

Press Release: Immediate Release

ABU DHABI COMMERCIAL BANK PJSC REPORTS
FIRST HALF 2016 NET PROFIT OF AED 2.147 BILLION,
SECOND QUARTER 2016 NET PROFIT OF AED 1.126 BILLION

Abu Dhabi, 18 July 2016 – Abu Dhabi Commercial Bank PJSC (“ADCB” or the “Bank”) today reported its half year financial results for the period ended 30 June 2016 (“H1’16”).

Key highlights (30 June 2016)

▶ Operating performance

Half year comparison (H1’16 vs. H1’15): Resilient performance despite challenging market conditions

- Net profit of AED 2.147 bn was 15% lower, primarily on account of higher impairment allowances reflecting current market conditions
- Operating income of AED 4.255 bn was up 1%; total net interest income of AED 3.099 bn was 3% lower, which was partially offset by higher non-interest income of AED 1.155 bn, up 10% over H1’15

Quarter-on-quarter comparison (Q2’16 vs. Q1’16): Delivering strong results on a quarterly basis

- Net profit of AED 1.126 bn, was up 10%
- Operating income of AED 2.143 bn, was up 1%, impacted by higher funding costs
- Non-interest income of AED 617 mn, was up 14%, primarily driven by higher fees and trading income
- Operating profit before impairment allowances of AED 1.477 bn, was up 8%, benefiting from a tightly managed cost base. Q2’16 operating expenses decreased by 10% to AED 666 mn from AED 738 mn in Q1’16

▶ Disciplined cost management

- H1’16 cost to income ratio of 33.0% was within our target range
- Further improvements in cost base resulted in a cost to income ratio of 31.1% in Q2’16, compared to 34.9% in Q1’16, an improvement of 380 basis points over the previous quarter

▶ Strong balance sheet driven by strategically targeted growth opportunities and relentless focus on increasing CASA (current & savings account) deposits

- Net loans¹ and advances to customers increased 6% to 155 bn over 31 December 2015
- Deposits from customers increased 4% to AED 149 bn over 31 December 2015
- Low cost CASA deposits of AED 66 bn increased 5% over 31 December 2015 and comprised 44.5% of total customer deposits compared to 44.1% as at 31 December 2015

▶ Continued focus on improving sources of funding and liquidity while capital position continues to remain robust

- As at 30 June 2016, capital adequacy ratio was 18.40% and tier I ratio was 15.07%
- Net lender of AED 21 bn in the interbank markets as at 30 June 2016
- Investment securities increased to AED 25 bn as at 30 June 2016, an increase of 18% over year end
- Strong liquidity ratio of 24.9% while advances to stable resources at a healthy 89.4%

▶ Improved asset quality metrics, maintaining a prudent and conservative approach to risk management

- As at 30 June 2016, NPL and provision coverage ratios improved to 2.7% and 132.9% respectively, compared to NPL ratio of 3.0% and provision coverage ratio of 128.5% as at 31 December 2015
- Collective impairment allowances were 1.96% of credit risk weighted assets, well above the minimum 1.5% stipulated by the UAE Central Bank

¹ During the period, loans and advances to banks have been reclassified to “Deposits and balances due from banks, net” to better reflect the underlying nature of the business of the borrowers. Accordingly, comparative amounts pertaining to previous years were reclassified to conform to current period’s presentation.

Commenting on the results, Eissa Mohamed Al Suwaidi, Chairman said:

“In the first half of 2016, ADCB continued to deliver strong results despite the increasingly challenging operating environment. With our resilient balance sheet and strong franchise, we remain focused on delivering sustainable growth and improving long-term financial performance and returns for shareholders. Our strategic pillars continue to define our business model and provide a clear direction for us. We are well positioned for the second half of 2016 and confident in our ability to benefit from future growth opportunities in the UAE.

We are also pleased to announce that global ratings agency Standard & Poor’s affirmed its rating on ADCB today at A/A-1 with a stable outlook, and the Bank’s stand-alone credit profile (SACP) was upgraded to ‘bbb+’ from ‘bbb’, driven by the Bank’s strengthening business position, track record of improving returns and balanced earnings across different business segments, a testament to the work we have been doing as a team over the years.”

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

“We are pleased with our financial results for the first half of the year. The Bank delivered a net profit of AED 2.147 billion and a return on equity of 17% for the first half of 2016. On a quarterly basis, the Bank reported a net profit of AED 1.126 billion for the second quarter of 2016, an increase of 10% over the previous quarter. Each of our businesses performed well, with consistent underlying growth. We delivered this growth despite the weaker operating environment, and ended first half 2016 with improved asset quality metrics, including a non-performing loan ratio of 2.7% and a provision coverage ratio of 133%.

We remain prudent in our growth strategy and continue to focus on maintaining a diversified funding base while liquidity remains a top priority. Year-to-date we have made good progress in a number of areas. In a very competitive environment, we increased our low cost CASA deposits by 5%, grew our investment book by 18%, and as at 30 June 2016, we continued to be a net lender of over AED 20 billion in the interbank markets.

Our relentless focus on diversifying our revenues resulted in higher non-interest income contribution for the first half of the year, primarily driven by higher fees and commission income and higher trading income.

Our ongoing bank-wide cost management initiatives helped us to maintain a cost to income ratio within our target range for the first half of 2016, while our cost to income ratio for Q2’16 improved to 31.1% from 34.9% in Q1’16. This improvement was achieved while we continued to invest in our businesses for the future, dedicating resources to technology, systems and controls.

Our quarterly financial performance is a reflection of our well executed strategic pillars agreed over the past years and demonstrates the strength of our franchise and businesses. Customer centricity and delivering long term value for shareholders remain the cornerstone of our strategy.”

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Q2’16 Financial highlights

Q2’16 Financial highlights (AED mn)	Half yearly trend			Quarterly trend				
	H1’16	H1’15	Change % YoY	Q2’16	Q1’16	Q2’15	Q2’16 Change % QoQ YoY	
Income statement highlights (AED mn)								
Total net interest and Islamic financing income	3,099	3,184	(3)	1,526	1,573	1,543	(3)	(1)
Non - interest income	1,155	1,050	10	617	539	498	14	24
Operating income	4,255	4,234	1	2,143	2,112	2,041	1	5
Operating expenses	(1,404)	(1,372)	2	(666)	(738)	(672)	(10)	(1)
Operating profit before impairment allowances	2,851	2,862	0	1,477	1,374	1,370	8	8
Impairment allowances	(703)	(325)	116	(351)	(352)	(84)	0	318
Share in profit/(loss) of associate	4	(0)	NA	2	2	(0)	NM	NA
Profit before taxation	2,151	2,537	(15)	1,128	1,023	1,286	10	(12)
Overseas income tax expense	(5)	(4)	7	(2)	(2)	(2)	NM	NM
Net profit for the period	2,147	2,532	(15)	1,126	1,021	1,283	10	(12)
Net profit attributable to equity shareholders	2,145	2,531	(15)	1,125	1,020	1,283	10	(12)
			Change %				Change %	
Balance sheet highlights (AED mn)	June’16	June’15	YoY	June’16	March’16	Dec’15	QoQ	YTD
Total assets	240,752	212,181	13	240,752	232,207	228,267	4	5
Loans and advances to customers, net ¹	154,853	137,322	13	154,853	151,116	146,250	2	6
Deposits from customers	149,055	131,643	13	149,055	147,333	143,526	1	4
Ratios (%)	June’16	June’15	bps	June’16	March’16	Dec’15	bps	bps
CAR (Capital adequacy ratio)	18.40	19.80	(140)	18.40	18.09	19.76	31	(136)
Tier I ratio	15.07	16.10	(103)	15.07	14.74	16.29	33	(122)
Advances to stable resources	89.4	88.1	130	89.4	89.0	88.2	40	120

Figures may not add up due to rounding differences

Key indicators (H1’16)

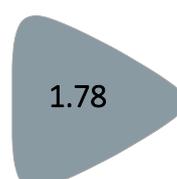
Net profit
(AED billion)



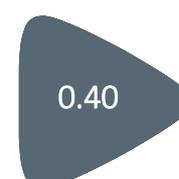
Return on average equity
(ROAE %)*



Return on average assets
(ROAA %)*



Basic earnings per share
(EPS – AED)

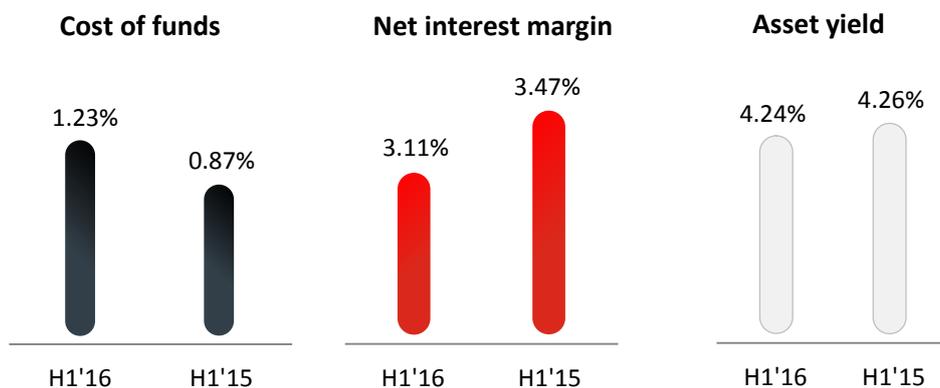


* Annualised, for ROE/ROA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and interest expense on Tier 1 capital notes

¹ During the period, loans and advances to banks have been reclassified to “Deposits and balances due from banks, net” to better reflect the underlying nature of the business of the borrowers. Accordingly, comparative amounts pertaining to previous years were reclassified to conform to current period’s presentation.

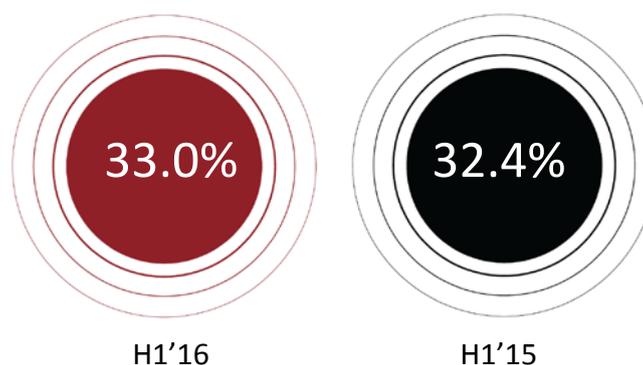
Operating performance – Resilient performance despite challenging market conditions

- ▶ The Bank reported a net profit of AED 2.147 billion in H1'16 compared to AED 2.532 billion in H1'15, 15% lower year-on-year, primarily on account of higher funding costs and an increase in impairment allowances reflecting current market conditions. Compared to the previous quarter, the Bank delivered strong results with a net profit of AED 1.126 billion, in Q2'16, an increase of 10% quarter-on-quarter.
- ▶ Basic earnings per share were AED 0.40 in H1'16 compared to AED 0.48 in H1'15.
- ▶ Return on equity for the first half of the year was 17.0% and return on assets was 1.78%.
- ▶ Operating income for H1'16 was AED 4.255 billion, up 1% over H1'15. H1'15 benefited from significant recoveries and interest in suspense reversals which were not repeated in H1'16. H1'16 total net interest and Islamic financing income of AED 3.099 bn was 3% lower, which was partially offset by higher non-interest income of AED 1.155 billion, up 10% over H1'15. Interest expense for H1'16 was AED 1.129 billion, compared to AED 729 million in H1'15 and cost of funds for H1'16 increased to 1.23% from 0.87% in H1'15, while average interest bearing liabilities increased 9% and total customer deposits increased 13% year-on-year. Driven by the tighter liquidity environment the Bank increased its time deposits by 24% over H1'15, while CASA deposits comprised 44.5% of total customer deposits as at 30 June 2016. Net interest margin for H1'16 was 3.11%, compared to 3.47% for H1'15.
- ▶ Non-interest income accounted for 27% of operating income in H1'16 compared to 25% in H1'15. The increase in non-interest income was mainly driven by higher fee and commission income and higher trading income. Retail banking fees (excluding brokerage) of AED 558 million in H1'16 registered a strong growth of 18% year-on-year, driven by higher loan volumes and credit card spend. Trading income of AED 302 million in H1'16 was up 57% year-on-year.



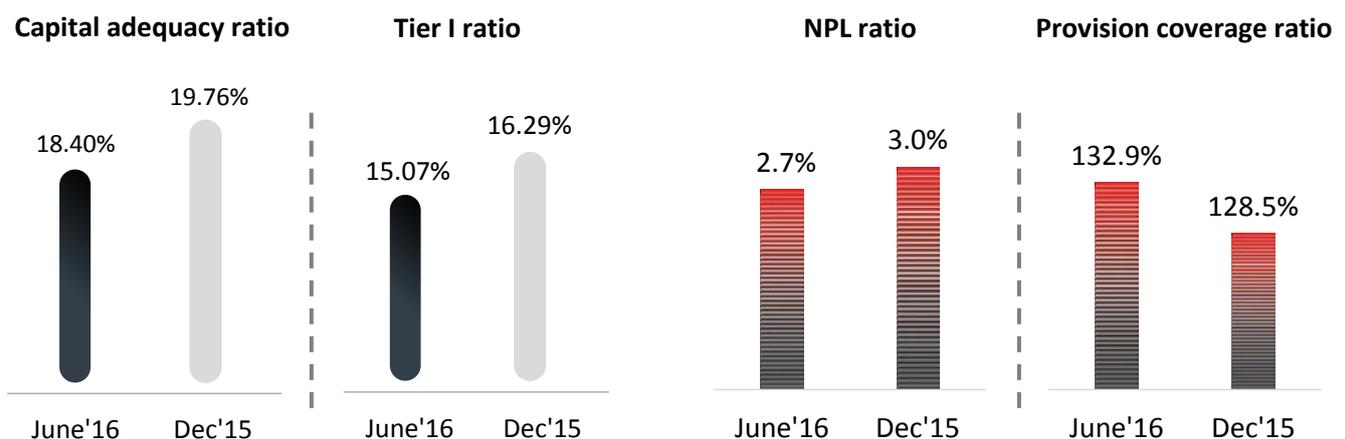
- ▶ Operating profit before impairment allowances for H1'16 was stable over H1'15 at AED 2.851 billion, while Q2'16 operating profit before impairment allowances increased 8% over the previous quarter to AED 1.477 billion, benefiting from a tightly managed cost base. Q2'16 operating expenses decreased 10% to AED 666 million from AED 738 million in Q1'16, resulting in an improved cost to income ratio of 31.1% for the quarter compared to 34.9% in Q1'16, an improvement of 380 basis points over the previous quarter. H1'16 cost to income ratio of 33.0% was within our target range.

Cost to income ratio



Strong balance sheet driven by strategically targeted growth opportunities and relentless focus on increasing CASA deposits

- ▶ Total assets reached AED 241 billion as at 30 June 2016, an increase of 5% over the year end. Net loans and advances to customers were AED 155 billion, up 6% over 31 December 2015, growing faster than system wide loan growth of 3.2% until May. 94% of loans to customers (gross) were within the UAE, in line with the Bank's UAE centric strategy and continued focus on granular growth in our core geography and core businesses. As at 30 June 2016, investment securities totaled AED 25 billion, up 18% over 31 December 2015, mainly driven by an increase in UAE government bonds.
- ▶ Total customer deposits increased to AED 149 billion as at 30 June 2016, up 4% year-to-date, compared to system wide customer deposit growth of 2.3% until May. Year-to-date, low cost current and savings account (CASA) deposits increased 5% to AED 66 billion, while time deposits increased 3% to AED 83 billion, reflection of the Bank's relentless focus on maintaining a diversified funding base to improve liquidity.
- ▶ As at 30 June 2016, loan-to-deposit ratio from customers was 103.9% and advances to stable resources were at 89.4%
- ▶ Capital and liquidity position continued to be at industry leading levels, with capital adequacy ratio of 18.40% and Tier I ratio of 15.07% compared to 19.76% and 16.29% respectively as at 31 December 2015. The reduction in capital adequacy ratio was mainly on account of balance sheet growth. The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and the Tier I minimum requirement is 8%.
- ▶ As at 30 June 2016, the Bank was a net lender of AED 21 billion and its liquidity ratio was 24.9%.



Asset quality – Improved asset quality metrics, maintaining a prudent and conservative approach to risk management

- ▶ As at 30 June 2016, non-performing loan and provision coverage ratios were 2.7% and 132.9% respectively, compared to NPL ratio of 3.0% and provision coverage ratio of 128.5% as at 31 December 2015. Non-performing loans were AED 4.472 billion compared to AED 4.834 billion as at 31 December 2015. Cost of risk for H1'16 was 79 basis points.
- ▶ Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 722 million in H1'16 compared to AED 333 million in H1'15. Loan impairment charges in H'16 include collective impairment charges of AED 312 million to account for increase in the loan book and reflecting our prudent risk management approach to current market conditions.
- ▶ As at 30 June 2016, the Bank's collective impairment allowance balance was AED 3.281 billion, 1.96% of credit risk weighted assets and above the minimum 1.5% stipulated by the UAE Central Bank, while individual impairment balance stood at AED 2.761 billion.

Awards - 2016

"Best Bank for Liquidity Management in the Middle East"	"Best Brand Initiative of the Year" across Asia, Middle East and Africa	"Best Property Management Team – UAE" for ADCP	"Best Bank for Cash Management in the UAE"	"Best Retail Bank in the UAE"
Global Finance	Asian Banker	Capital Finance International (CFI)	Global Finance	Asian Banker
"Best Transaction Service Bank in the Middle East"	"The Asian Banker CEO Leadership Achievement Award for the UAE"	"Islamic Banker of the Year"	"Islamic Bank of the Year" – Sharia Compliant Window	"Best Managed Bank in the UAE"
Euromoney	Asian Banker	The Asset Triple A Islamic Finance Awards	The Banker Magazine	Asian Banker

About ADCB (30 June 2016):

ADCB was formed in 1985 and as at 30 June 2016 employed over 4,500 people from 73 nationalities, serving retail customers and corporate clients in 48 branches, 3 pay offices and 2 branches in India, 1 branch in Jersey and representative offices in London and Singapore. As at 30 June 2016, ADCB's total assets were AED 241 billion.

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 58.08% by the Government of Abu Dhabi (Abu Dhabi Investment Council). Its shares are traded on the Abu Dhabi Securities Exchange. As at 30 June 2016, excluding treasury shares, ADCB's market capitalisation was AED 31 billion.

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