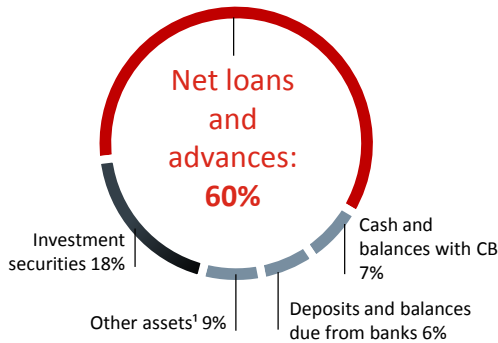


- ▶ YTD loan growth led by the Corporate segment. Wholesale Banking loans +5% YTD. Loans well-diversified by economic sector, with continued focus on SME and MCD sectors
- ▶ CBG loan contraction of 4% led by the strategic decision taken last year to de-risk the unsecured loan portfolio. Re-focus on the UAE National segment resulting in good growth and improved asset quality

Further breakdown of loans and deposits

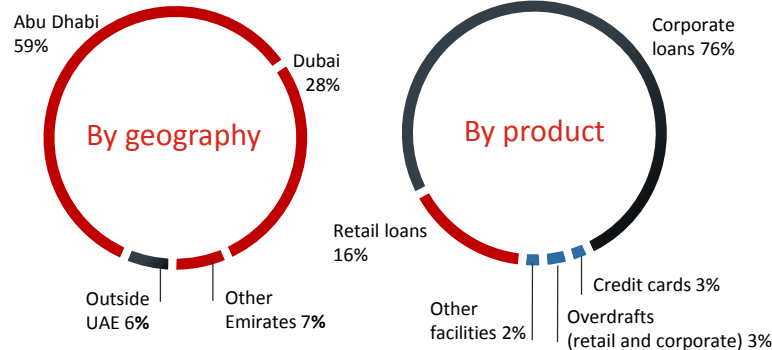
Asset mix

AED 273,375 mn (As at 30 September 2018)



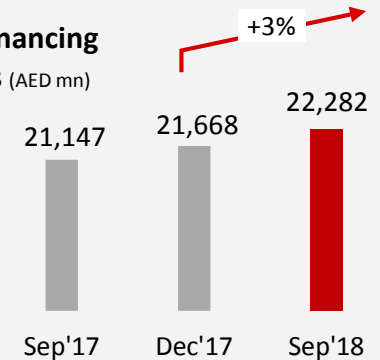
Gross loans

AED 172,243 mn (As at 30 September 2018)

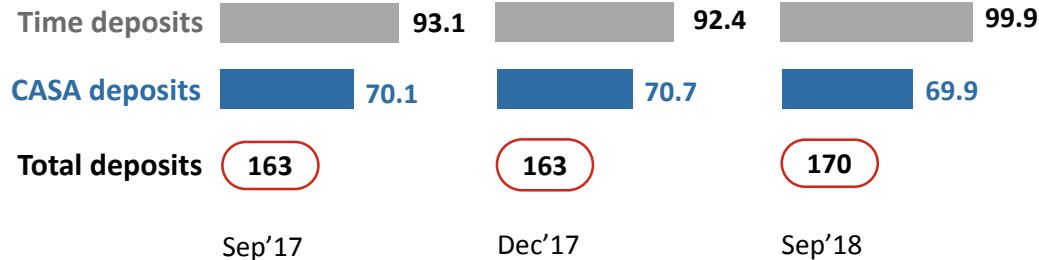


Islamic Banking continues to be a key driver of growth

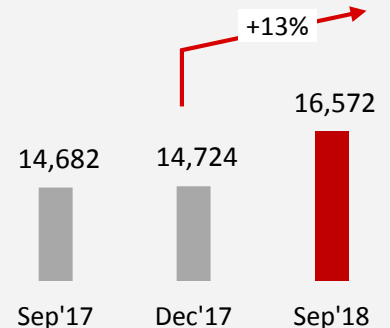
Net financing assets (AED mn)



Continued focus on growing CASA deposits (AED bn)



Deposits (AED mn)



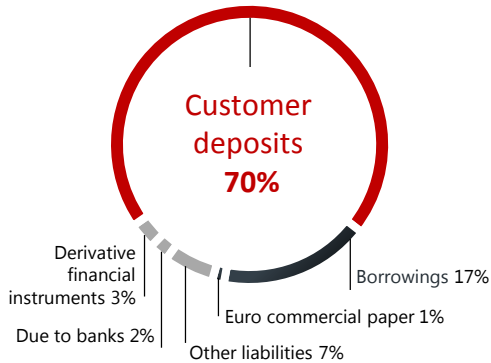
¹ Other assets include: Derivative financial instruments, Investments in associate, Investment properties, Property and equipment (net), Intangible assets, Reverse repo placements and Trading securities and Other assets
Components may not sum exactly to totals because of rounding

YTD time deposits increased to meet LCR and NSFR requirements, CASA deposits maintained at a time of rising benchmark rates

Wholesale funding and maturity profile

Liability base

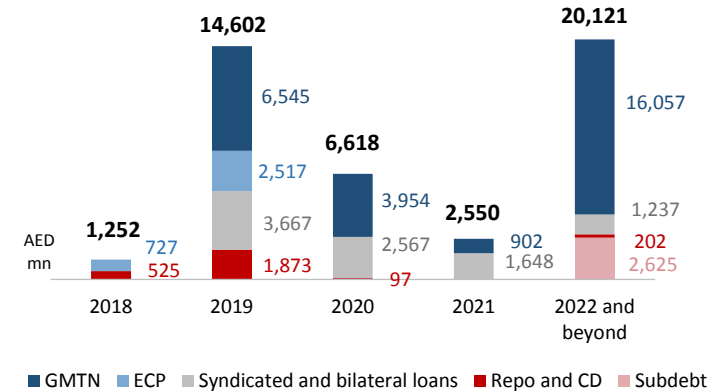
AED 241,575 mn (As at 30 September 2018)



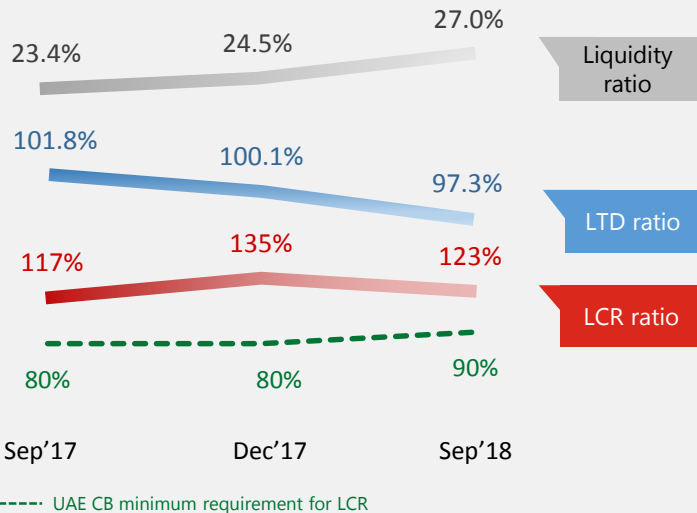
Wholesale funding

As at 30 September 2018	AED mn
Global medium term notes (GMTN)	27,458
Subordinated debt	2,625
Euro Commercial paper	3,244
Repo	424
Bilateral loans	6,185
Syndicated loans	2,934
Certificate of Deposits	2,273
Total	45,144

Maturity profile



Comfortable liquidity position



Net lender in the interbank markets

AED **11** bn

Main issuances in 9M'18

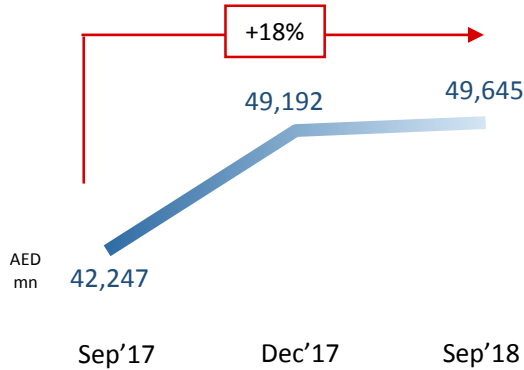
- ▶ 5 year USD 750 mn RegS/144A with a coupon of 4% p.a.
- ▶ 30 year USD 540 mn Formosa bonds with an accrual yield of 4.75% p.a.
- ▶ 3 to 4 year CNH 360 mn with coupons between 4.82 to 5.02% p.a.
- ▶ 5 year CHF 175 mn with a coupon of 0.385% p.a.

Main maturities/call backs in 9M'18

- ▶ USD 750 mn under Bank's GMTN issuance programme with a coupon of 2.5% p.a.
- ▶ USD 300 mn sub-debt early paid using 5 year call option available on the bonds
- ▶ CHF 100 mn sub-debt early paid using 5 year call option available on the bonds

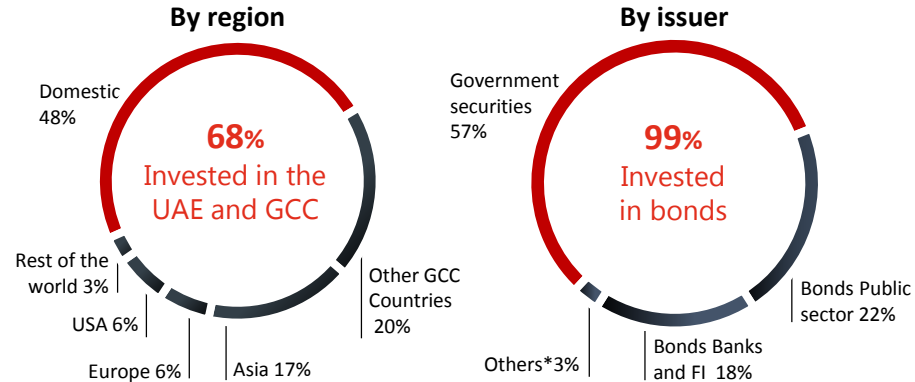
Investment securities

Investment securities



Investment securities

AED 49,645 mn (As at 30 September 2018)

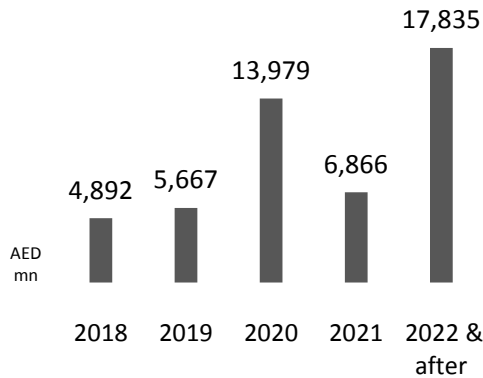


Non-Government bond portfolio:

- ▶ Rated A- or better: 67%
- ▶ Rated investment grade: (i.e. BBB+ to BBB-): 29%
- ▶ Rated below investment grade: (BB+ and below including unrated): 4%

* Include equity instruments and mutual funds

Maturity profile*

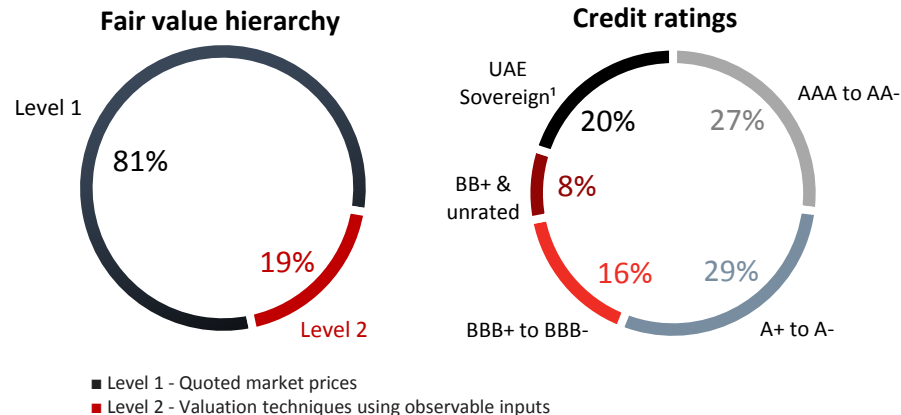


* Excluding investments in equity and funds

Total bond portfolio

Government and Non-Government bond portfolio:

AED 49,238 mn (As at 30 September 2018)



Credit ratings:

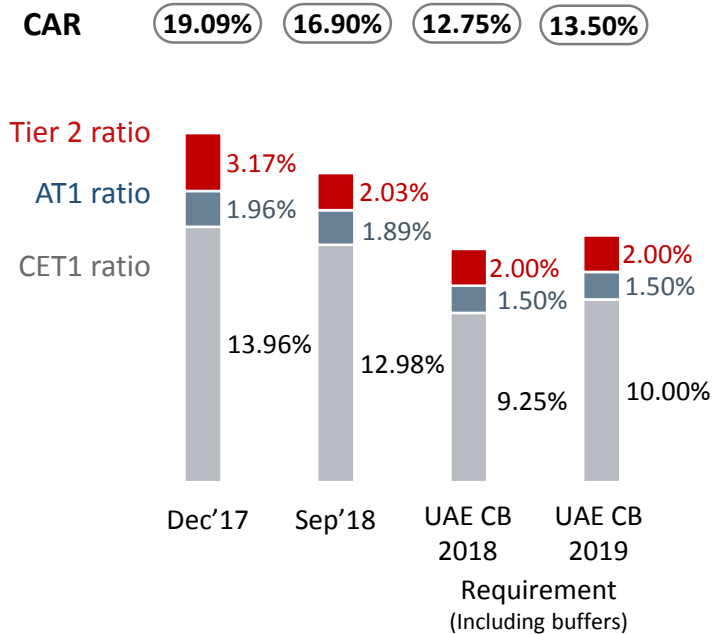
Standard & Poor's, or equivalent of Fitch or Moody's. Issuer/guarantor's based ratings are used, where bonds are unrated

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

High quality investment portfolio, with 99% invested in bonds

Capital ratios

Capital adequacy ratio (Basel III)



Risk weighted assets (AED bn)



Variance analysis

YTD reduction in CAR by 2.19%

Capital adequacy ratio movement	%
Dec'17 Capital adequacy ratio	19.09%
Increase in capital on account of profit	1.47%
Impact of AED2.2bn dividend payout	-1.09%
Increase in credit risk weighted assets	-0.96%
Part repayment of Tier 2 capital & amortization and grandfathering of qualifying Tier-2	-1.06%
Impact of IFRS 9 on retained earnings	-0.74%
Others	0.19%
Sept'18 Capital adequacy ratio	16.90%

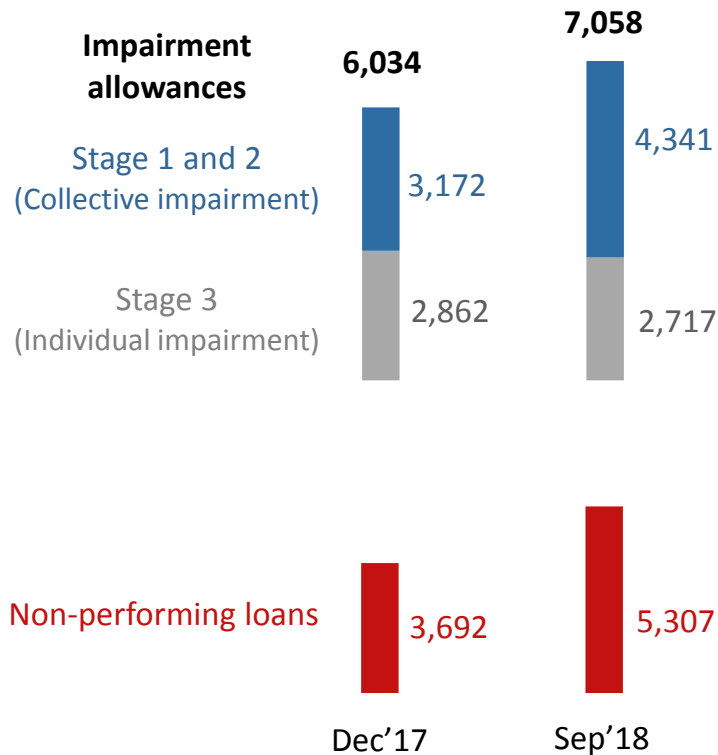
Others include increase in operational risk weighted assets, impact of increase in collateral and reduction in market risk weighted assets

Components may not sum exactly to totals because of rounding

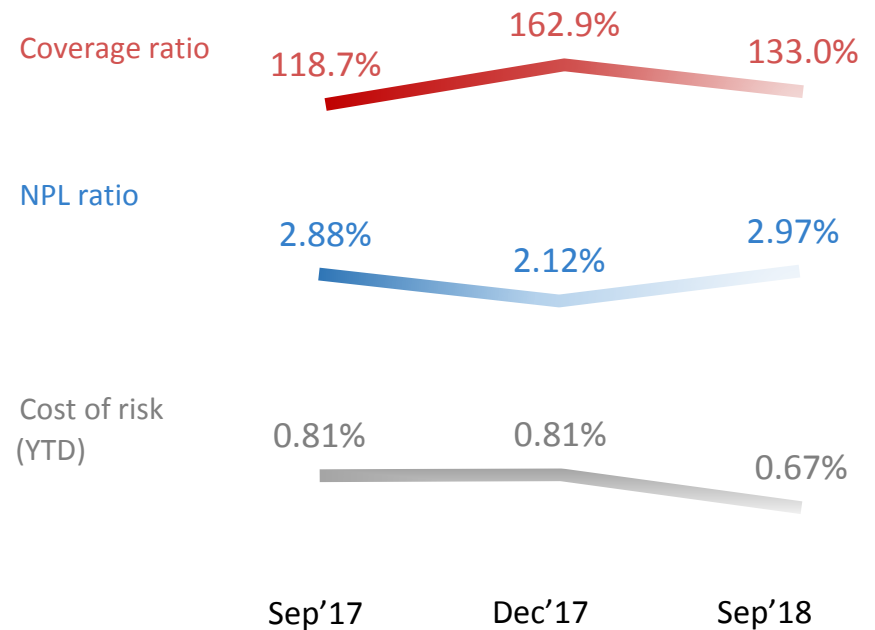
Robust capital position

Asset quality

Stage 3 (NPL) and Impairment allowances* (AED mn)



Risk indicators



Improvement in CoR supported by the continued de-risking of the unsecured retail portfolio

* Impairment allowances for loans and advances to customers and banks
Components may not sum exactly to totals because of rounding

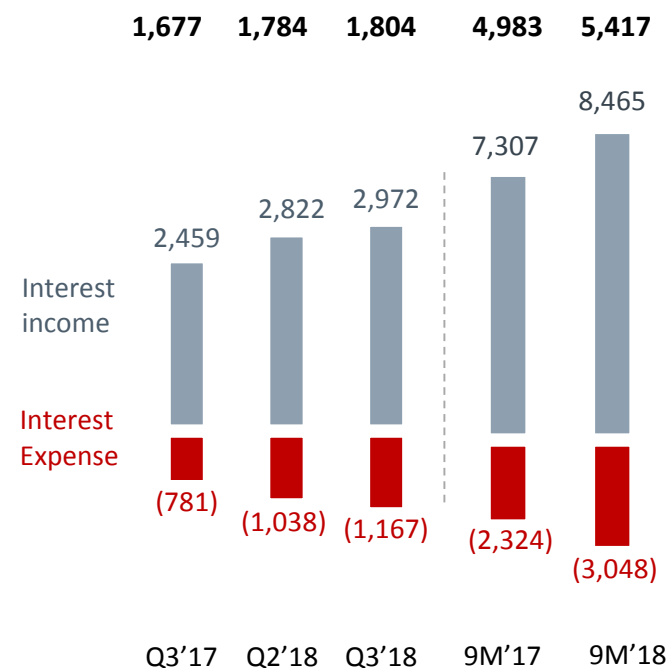
- ▶ Successful transition to IFRS 9, effective 1 January 2018
- ▶ Stage 3 (non-performing loans) increased to AED 5,307 million, led by a few corporate accounts
- ▶ Stage 1 and 2 expected credit loss allowances were 2.61% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank

Income statement metrics

Net interest income

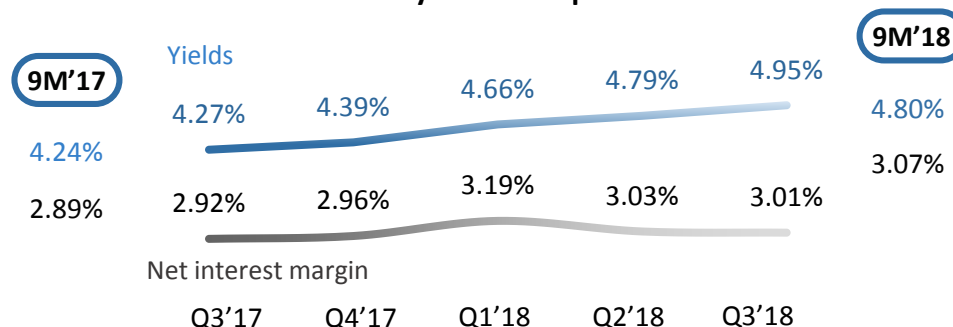
Net interest income

(AED mn)

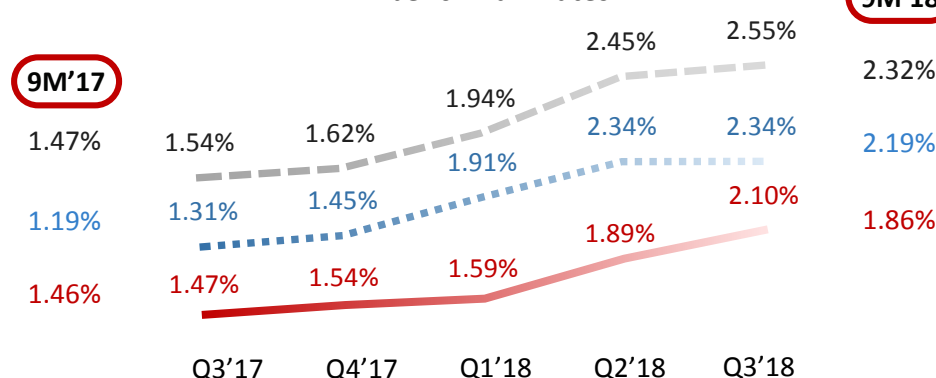


Increase in yields supported by repricing of assets

9M'18 yields +56 bps YoY



Increase in CoF lower than the increase in benchmark rates



— Cost of funds Average 3M Libor - - - Average 3M Eibor

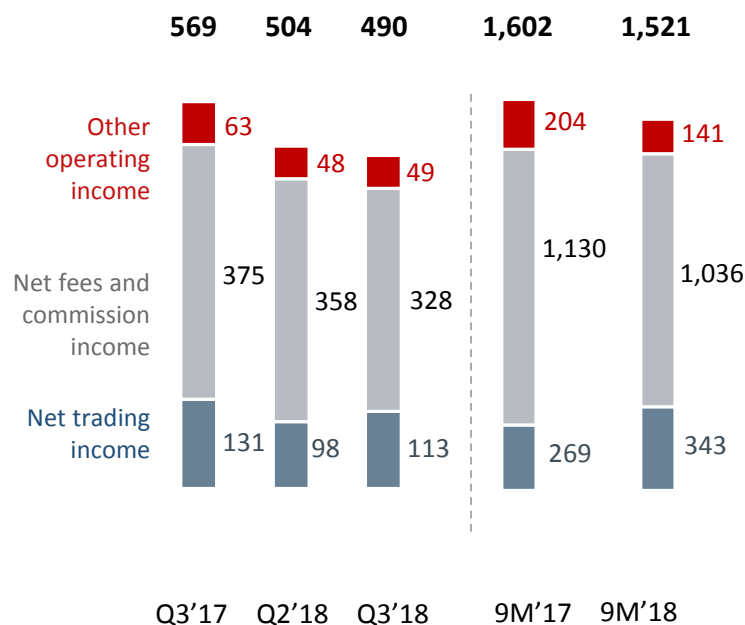
Components may not sum exactly to totals because of rounding

- ▶ YTD net interest margin improved to 3.07% from 2.89% in 9M'17, an increase of 18 basis points, despite the increased cost of carrying high quality assets (HQLA) to meet LCR and NSFR requirements
- ▶ YTD cost of funds increased to 1.86% from 1.46% in 9M'17, an increase of 40 basis points year on year, compared to an increase of 8...

Non-interest income

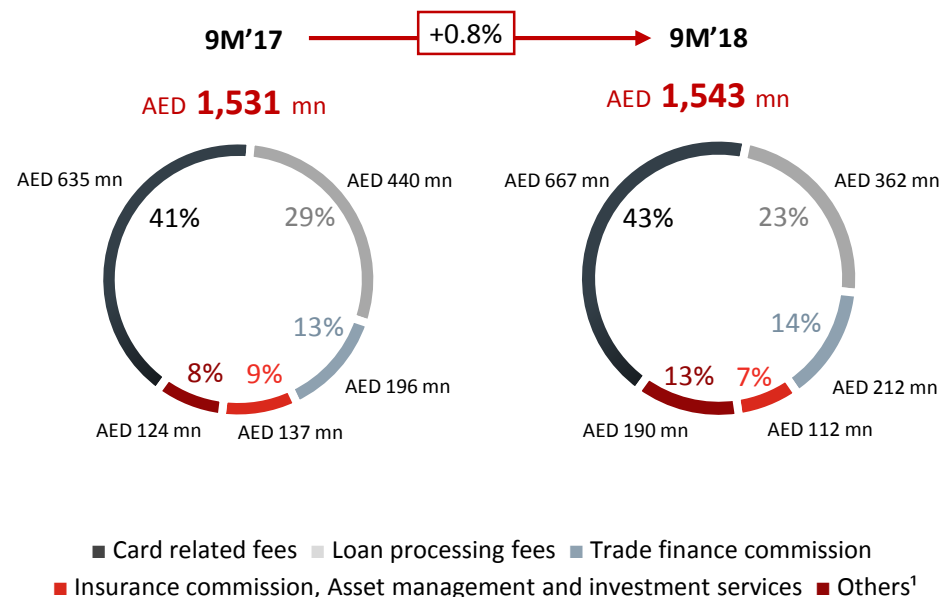
Non-interest income

(AED mn)



Components may not sum exactly to totals because of rounding

Gross fees and commission income



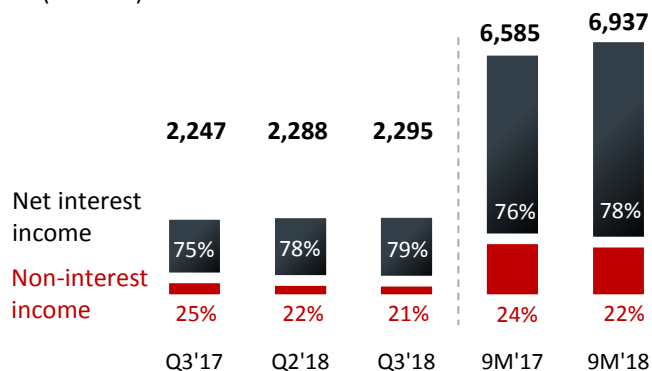
¹ Others include brokerage, fees from accounts related activities and other fees

- ▶ 9M'18 non-interest income of AED 1,521 million 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 commission
- ▶ 9M'18 trading income was up 28%, primarily on account of higher net gains from dealing in foreign currencies, whilst decline in other operating income was primarily due to one-off gains recorded in 9M'17 and lower income from the property management business

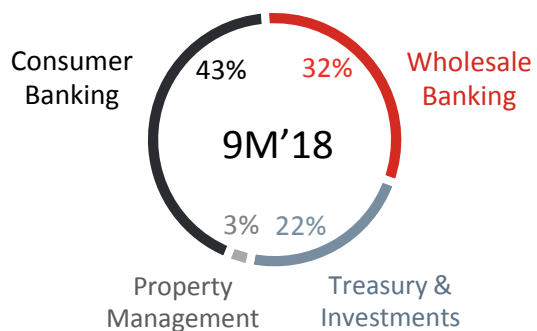
Operating income and performance by business segment

Operating income

(AED mn)

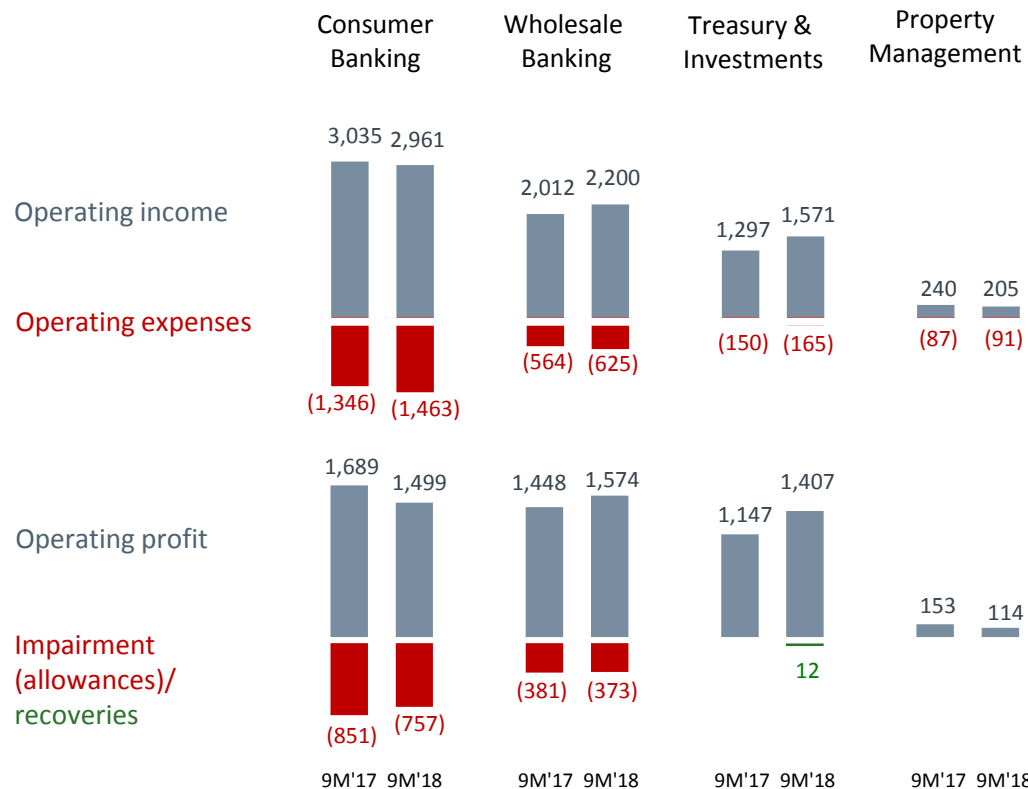


Operating income by business segment



Business performance

(AED mn)

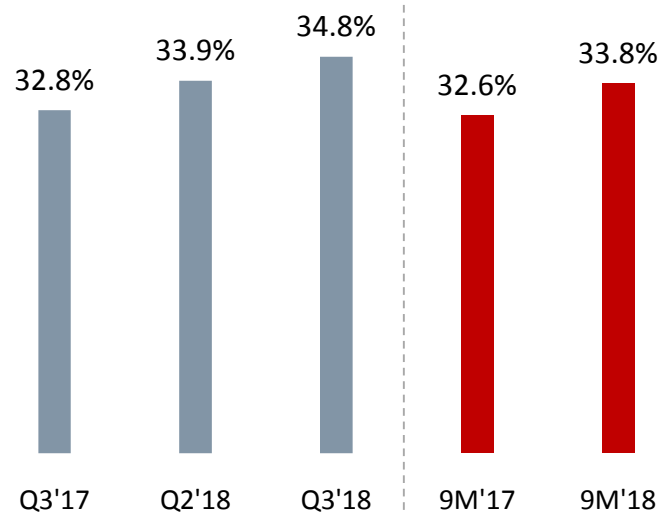


- ▶ 9M'18 CBG revenues impacted by lower volumes and higher fee expense, partially offset by lower impairment charges, 11% lower YoY supported by the de-risking of the retail portfolio
- ▶ 9M'18 WBG revenues were up 9% YoY on account of higher net interest income, whilst impairment charges declined 2% over the prior year

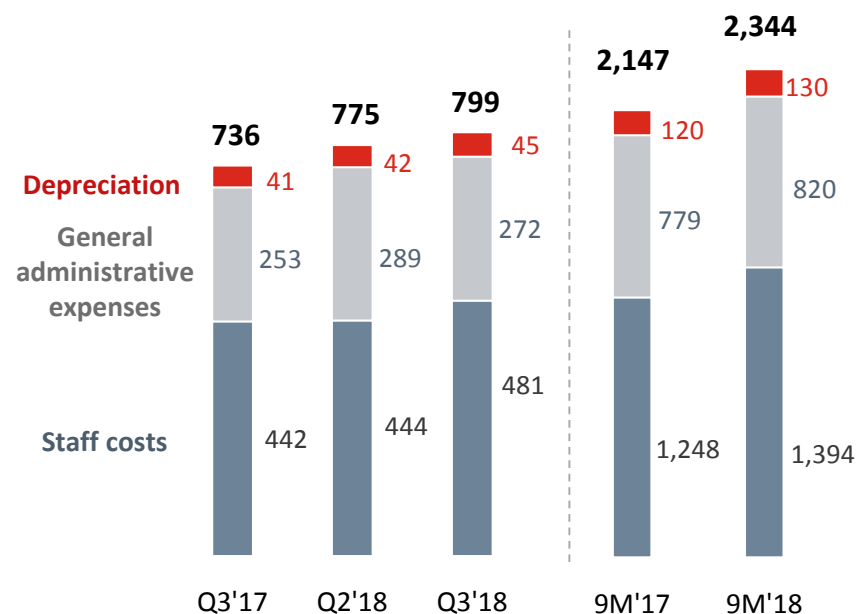
Operating expenses

Cost to income ratio

(%)



Operating expenses (AED mn)



Components may not sum exactly to totals because of rounding

- ▶ 9M'18 operating expenses of AED 2,344 million was 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
- ▶ Investing heavily in digital transformation to position ourselves as a progressive player in this evolving environment

Key highlights of 9M'18 Results

- ▶ Net profit of AED 3.483 billion, +9%, mainly on account of higher NIMs and lower impairment charges
- ▶ Total net interest income and Islamic financing income of AED 5.417 billion, +9%. NIM of 3.07% compared to 2.89% in 9M'17
- ▶ Non-interest income of AED 1.521 billion , -5% on account of lower fees & commission income, partially offset by higher trading income
- ▶ Operating expenses of AED 2.344 billion, +9% on account of higher staff costs, cost to income ratio of 33.8%
- ▶ Cost of risk for 9M'18 improved to 0.67% from 0.81% in 9M'17, supported by the continued de-risking of the unsecured retail loan book
- ▶ Cost of funds at 1.86% compared to 1.46% in 9M'17, increasing lower than the benchmark rates
- ▶ YTD net loans +1% and customer deposits +4%, driven by an increase in corporate time deposits
- ▶ Capital adequacy ratio (Basel III) of 16.90% and common equity tier 1 (CET1) ratio of 12.98%

Appendix

2018 Awards

"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

Balance sheet

AED million	Sep'18	Dec'17	% Change
Cash and balances with Central banks	19,214	19,997	(4)
Deposits and balances due from banks, net ¹	17,612	11,452	54
Reverse-repo placements	1,653	99	NM
Trading securities	518	485	7
Derivative financial instruments	6,034	3,820	58
Investment securities	49,645	49,192	1
Loans and advances to customers, net	165,213	163,282	1
Investment in associate	203	205	(1)
Investment properties	633	635	(0)
Other assets	11,662	14,857	(22)
Property and equipment, net	970	960	1
Intangible assets	19	19	0
Total assets	273,375	265,003	3
Due to banks	5,389	5,177	4
Derivative financial instruments	7,399	4,234	75
Deposits from customers	169,794	163,078	4
Euro commercial paper	3,244	2,910	12
Borrowings	41,899	40,555	3
Other liabilities	13,850	16,603	(17)
Total liabilities	241,575	232,558	4
Total shareholders' equity	31,800	32,445	(2)
Total liabilities and shareholders' equity	273,375	265,003	3

¹ Deposits and balances due from banks include AED 6.3 bn as at September 30, 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

Income statement

AED million	9M'18	9M'17	% Change
Interest income and income from Islamic financing	8,465	7,307	16
Interest expense and profit distribution	(3,048)	(2,324)	31
Net interest and Islamic financing income	5,417	4,983	9
Net fees and commission income	1,036	1,130	(8)
Net trading income	343	269	28
Other operating income	141	204	(31)
Non interest income	1,521	1,602	(5)
Operating income	6,937	6,585	5
Staff expenses	(1,394)	(1,248)	12
General administrative expenses	(820)	(779)	5
Depreciation	(130)	(120)	8
Operating expenses	(2,344)	(2,147)	9
Operating profit before impairment allowances & taxation	4,593	4,437	4
Impairment allowances	(1,117)	(1,232)	(9)
Share in profit of associate	7	7	NM
Overseas income tax expense	(0)	(6)	NM
Net Profit	3,483	3,206	9

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ADCB Investor Relations

Sheikh Zayed Bin Sultan Street
P. O. Box: 939, Abu Dhabi
Email: adcbir@adcb.com
Tel: +971 2 696 2084
Fax: +971 2 610 9845

