

Press Release: Immediate Release

ABU DHABI COMMERCIAL BANK PJSC REPORTS
FIRST HALF 2014 NET PROFIT OF AED 2.161 BN,
SECOND QUARTER 2014 NET PROFIT OF AED 1.058 BN

Abu Dhabi, 22 July 2014 – Abu Dhabi Commercial Bank PJSC (“ADCB” or the “Bank”) today reported its half year financial results for the period ended 30 June 2014 (“H1’14”).

Key highlights (30 June 2014)

▶ Double digit improvement in net profit in the first half of 2014

H1’14 vs. H1’13

- Net profit up 19% to AED 2.161 bn
- Net profit attributable to equity shareholders up 18% to AED 2.010 bn
- Operating income up 1% to AED 3.775 bn. H1’13 included (AED 103 mn) one-off gain rising from retirement of hedges. Excluding the non-recurring gain, operating income for H1’14 reported an increase of 4% and non-interest income reported an increase of 8% at AED 982 mn
- Net fees and commission income up 24% at AED 589 mn

▶ Disciplined cost management, interest expense reduced significantly and continued improvements in credit quality and risk profile

- Interest expense improved 24% year on year to AED 719 mn in H1’14
- Cost to income ratio was 31.9% in H1’14
- Net impairment allowance charges reduced to AED 407 mn in H1’14
- As at 30 June 2014, NPL ratio and provision coverage ratios improved to 3.4% and 129.2% respectively

▶ Resilient balance sheet, CASA contribution significantly higher

- Net loans and advances up 2% to AED 134 bn over 31 December 2013
- Customer deposits up 3% to AED 119 bn over 31 December 2013
- Continued improvement in CASA deposits, accounting for 48% of total deposits compared to 39% as at 31 December 2013

▶ Strong capital and liquidity position

- Capital adequacy ratio of 20.12% and Tier 1 ratio of 15.83%
- Net lender of AED 14 bn in the interbank markets

The Bank announced another quarter of good results, delivering a net profit AED 2.161 bn for the first half of 2014, up 19% from H1'13. This represents an EPS of AED 0.36 for H1'14 versus AED 0.29 for H1'13.

Commenting on the results, Eissa Mohamed Al Suwaidi, Chairman said: “Our performance during the first half of 2014 demonstrates the Bank’s ongoing efforts to implement an ambitious vision of measured growth and continue to support UAE’s long term economic growth plan. The strength of our balance sheet and solid capital position is a reflection of our dedication to deliver sustainable value for all our stakeholders. The UAE economy is continuing to show solid signs of growth and we enter the second half of the year well positioned to capture new opportunities while continuing to operate within our predefined risk strategy.”

Ala’a Eraiqat, Member of the Board and Chief Executive Officer, commented on the results: “We are pleased with the Bank’s financial results for the first half of 2014. This was primarily driven by our strategy of ambition and measured discipline, which continue to yield positive results. Our focus on disciplined cost management combined with improved asset quality have contributed to our success in H1'14. CASA deposits reported a significant increase year to date, accounting for 48% of total customer deposits, compared to 39% at year end.

The Bank’s balance sheet continued to strengthen, total assets increased 8% year to date, and our liquidity and capital position remain strong. As at 30 June 2014, ADCB was a net lender of AED 14 bn in the interbank markets with a CAR of 20.12%, while our collective loan impairment allowance was 2.14% of credit risk weighted assets.

ADCB is committed to invest in developing the UAE’s social and economic infrastructure. During Q2, we were proud to launch ‘Tamooha’, a new employment initiative for Emirati women offering flexible working arrangements. ‘Tamooha’ is the first of its kind initiative in the Middle East banking sector, and is part of ADCB’s ambition to promote Emiratisation at various administrative levels in line with the directives of the UAE’s leadership, creating an appropriate environment for Emirati women to help them achieve their ambitions to lead a successful career path in financial services. Also, in Q2, ADCB successfully initiated and executed a Portfolio Transfer Agreement with Mubadala GE Capital PJSC, in line with our strategy to support the development of SMEs, which represent a critical component of the UAE economy. Considering the UAE’s increasing international influence, we opened our first international representative office in London in May 2014, allowing the Bank to capitalise on global economic trade and investment flows. We continue to invest in our network as part of our vision to become the most valuable bank in the UAE.

With our customer-centric approach and prudent operating framework, we remain committed to the execution of our strategic pillars and have a solid platform for sustainable growth.”

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Q2’14 Financial highlights

Income statement highlights (AED mn)	Half yearly trend			Quarterly trend				
	H1’14	H1’13	YoY	Q2’14	Q1’14	Q2’13	QoQ	YoY
Total net interest income*	2,793	2,720	3	1,412	1,380	1,461	2	(3)
Non - interest income	982	1,016	(3)	462	520	531	(11)	(13)
Operating income	3,775	3,735	1	1,874	1,901	1,991	(1)	(6)
Operating expenses	(1,206)	(1,083)	11	(581)	(625)	(565)	(7)	3
Operating profit before impairment allowances	2,569	2,653	(3)	1,293	1,276	1,426	1	(9)
Net impairment allowances	(407)	(829)	(51)	(233)	(174)	(507)	35	(54)
Overseas income tax expense	(1)	(4)	(67)	(2)	1	(2)	(308)	47
Net profit for the period	2,161	1,820	19	1,058	1,103	917	(4)	15

Balance sheet highlights (AED mn)	Change			Change %				
	June’14	June’13	%	June’14	March’14	Dec’13	QoQ	YTD
Total assets	197,799	175,453	13	197,799	186,103	183,143	6	8
Net loans and advances	134,302	125,410	7	134,302	132,197	131,649	2	2
Deposits from customers	119,041	111,399	7	119,041	115,704	115,428	3	3

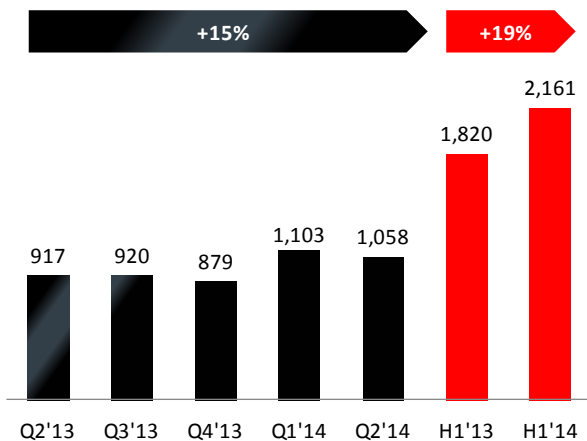
Ratios (%)	Change			Change %				
	June’14	June’13	bps	June’14	March’14	Dec’13	bps	bps
CAR (Capital adequacy ratio)	20.12	20.96	(84)	20.12	20.15	21.21	(3)	(109)
Tier I ratio	15.83	16.35	(52)	15.83	15.57	16.62	26	(79)
LTD (Loan to deposit ratio)	112.82	112.58	24	112.82	114.25	114.05	(143)	(123)

Performance indicators:

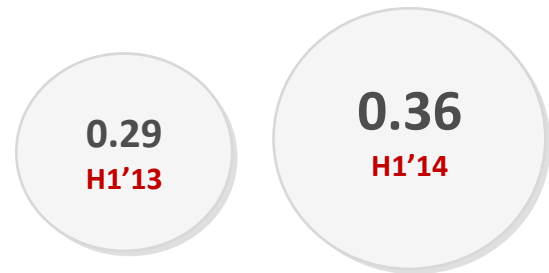
- ▶ Net profit for the first half of 2014 was AED 2,161 mn compared to AED 1,820 in H1’13, an increase of 19% year on year, net profit attributable to equity shareholders was reported at AED 2,010 mn, an increase of 18% over H1’13.
- ▶ Net profit for the second quarter of 2014 was AED 1,058 mn compared to AED 917 mn in Q2’13, up 15%.
- ▶ As at 30 June 2014, basic earnings per share were AED 0.36 for the first half of 2014, compared to AED 0.29 in H1’13.
- ▶ As at 30 June 2014, ROE was reported at 18.7% and ROAA at 2.0% for the first half of 2014 compared to 16.2% and 1.79% 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)



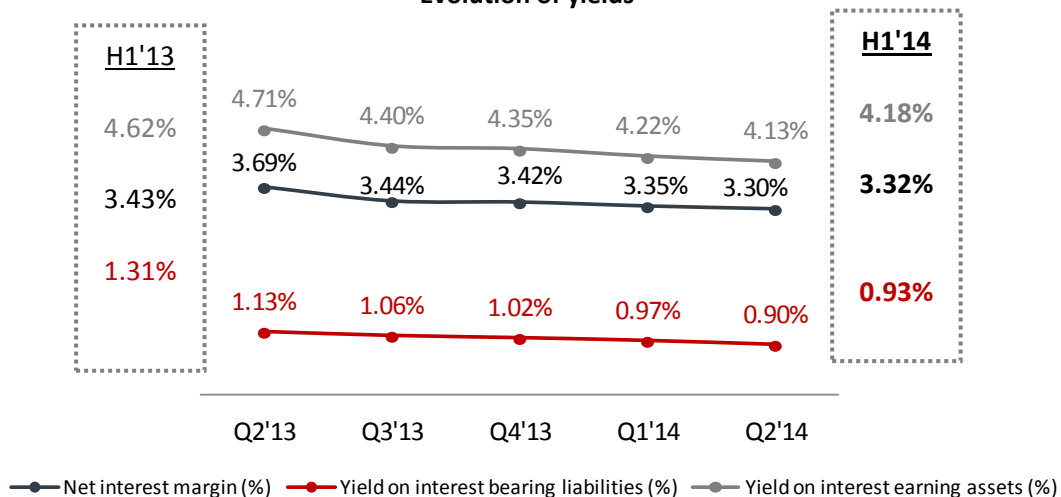
Operating income

- ▶ Total operating income for the first half of 2014 was reported at AED 3,775 mn, an increase of 1% over H1'13. H1'13 included (AED 103 mn) one-off gain rising from retirement of hedges. Excluding the one off gain, operating income reported an increase of 4% and non-interest income reported an increase of 8% year on year at AED 982 mn.
- ▶ Total net interest income¹ for the first half of 2014 was reported at AED 2,793 mn, an increase of 3% over H1'13. Interest expense² in H1'14 was 24% lower year on year at AED 719 mn and on a quarterly basis it was reported at AED 358 mn in Q2'14, which was a record low for the Bank and represented a decline of 11% year on year. The Bank's ongoing efforts to increase low cost customer deposits resulted in a significant contribution of CASA deposits year to date, accounting for 48% of total customer deposits compared to 39% as at 31 December 2014. Cost of funds in H1'14 was reported at 93 bps, an improvement of 38 bps year on year and net interest margin was reported at 3.32% for the first half of 2014 compared to 3.43% in H1'13.
- ▶ Net fees and commission income for the first half of 2014 totaled AED 589 mn, an increase of 24% over H1'13, which was primarily attributed to higher corporate banking fees. Net fees and commission income accounted for 60% of total non-interest income in H1'14, compared to 47% in H1'13. Net trading income in H1'14 was reported at AED 252 mn, 15% lower year on year.

¹ Includes income from Islamic financing

² Includes Islamic profit distribution

Evolution of yields



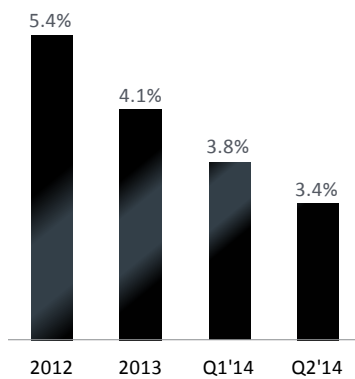
Operating expenses and cost to income ratio

- ▶ Operating expenses during the first half of 2014 were AED 1,206 mn, an increase of 11% year on year, with a cost to income ratio of 31.9%. Whilst the year on year increase in operating expenses were primarily attributable to increase in staff costs, on a quarterly basis, at AED 317 mn staff costs for the second quarter of 2014 reported an improvement of 13% over Q1'14.

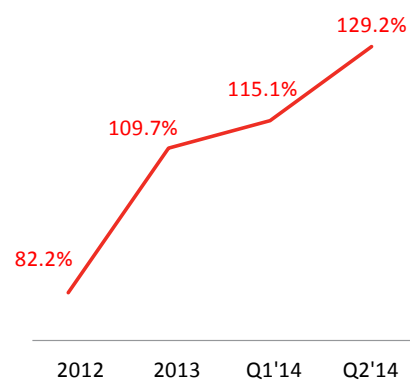
Asset quality

- ▶ As at 30 June 2014, the NPL ratio improved to 3.4% from 4.1% as at 31 December 2013 and provision coverage ratio significantly improved to 129.2% from 109.7% at 31 December 2013, whilst cost of risk for H1'14 was reported at 53 bps.
- ▶ Net impairment allowance charge for the first half of 2014 was AED 407 mn. Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 422 mn in H1'14 compared to AED 855 mn in H1'13. Provisions for the investment portfolio totaled a net write back of AED 15 mn in H1'14.
- ▶ As at 30 June 2014, collective impairment allowance balance was AED 2,919 mn, 2.14% of credit risk weighted assets and individual impairment balance stood at AED 3,804 mn.

Non performing loans ratio (NPL ratio)



Provision coverage ratio



Assets

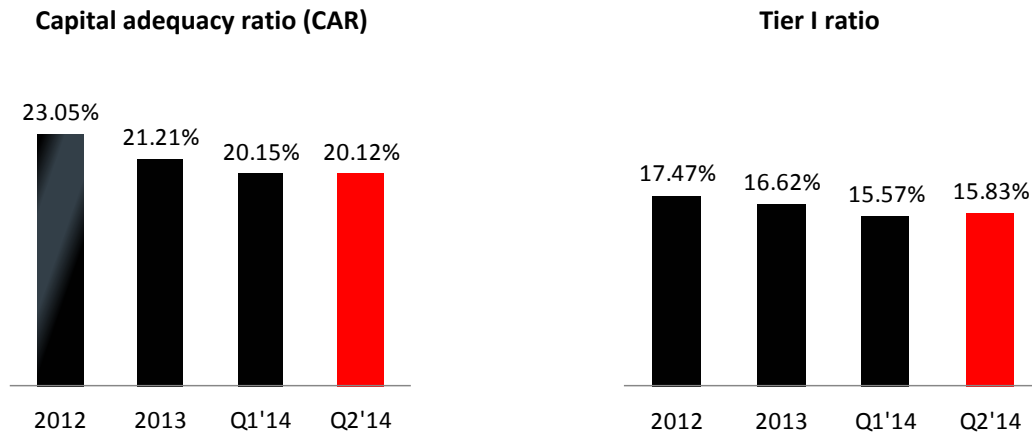
- ▶ Total assets were AED 197,799 mn, representing an increase of 8% over 31 December 2013, mainly on account of higher cash and balances with central banks and higher deposits and balances due from banks.
- ▶ Gross loans and advances were AED 141,026 mn, representing an increase of 2% over 31 December 2013. 92% of gross loans were within the UAE, in line with the Bank's UAE centric strategy.
- ▶ Investment securities portfolio increased to AED 22,635 mn, representing an increase of 9% in H1'14, mainly attributable to increase in available for sale investments in government securities in the UAE. 98% 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 119,041 mn, representing an increase of 3% over 31 December 2013, with CASA customer deposits contributing 48% of total customer deposits, compared to 39% as at 31 December 2013.
- ▶ Loan to deposit ratio improved to 112.82% compared to 114.05% as at 31 December 2013.

Capital and liquidity

- ▶ As at 30 June 2014, the Bank's capital adequacy ratio was 20.12% compared to 21.21% as at 31 December 2013. Tier I ratio was 15.83% 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 14 bn in the interbank markets as at 30 June 2014.
- ▶ As at 30 June 2014, the Bank's liquidity ratio improved to 26.5% compared to 22.8% as at 31 December 2013 and 23.0% as at 30 June 2013.



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"

About ADCB (30 June 2014):

ADCB was formed in 1985 and as at 30 June 2014 employed over 4,300 people from 61 nationalities, serving over 561,000 retail customers and approximately 43,000 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 June 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 60.2% by the Government of Abu Dhabi (Abu Dhabi Investment Council - 58.08% and Abu Dhabi Government Entity - 2.07%). Its shares are traded on the Abu Dhabi Securities Exchange. As at 30 June 2014, ADCB's market capitalisation was AED 37 bn.

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