The Difference Is...

AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q4/FY 2015 Investor presentation

March 2016

بنك أبوظبي التجاري
ADCB

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2015 Financial highlights

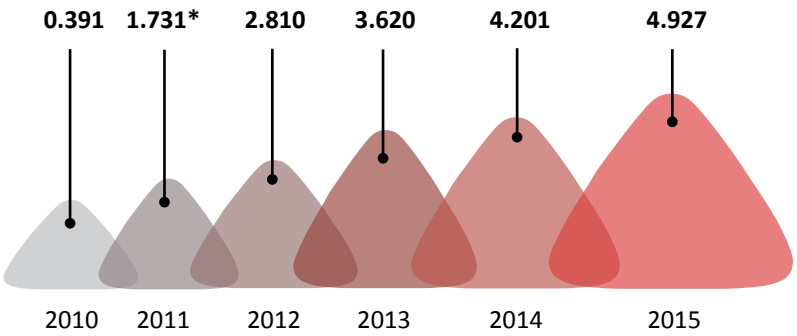
Business overview

Macro overview

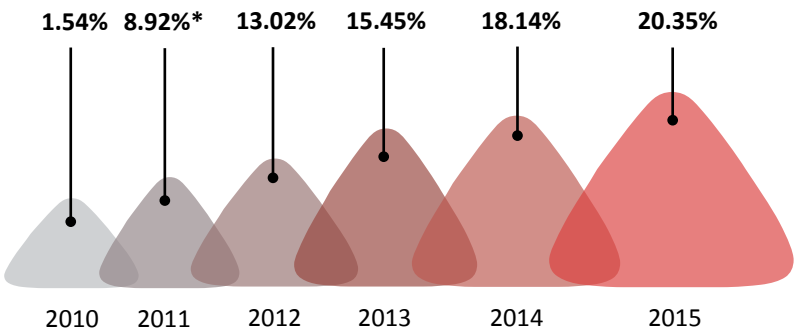
Appendix

The Difference Is: Ambition + Discipline
Building on a proven strategy, delivering measured and profitable growth

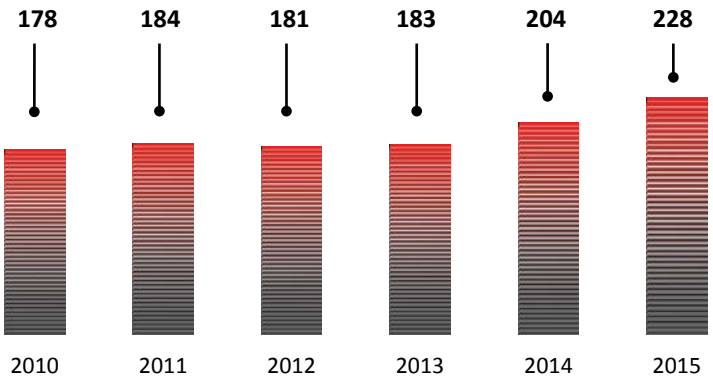
Net profit (AED bn)



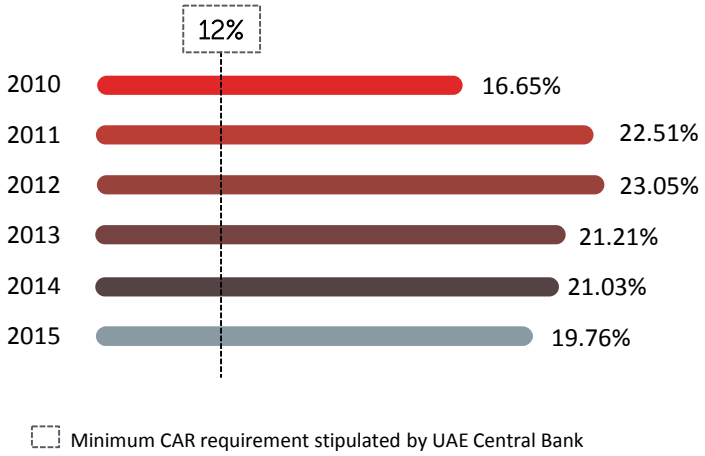
Return on average equity (%)



Total assets (AED bn)



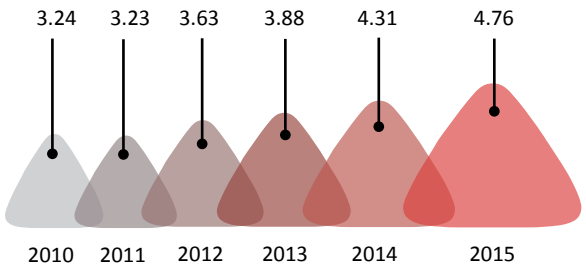
Capital adequacy ratio (%)



* Normalised to reflect sale of investment in associate

Strong financial performance, delivering long term value for shareholders

Book value per share (AED)

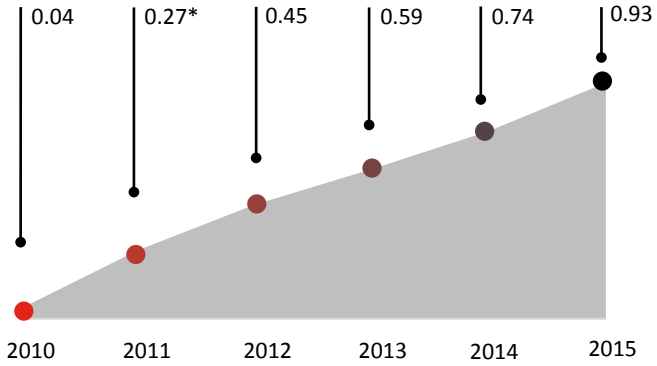


Total shareholder return (%)

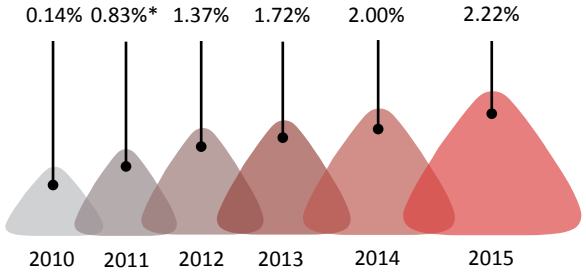
	ADCB	ADX	ADBF
1 Year	**6%**	0%	-17%
3 Year	**150%**	86%	71%
5 Year	**290%**	96%	117%

Source: Bloomberg: ADCB, ADX: Abu Dhabi Exchange, ADBF: Banking Index

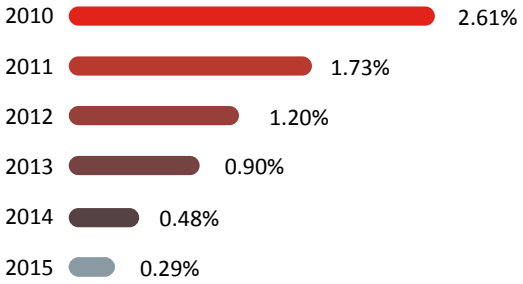
Basic earnings per share (AED)



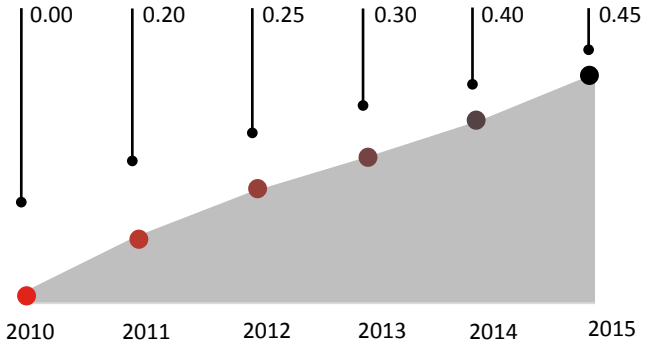
Return on average assets (%)



Cost of risk (%)



Dividend per share (AED)



* Normalised to reflect sale of investment in associate

Balance sheet highlights
Focused on granular growth and creating a stable liability base

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As at 31 December 2015

- Total assets reached AED 228 bn as at 31 December 2015. At AED 154 bn, net loans were up 9% year on year
- Total customer deposits increased 14% year on year. CASA[1] (Current and savings account) deposits comprised 44% of total deposits as at 31 December 2015
- Advances to stable resources was 88.2% and loan to deposit ratio was 107.07% compared to 88.5% and 111.55% respectively, as at 31 December 2014
- Capital adequacy ratio was 19.76% and Tier I ratio was 16.29% compared to 21.03% and 17.01% respectively as at 31 December 2014. Decline in CAR was mainly on account of a change in asset mix
- Investment securities portfolio totaled AED 21 bn, of which 97% was invested in available for sale investments in fixed income securities

				Change %	
AED mn	**Dec'15**	Sep'15	Dec'14	QoQ	YoY
Net loans	**153,677**	150,653	140,562	2	9
Investment securities	**20,864**	22,332	21,652	(7)	(4)
Total assets	**228,267**	215,329	204,019	6	12
Deposits from customers	**143,526**	130,009	126,011	10	14
Borrowings	**33,472**	34,321	30,320	(2)	10
Shareholders' equity*	**28,728**	27,512	26,408	4	9

Ratios (%)

				Change bps	
	Dec'15	Sep'15	Dec'14	QoQ	YoY
CAR (Capital adequacy ratio)	**19.76**	19.68	21.03	8	(127)
Tier I ratio	**16.29**	16.14	17.01	15	(72)
Advances to stable resources	**88.2**	92.9	88.5	(470)	(30)

[1] Includes Islamic CASA

* Attributable to equity holders of the Bank

Income statement highlights
Record level of net profit despite a challenging business environment

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2015 vs. 2014 highlights

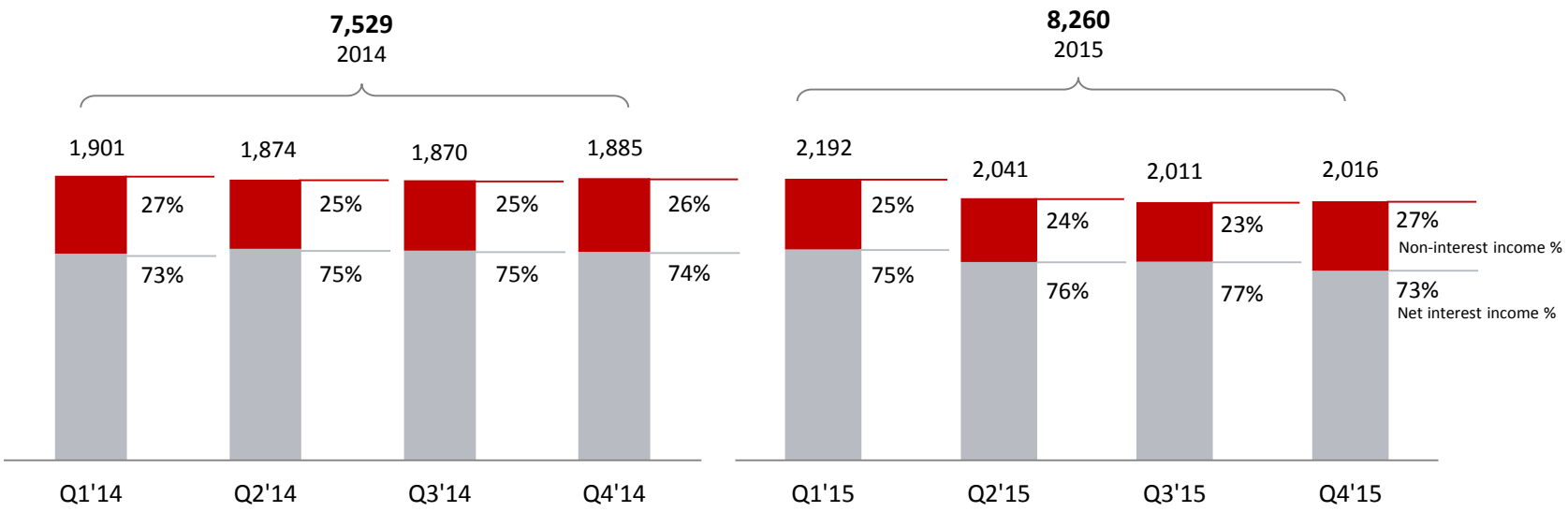
- Record net profit of AED 4,927 mn, up 17% and net profit attributable to equity shareholders of AED 4,924 mn, up 22% year on year
- Record return on average equity (ROAE) of 20.3%, despite maintaining a high level capital and a higher equity base
- Operating income was up 10% year on year at AED 8,260 mn, with total net interest income up 11% year on year at AED 6,206 mn and non-interest income up 6% over 2014 at AED 2,055 mn
- Net fees and commission income grew 16% year on year to AED 1,438 mn
- Cost to income ratio was 34.2% compared to 34.0% in 2014, and remained within our target range
- Impairment allowances were 34% lower year on year at AED 502 mn

	Year on year trend			Quarterly trend				
							Q4'15 Change %	
(AED mn)	**2015**	2014	Change %	**Q4'15**	Q3'15	Q4'14	QoQ	YoY
Total net interest income[1]	**6,206**	5,585	11	**1,476**	1,545	1,392	(4)	6
Non - interest income	**2,055**	1,945	6	**539**	466	493	16	9
Operating income	**8,260**	7,529	10	**2,016**	2,011	1,885	0	7
Operating expenses	**(2,827)**	(2,563)	10	**(715)**	(740)	(709)	(3)	1
Operating profit	**5,434**	4,966	9	**1,301**	1,271	1,176	2	11
Net impairment allowances	**(502)**	(762)	(34)	**(110)**	(66)	(154)	67	(28)
Overseas income tax expense	**(6)**	(3)	100	**(1)**	(1)	1	NA	NA
Net profit for the period	**4,927**	4,201	17	**1,191**	1,204	1,023	(1)	16
Net profit attributable to equity shareholders	**4,924**	4,050	22	**1,190**	1,203	1,022	(1)	16

[1] Includes Islamic financing income

Diversified revenue stream, strong underlying performance across all our businesses

Operating income (AED mn)

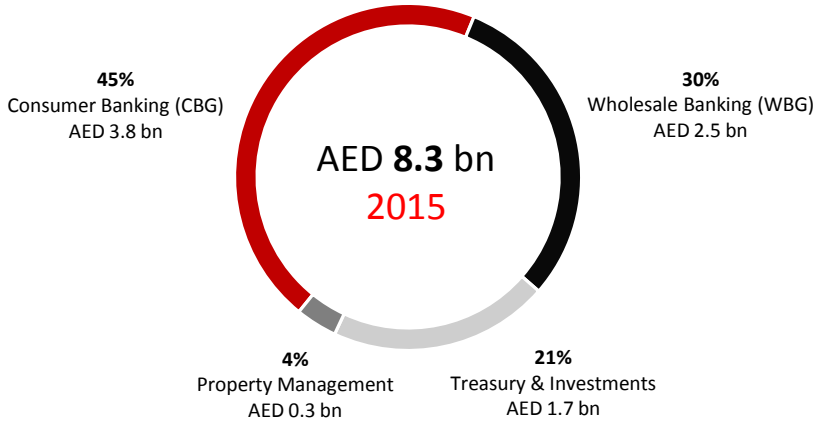


Highlights

- Operating income was up 10% year on year at AED 8,260 mn in 2015. CBG delivered a year on year growth of 16% in operating income at AED 3,749 mn, while WBG delivered an increase of 26% year on year at AED 2,496 mn in 2015. Operating income for Treasury was AED 1,696 mn, 14% lower year on year

- Diversified revenue stream, increased emphasis on non-interest income generation. In 2015, non-interest income accounted for 25% of operating income

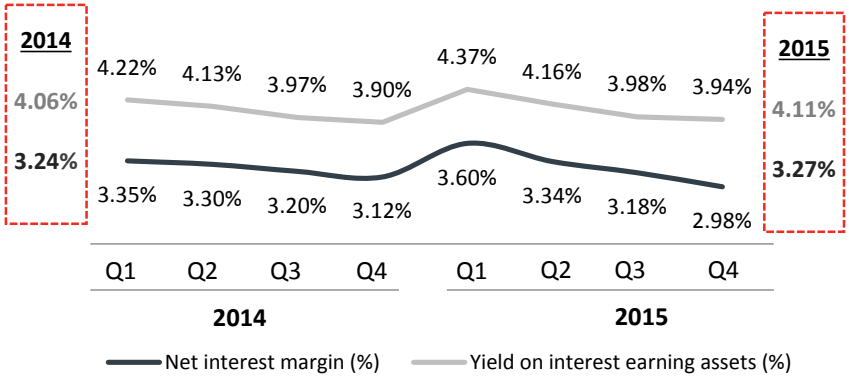
Contribution to operating income (%)



Figures may not add up due to rounding differences

Improved margins and continued growth in fee income

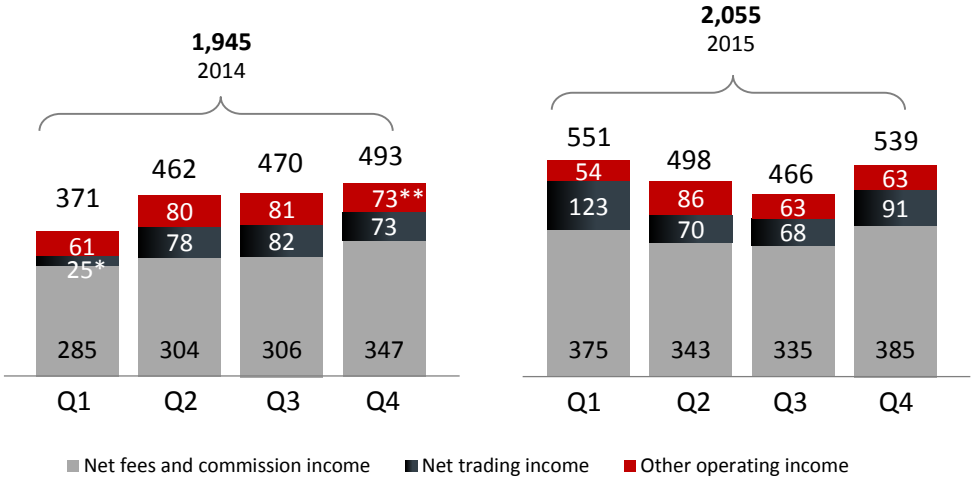
Evolution of NIMs & yields



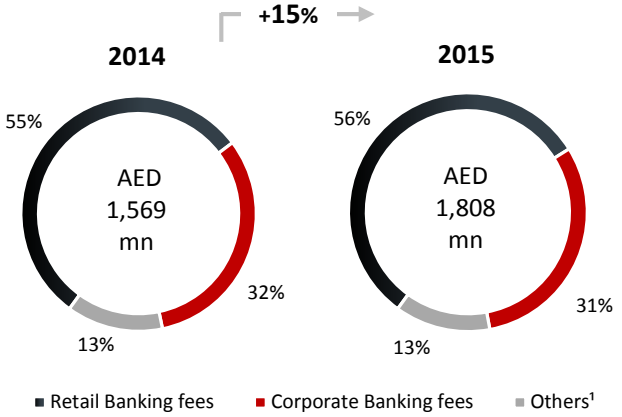
Highlights

- Improved margins and yields on account of increased volumes and a shift in asset mix toward higher yielding interest earning assets, combined with improved recoveries and higher interest in suspense reversals
- Non-interest income was up 6% year on year at AED 2,055 mn in 2015, mainly on account of higher fees and commission income, which was offset by lower trading income
- Net fees and commission income accounted for 70% of total non-interest income in 2015, compared to 64% in 2014
- Net trading income for 2015 was 14% lower year on year, on account of funds de-consolidation on 31 March 2014. Excluding the impact of the funds de-consolidation in 2014, net trading income increased 37% year on year, and non-interest income was up 14% over 2014

Non- interest income (AED mn)



Gross fee income breakdown (AED mn)



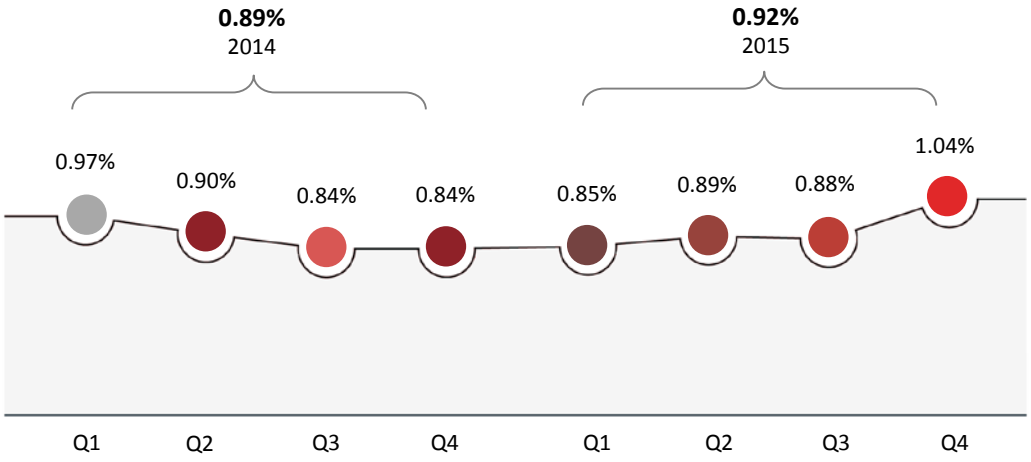
* Q4'14 trading income excludes funds consolidation * * Includes AED 22 mn from revaluation of investment properties

[1] Others include brokerage, fees from trust and other fiduciary activities and other fees

Figures may not add up due to rounding differences

Cost control discipline

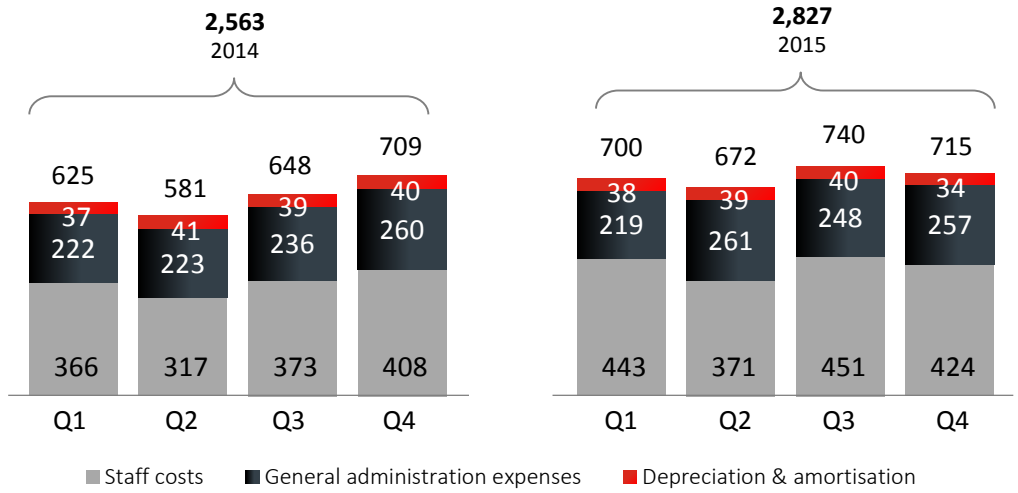
Evolution of cost of funds (%)



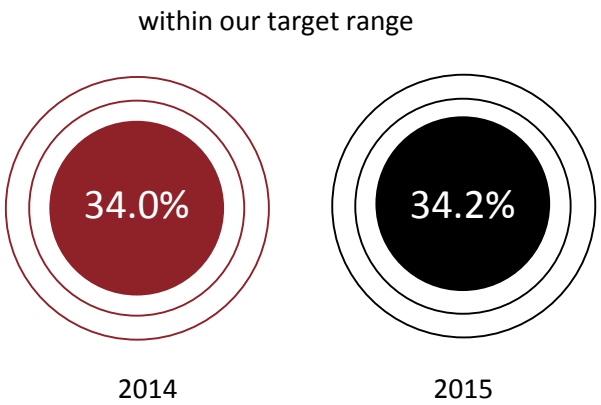
Highlights

- Cost of funds increased slightly from 0.89% in 2014 to 0.92% in 2015, primarily on account of higher EIBOR/LIBOR and higher spreads on time deposits gathered in Q4'15
- The increase in customer deposits resulted in an improvement of the Bank's loan to deposit ratio from 111.55% in 2014 to 107.07% in 2015, while the Bank's CASA deposits remained stable year on year comprising 44% of total customer deposits as at 31 December 2015
- Cost to income ratio for 2015 was 34.2%, remaining stable over 2014. Ongoing bank wide cost management initiatives enabled the Bank to maintain a cost to income ratio within our target range
- Operating expenses for 2015 were AED 2,827 mn, an increase of 10% year on year. The increase in staff costs reflected increases in the personnel needed to support our granular approach to growth

Operating expenses (AED mn)



Cost to income ratio (%)



Figures may not add up due to rounding differences

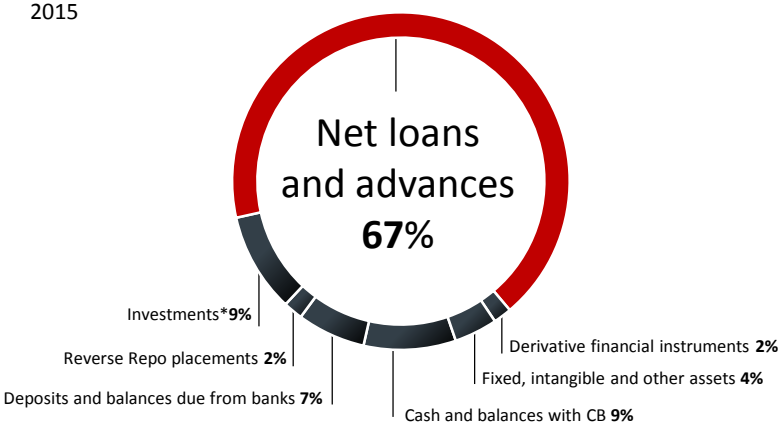
Loan portfolio remains UAE centric and well diversified

Highlights

- Net loans increased 9% year on year to AED 153,677 mn as at 31 December 2015, and comprised 67% of total assets (Dec'14: 69%)
- Wholesale Banking loans (gross) were up 7% and Consumer Banking loans (gross) were up 10% year on year in 2015
- Wholesale Banking loans comprised 56% and Consumer Banking loans comprised 44% of total loans (net), stable over 2014
- 90% of loans (gross) were within the UAE in line with the Bank's UAE centric strategy
- 56% of loans (gross) were in Abu Dhabi and 29% were in Dubai
- Personal loans comprised 25% of total gross loans (Dec'14: 23%)
- Islamic Banking continued to be a key driver of growth, with net Islamic financing assets up 32% year on year to AED 14,542 mn in 2015

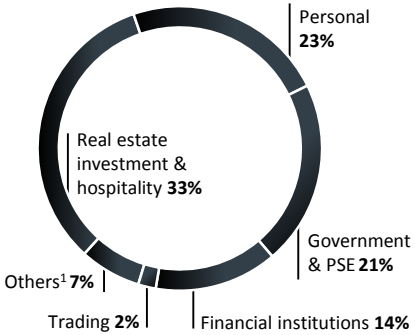
Composition of assets

Total assets = AED 228,267 mn
2015

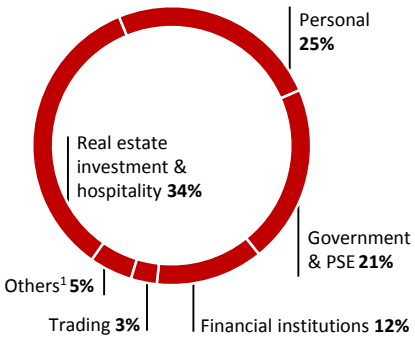


Gross loans by economic sector

Gross loans = AED 147,340 mn
2014



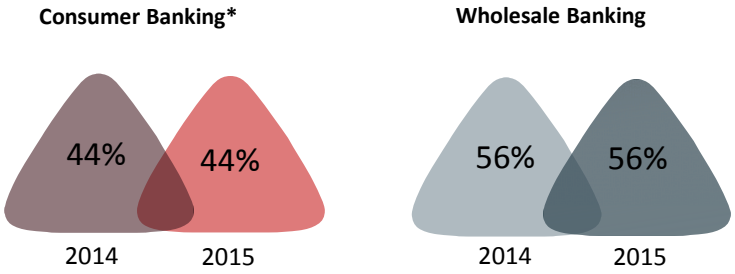
Gross loans = AED 160,022 mn
2015



% contribution to net loans and advance by business segment

Net loans = AED 140,562 mn
2014

Net loans = AED 153,677 mn
2015



*Consumer banking includes retail and high net worth individuals and their businesses

[1] Agriculture, energy, transport, manufacturing, services and others

* Investments include: investment securities, trading securities, investment properties and investments in associates

Figures may not add up due to rounding differences

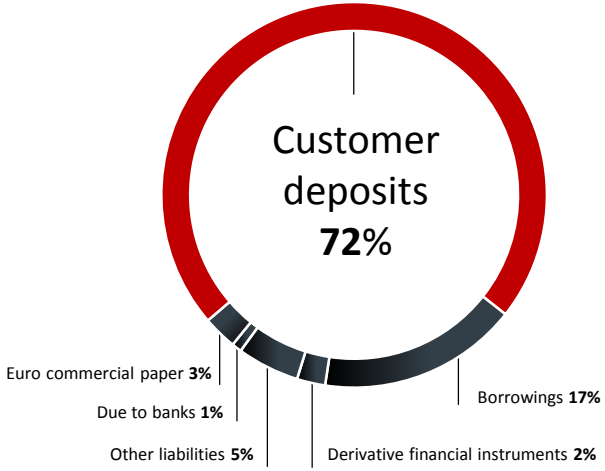
Balanced mix of long-term and short-term liabilities provides a stable funding base

Highlights

- Customer deposits increased 14% year on year to AED 143,526 mn as at 31 December 2015, and comprised 72% of total liabilities (Dec'14:71%)
- CASA customer deposits comprised 44% of total customer deposits as at 31 December 2015, our strong cash management platform continues to be key enabler for ongoing CASA growth
- Wholesale funding including Euro Commercial Paper accounted for 20% of total liabilities as at 31 December 2015, providing a stable, long-term and reliable source of funding
- Consumer Banking deposits comprised 29%, Wholesale Banking deposits comprised 41% and Treasury comprised 29% of total customer deposits in 2015
- Total Islamic deposits grew 9% year on year to AED 10,222 mn as at 31 December 2015

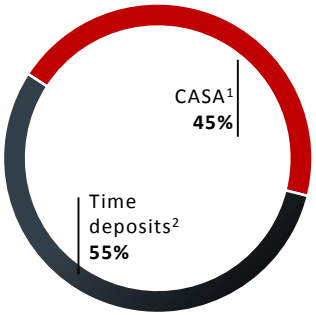
Composition of liabilities

Total liabilities = AED 199,534 mn
2015

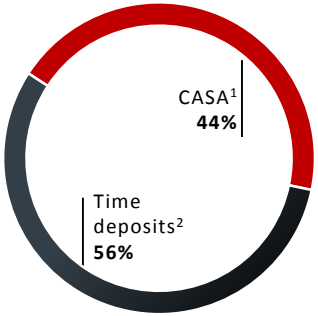


Customer deposit breakdown

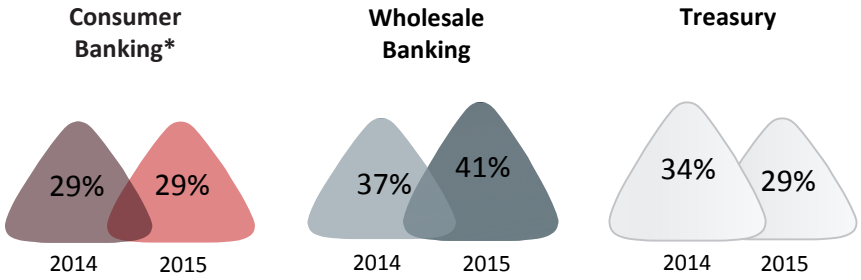
Customer deposits = AED 126,011 mn
2014



Customer deposits = AED 143,526 mn
2015



% contribution to total deposits by business segment



[1] CASA includes current account deposits, saving deposits and margin deposits
[2] Time deposits include long-term government deposits and Murabaha deposits

*Consumer banking includes retail and high net worth individuals and their businesses

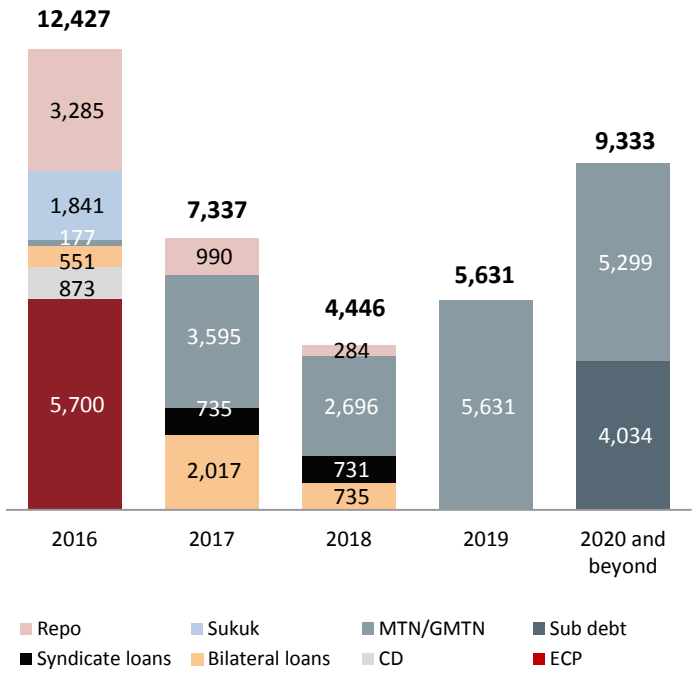
Figures may not add up due to rounding differences

Wholesale funding and maturity profile

Diversified sources of funding by markets, tenors, currencies and products

Maturity profile

As at 31 December 2015 (AED mn)



Wholesale funding split

As at 31 December 2015

Source of funds	AED mn
GMTN/EMTN[1]	17,397
Subordinated debt	4,034
Euro commercial paper	5,700
Others (Repo)	4,559
Islamic sukuk notes	1,841
Bilateral loans	3,302
Syndication loan	1,465
Certificate of deposit issued	873
Total	**39,171**

Net lender of

AED 22 bn*

in the interbank markets

As at 31 December 2015

* Includes AED 6.6 bn of certificate of deposits with UAE Central Bank and AED 2.4 bn of reverse repo placements with Banks as at 31 December 2015

[1] Does not Include fair value adjustment on short, medium and long term borrowings being hedged

Interbank lending: Deposits and balances due from banks + reverse repo placements with Banks + Certificate of deposits with UAE Central Bank – Due to banks

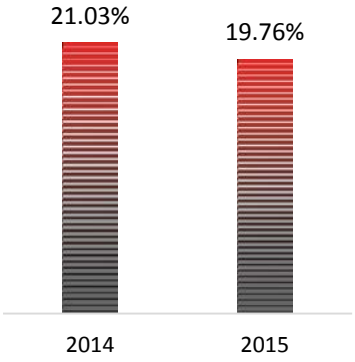
Figures may not add up due to rounding differences

Robust capital position and continued emphasis on liquidity

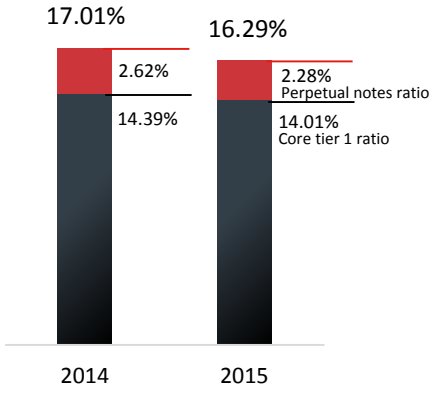
Highlights

- As at 31 December 2015, the Bank's capital adequacy ratio (Basel II) was 19.76% and Tier I ratio was 16.29% compared to 21.03% and 17.01% respectively as at 31 December 2014. Decline in CAR was mainly on account of a change in asset mix. As at 31 December 2015, total risk weighted assets were AED 176 bn
- The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and Tier I minimum requirement is 8%
- As at 31 December 2015, the Bank's liquidity ratio was 25.8% compared to 25.2% in 2014 and loan to deposit ratio in 2015 improved to 107.07% from 111.55% as at 31 December 2014
- The Bank was a net lender of AED 22 bn in the interbank markets as at 31 December 2015 (includes AED 6.6 bn of certificate of deposits with UAE Central Bank and AED 2.4 bn reverse repo placements with banks)

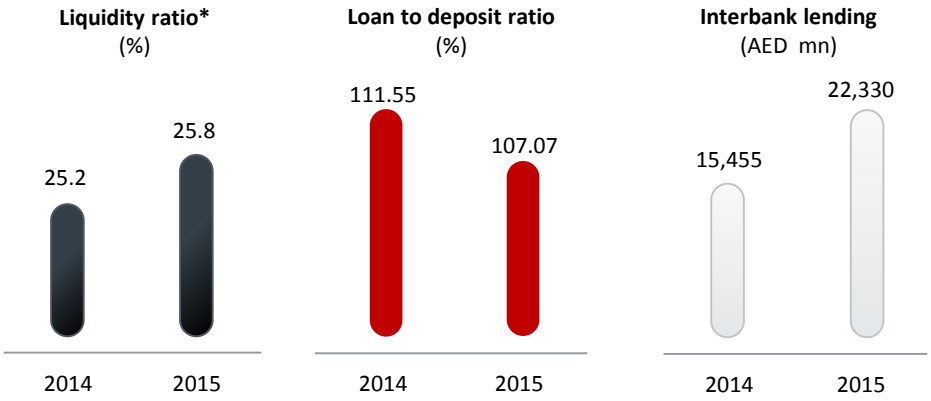
Capital adequacy ratio (%)



Tier I and core tier I ratios (%)



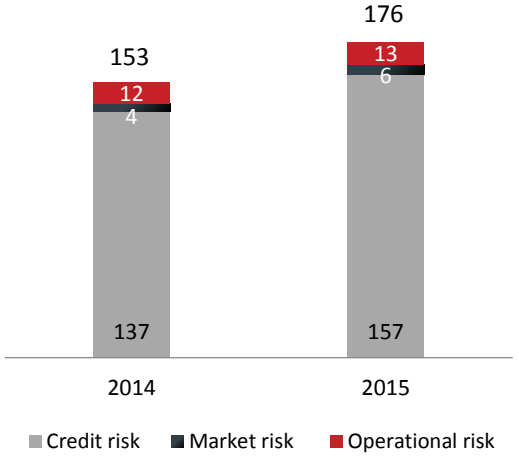
Strong liquidity



Liquid assets include cash and balances with Central Banks, deposits and balances due from banks, reverse repo placements, trading securities, and liquid investments

Liquidity ratio: liquid assets/total assets

Risk weighted assets (AED bn)



Figures may not add up due to rounding differences

Investment securities
97% of total portfolio invested in bonds

Highlights

- Investment securities portfolio increased to AED 20,864 mn as at 31 December 2015, providing additional layer of liquidity for the Bank
- 97% of the total portfolio was invested in bonds issued by government, corporate, public sector, banks and financial institutions
- Average life of the investment securities portfolio is 2.6 years
- 52% invested in the UAE and other GCC countries

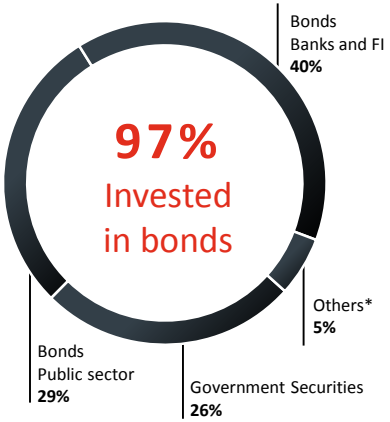
Portfolio summary:

- Non Government Bond Portfolio – 74% of total bond portfolio
- 88% of the bond portfolio was rated BBB- or higher
  - Rated A- or better: 57%
  - Rated Investment grade (i.e. BBB+ to BBB-): 31%
  - Rated below IG (BB+ and below including unrated): 12%

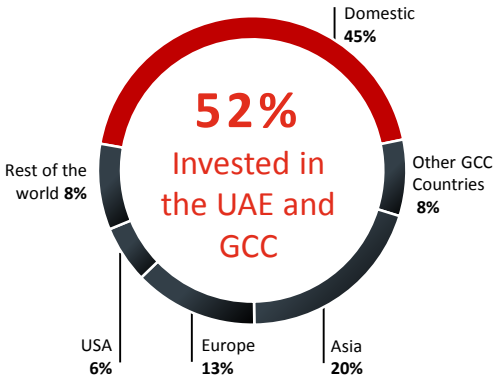
  10% is invested in local public sector bonds which are rated below A-
- 26% of the portfolio is invested in Government securities

Investments

By issuer

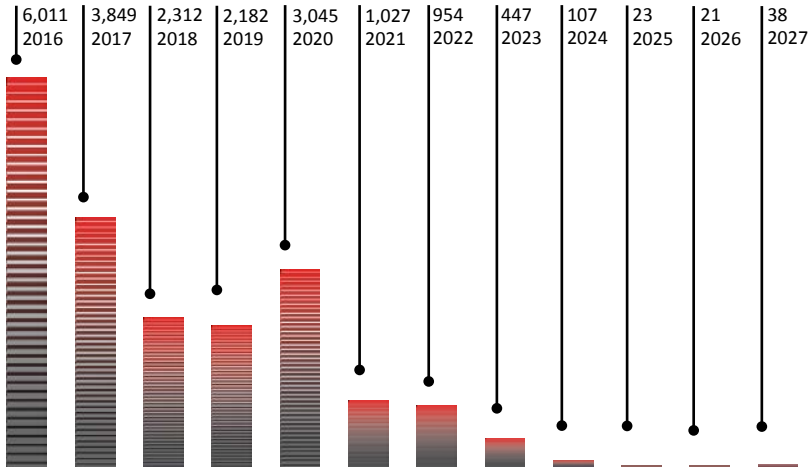


By region

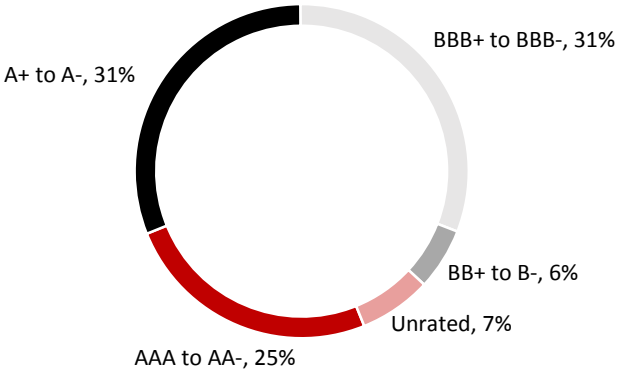


* Include corporate bonds, equity instruments and mutual funds

Maturity profile of investment securities portfolio (AED mn)



Total bond portfolio = AED 20,305 mn
Credit ratings as at 31 December 2015 (Standard & Poor's)



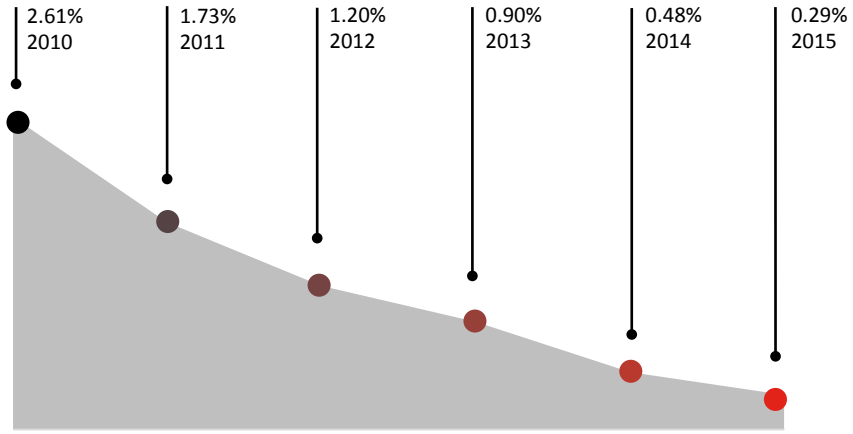
Figures may not add up due to rounding differences

Strong asset quality metrics, with cost of risk at record low level

Highlights

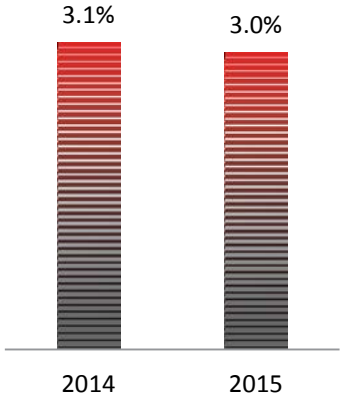
- Cost of risk for 2015 was 29 bps compared to 48 bps in 2014
- Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 500 mn in 2015, compared to AED 811 mn in 2014, 38% lower year on year
- As at 31 December 2015, non-performing loans (NPL) and provision coverage ratios were 3.0% and 128.5% respectively, compared to 3.1% and 137.1% as at 31 December 2014
- As at 31 December 2015, non-performing loans were AED 4,834 mn compared to AED 4,611 mn as at 31 December 2014
- Collective impairment allowance balance was AED 2,969 mn and 1.89% of credit risk weighted assets and individual impairment allowance balance was AED 3,376 mn as at 31 December 2015

Cost of risk

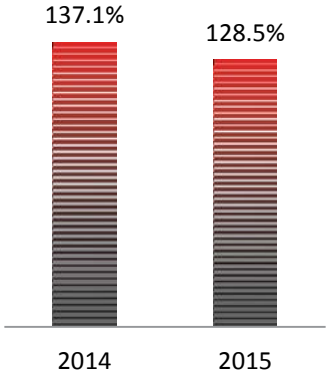


Cost of risk: Total provisions charged (net of recoveries) including investments/average loans & advances and investments

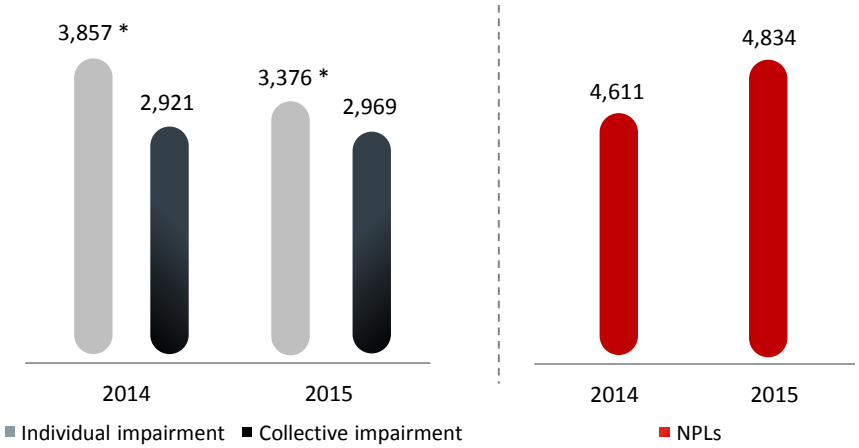
Non-performing loan ratio (%)



Provision coverage ratio[1] (%)



Non-performing loans and impairment allowances (AED mn)



[1] Excludes Dubai World exposure and related provision as the client is performing since 2011 in accordance with the new restructured terms
* Includes provision for Dubai World exposure

Figures may not add up due to rounding differences

Summary

- "The Difference Is: Ambition + Discipline", building on our proven strategy delivering measured and profitable growth, and remain focused on our core geography and core businesses
- In 2015, delivered a record return on equity of 20.3%, and a record net profit of AED 4,927 mn, up 17% year on year
- Loans remained well diversified, Wholesale Banking loans (gross) were up 7% and Consumer Banking loans (gross) were up 10% year on year
- We continue to seek growth through a granular build to our balance sheet, and remain disciplined in our funding approach, with any future growth funded through an increase in customer deposits
- Cost to income ratio was 34.2%, within our target range
- Asset quality indicators continued to be strong, cost of risk for 2015 was 29 bps, NPL and provision coverage ratios were 3.0% and 128.5% respectively as at 31 December 2015
- Robust capital position with a CAR of 19.76% and Tier I of 16.29% as at 31 December 2015

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ADCB

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Appendix

ADCB at a glance

- Commercial bank which offers a wide range of products under:

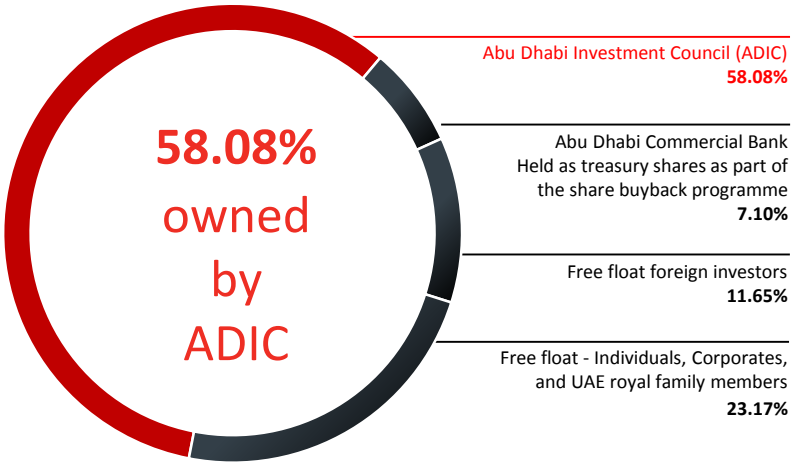
- Established in 1985 and is listed on the ADX with a market cap of AED 34 bn as at 31 December 2015
- Serves over 690,000 retail customers and over 52,000 corporate and SME clients
- Maintained consistent market share of loans and deposits, 10.8% and 9.8% respectively as at 31 December 2015
- Operates from 49 branches, 3 pay offices and 2 branches in India, 1 branch in Jersey and a representative office in London and Singapore
- Over 5,000 employees
- Ratings
  - **S&P:** A/A-1/Stable
  - **Fitch:** A+/F1/Stable
  - **RAM:** AAA/P1/Stable

ADCB franchise	**2015**	2014
Number of retail customers	**690,000**	580,000
Number of wholesale clients	**52,000**	49,000
Market cap (AED bn)*	**34**	37
Branch network (UAE)[1]	**49**	50
Overseas branches[2]	**3**	3
Market share of loans, gross (%)	**10.8**	10.7
Market share of deposits (%)	**9.8**	8.9
Total assets (AED bn)	**228**	204
Total equity (AED bn)	**29**	26
Net profit (AED bn)	**4.927**	4.201

[1] Excludes pay offices [2] Two branches in India and one branch in Jersey

* Excluding treasury shares

Ownership structure (31 December 2015)



ADCB against peers:
Highest NIM and ROE while maintaining robust capital ratios

	2015	ADCB	National Bank of Abu Dhabi	FGB	Union National Bank	Emirates NBD
Balance sheet (AED bn)	Net Loans	**153.7**	205.9	149.8	68.4	270.6
	Total Deposits	**143.5**	233.8	142.5	74.8	287.2
	Total Equity	**28.7**	43.2	35.9	17.7	50.7
Key performance indicators (%)	ROE	**20.3**	14.3	18.9	11.7	16.6
	NIM (calc.)	**3.27**	2.03	3.35	3.20	3.10
	CAR	**19.8**	16.7	17.5	19.4	20.7
	NPL ratio*	**3.0**	3.0	3.1	3.8	7.2
	Provision coverage ratio*	**128.5**	95.0	91.1	100.7	109.2
	Cost of risk	**0.29**	0.34	0.86	0.96	1.25

NIM: Net interest margin, CAR: Capital adequacy ratio, NPL: Non- performing loan
ROE: Return on equity: (Annualised) Net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and coupon on Tier 1 capital notes
Cost of risk: Total provisions charged (net of recoveries) including investments/average loans & advances and investments

* Peers do not classify loans that are 90 days past due as impaired loans, above NPL and coverage ratio factor this in account

Our business segments provide a diversified revenue stream

Consumer Banking

- Covers retail, wealth management and Islamic operations
- Growth in consumer banking underpinned by an increased product offering, expansion of sales and distribution infrastructure and effective cross-selling
- Co-branded Visa Cards with Etihad Airways
- Touchpoints – Unique market leading rewards programme for customers

Wholesale Banking

- Relationship coverage to SMEs and large corporate clients, financial institutions, Indian operations, international business development, strategic client operations, corporate finance and investment banking
- JV with Macquarie Bank covering infrastructure funds
- Established cash management franchise
- Disciplined management of balance sheet growth and well monitored asset quality
- Strategic relationship with Bank of America Merrill Lynch and Banco Santander to allow clients who require services in the region to access capabilities provided by ADCB

Treasury and Investments

- Treasury business and investment portfolio provides interest rate, commodities and foreign exchange services
- Covers money market, FX, interest rates, currency, commodity derivatives and asset & liability management

Property Management

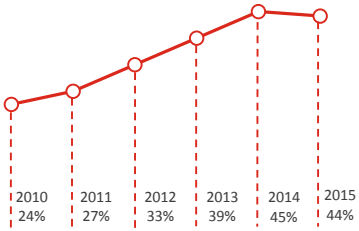
- Includes real estate and property management activities
- Comprises real estate management and engineering service operations of subsidiaries - Abu Dhabi Commercial Properties, Abu Dhabi Commercial Engineering Services, investment properties and rental income of ADCB

Our five strategic pillars

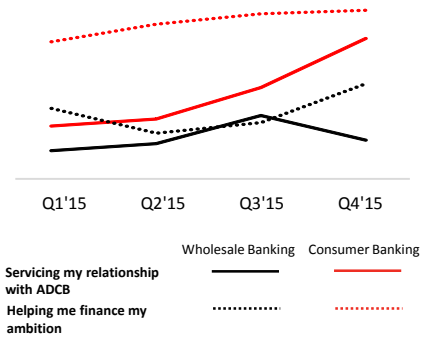
1	2	3	4	5
Growth through a UAE-centric approach with controlled internationalisation	Stability through liability growth	Maintain a culture of service excellence and efficiency	Manage our risk in line with pre-defined risk strategy	Success through staff
UAE centric	**Sustainable growth**	**Customer centric**	**Risk - aware**	**Talent driven**

90%
gross loans within the UAE

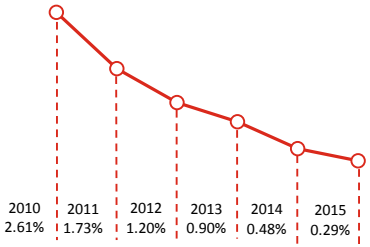
CASA deposits/total deposits



Net promoter score (NPS)*



Cost of risk



8.8
years
Average time span of Executive management

* NPS is based on customers' likelihood to recommend ADCB to a friend or colleague. NPS is calculated as the percentage of customers who are promoters, rating the company 9 or 10 on a 0 to 10 point scale, minus the percentage who are detractors, rating it 6 or lower.
Starting date for Consumer Banking Group measurement commenced later than that of Wholesale Banking, as indicated in the graph above

Core strengths

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ADCB

Situated to benefit from UAE economic growth

- Government projects will continue to provide opportunities for all of ADCB's businesses
- Despite weaker oil prices, progress expected with core projects
- Government remains focused on driving economic diversification

Supportive principal shareholders

- The Government (Abu Dhabi Investment Council) owns 58.08% of the issued share capital
- Long-standing government related corporate client base

Robust capital ratios, stable liquidity & funding profile, healthy asset quality

- Total CAR of 19.76%, Tier I capital ratio of 16.29%
- Net lender of AED 22 bn* in the interbank markets as at 31 December 2015
- Strong risk management culture, NPL ratio of 3.0% and provision coverage ratio of 128.5% as at 31 December 2015

Strong domestic franchise with a well known and trusted brand

- Broad portfolio of innovative consumer and wholesale products
- Over 690,000 retail customers and over 52,000 corporate customers
- Customised cash management and trade finance solutions
- Strategic partnerships with Bank of America Merrill Lynch and Banco Santander

Measured growth, sustainable profitability

- Resilient balance sheet and disciplined growth
- Between 2010 -2015, total assets increased 28% whilst operating income grew 65%
- ROE of 20.35%, amongst the highest in our peer group

Experienced management team and strong corporate governance culture

- Management team has experience in international and regional institutions
- Regional leader in corporate governance, maintaining high standards with clear framework and policies emphasising transparency, integrity, accountability and fairness

* Includes AED 6.6 bn of certificate of deposits with UAE Central Bank and AED 2.4 bn of reverse repo placements with Banks as at 31 December 2015

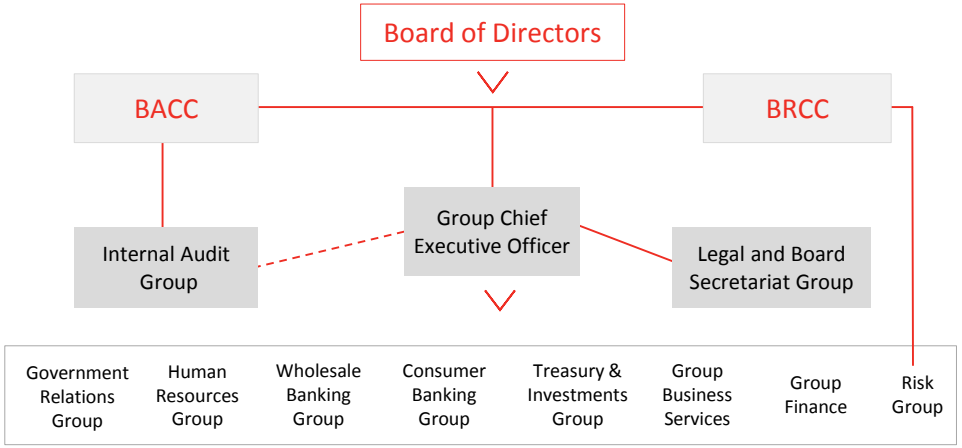
Recognised as a regional leader in Corporate Governance

Highlights

- Maintain high standards in Corporate Governance, winning "Best Corporate Governance in UAE" from World Finance Magazine in 2015 and for the second time in three years, the Hawakamah Bank Corporate Governance Award in 2014
- The Bank's governance structure is headed by the Board which has overall responsibility for guiding the Bank
- The Bank has a number of Board committees and management committees which oversee and monitor day to day activities of the Bank
- Our reporting lines are an important part of our governance structure:
  - **Group Chief Risk Officer** is independent and reports to the Board Risk Credit Committee (BRCC)
  - **Group Chief Internal Audit** is independent and reports to the Board Audit & Compliance Committee (BACC)
  - **Group General Counsel and Board Secretary** is independent and has a dual reporting line to the Board and the GCEO
- The Bank appointed Sir Gerry Grimstone as an independent Adviser to its Board of Directors
- During 2013, Aysha Al Hallami was appointed as Director, first woman to be appointed to the Bank's Board of Directors, in line with international trends and the Bank's efforts to promote greater diversity at the Board level

Corporate Governance structure

Structure and composition



Effective risk management is fundamental to our core strategy

Highlights

- Our risk appetite is approved by the Board
- Continue to upgrade our risk management capabilities and strict enforcement of discipline is applied on the business side using measures such as RAROC (Risk adjusted Return on Capital)

As a result of this continuing discipline our portfolio achieved the following results:

- Top 20 largest customer exposure reduced from 37.04% of gross loans in 2014 to 35.26% in 2015
- NPL rate of 3% lower than last year's
- Provision coverage of 128.5% remained conservatively cushioned
- Average portfolio quality has remained stable, notwithstanding a negative trend in credit conditions
- LCR is well above BCBS (Basel Committee on Banking Supervision) standard requirements at this time
- Concentration reduction by name and sector

- Our capital adequacy ratio remains above UAE Central Bank hurdle rate and amongst the strongest in the country. Continued work on enhancing our risk management capabilities will help us to prepare for Basel III requirements

Three lines of defence

First line

ADCB's business units including all business areas and functions are accountable for owning and managing the risks which exist in their area within a defined risk appetite framework

Treasury
Wholesale banking
Consumer banking
Property management

Second line

Independent monitoring and control functions are accountable for owning and developing the risk and control frameworks. The second line of defense is independent from the business and accountable for overseeing and challenging the first line of defense on the effective management of its risks

Credit
Risk
Compliance

Third line

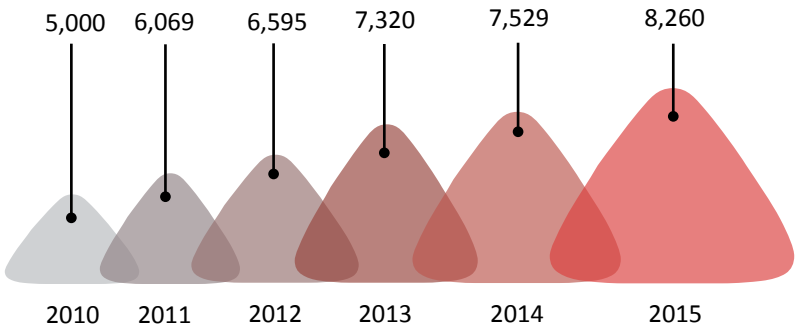
Group Internal Audit and External Audit provide independent assurance on the appropriateness of the design and operational effectiveness of risk management and internal control processes that mitigate ADCB's key risks

Internal audit
External audit

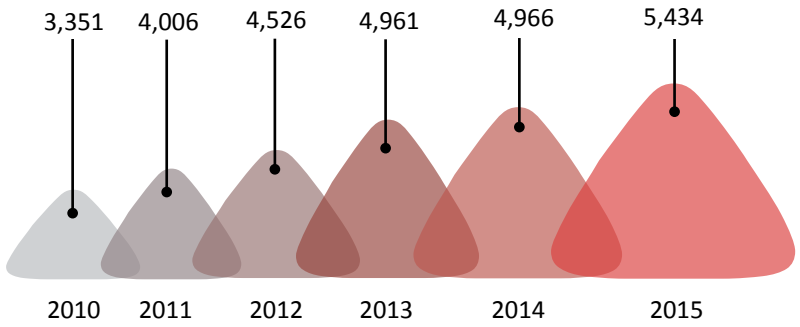
Principal risks	
Credit Risk	Managing concentrations, growth of granular businesses and improvement in average portfolio quality. Effective pricing tools to price risk appropriately
Market Risk	Implements valuation and risk policies for all Level 1 and Level 2 financial instruments in the trading book through measures like VaR, SVaR, Expected Shortfall
Liquidity & Funding Risk	Diversified funding through retail and wholesale operations. Strive to maintain sticky deposits. Treasury Department ensures access to diverse sources of funding
Capital Risk	Manage via techniques based on guidelines developed by the Basel Committee and CB of the UAE. Prepare ICAAP document annually (capital planning)
Operational Risk	Using top risk analysis and risk and control assessment (RCA) process to monitor and manage operational risk
Regulatory Risk	Member of UAE Banks Federation and actively try to influence regulations. Regulatory compliance is closely monitored by the Risk and Audit areas
Information Security Risk	Information –risk heat map against cyber threats is continually updated. Regular security testing and effective security controls
Reputational Risk	Set policy and provide guidance to avoid reputational risk relating to business engagements and lending clients in sensitive industry sectors

Our journey: Income statement highlights

Operating income (AED mn)

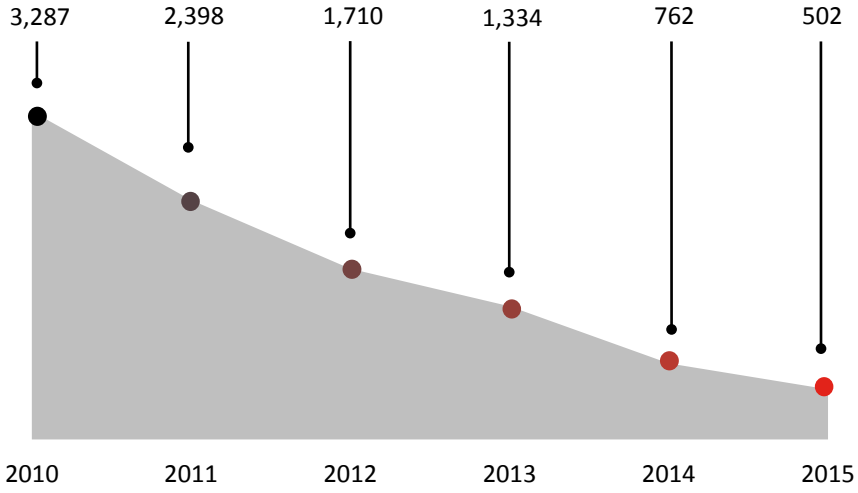


Operating profit (AED mn)



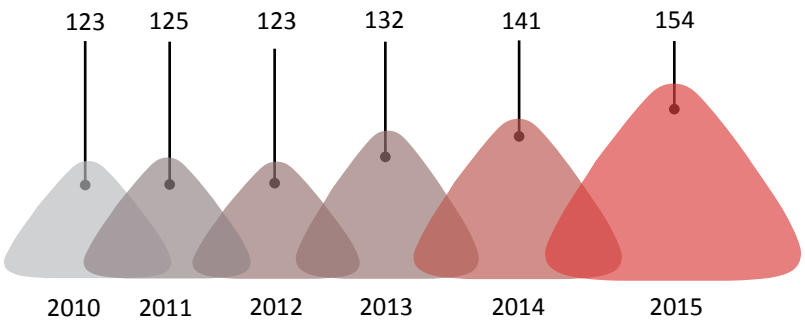
Cost to income ratio (%)

Impairment allowance charge (AED mn)

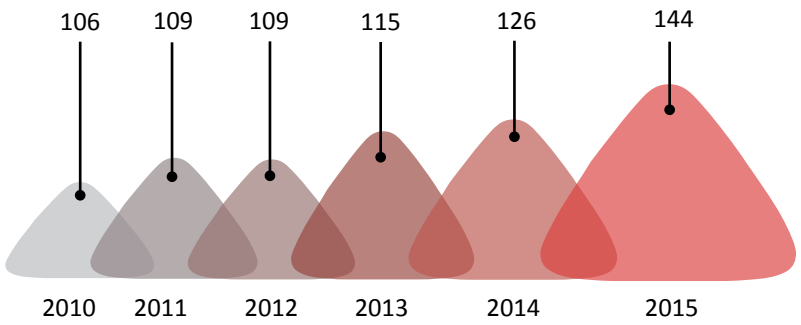


Our journey: Balance sheet highlights

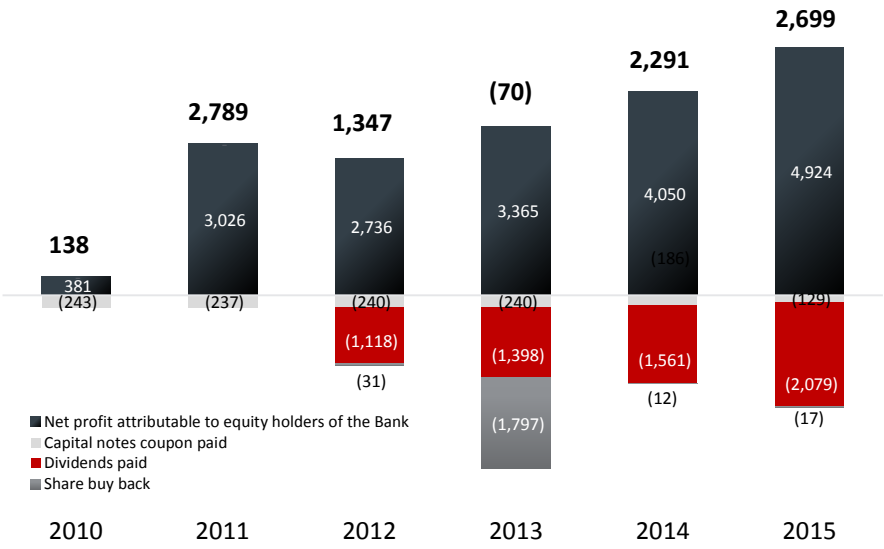
Net loans and advances (AED bn)



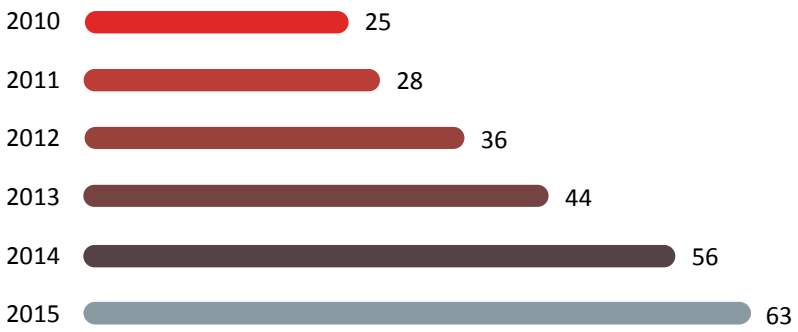
Customer deposits (AED bn)



Capital generation (AED mn)



CASA deposits (AED bn)



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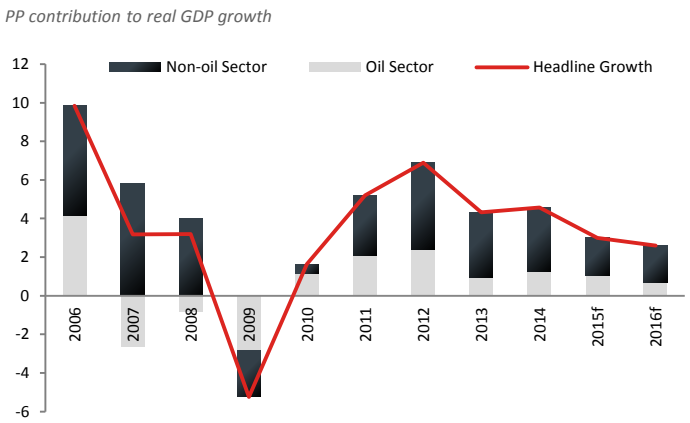
UAE economic overview : Economic activity moderating
Fiscal policy responses positive for medium term outlook

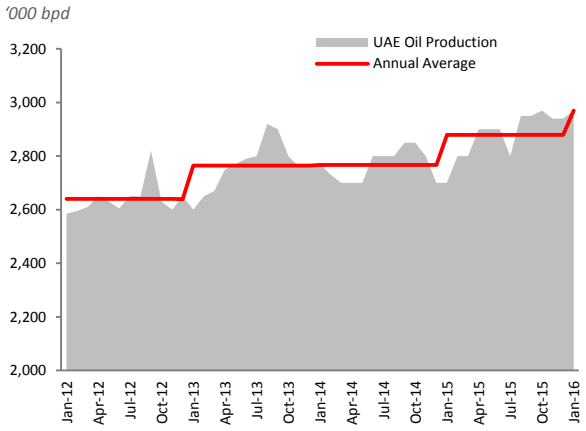
- UAE's economy is showing signs of a contained slow down on the back of sharply weaker oil price, softening real estate prices in Dubai, the strong USD, and gradual fiscal and monetary tightening
- Nevertheless continuation of core investment projects, healthy performance of key service sectors (such as tourism and transportation), diverse economic base and strong FX reserves support the economic outlook
- Expect headline real GDP growth moderate to 2.7% in 2016 from 3.1% in 2015 and real non-oil GDP growth decelerate to 2.5% from 3% in 2015
- UAE oil production rose 4.1% YoY in 2015 to an average of 2.88 million bpd, oil production forecast to remain strong going forward
- PMI data reflects the softening in non-oil activity with weakening in new non-oil export orders. Wider data still indicate core sectors (tourism, transportation & logistics) seeing solid growth
- Real non-oil GDP growth should start to strengthen from 2017 onwards as the pace of investment likely to accelerate ahead of Dubai Expo 2020
- Non-oil sector to benefit from loosening Iran sanctions in 2016, pick up in Iran's economic activity should boost trade and financials flows with the UAE
- UAE annual average inflation to moderate with lower fuel prices in 2016
- The reforms include a reduction in utility subsidies in Abu Dhabi, (introduced in January) and UAE wide fuel (diesel and gasoline) price liberalisation (since August)

Positive contribution to headline GDP growth from both oil and non-oil sectors to moderate



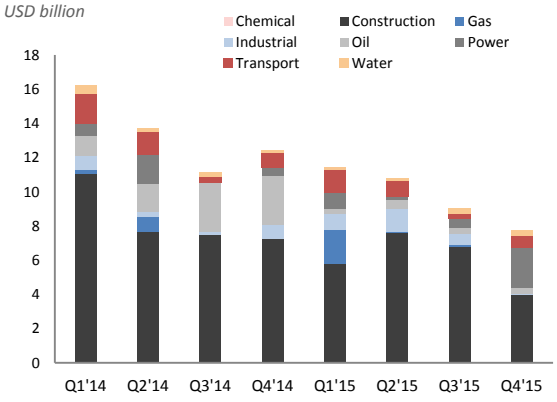
Source: UAE National Bureau of Statistics, ADCB estimates

UAE's average oil production higher in 2015, with aim of retaining market share



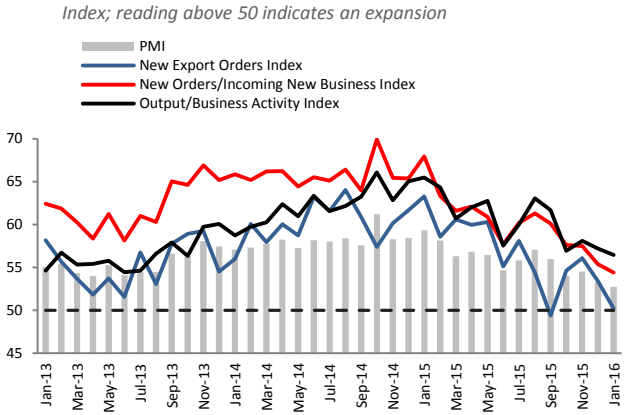
Source: Bloomberg

Total UAE project awards fall, but progress continues with core projects



Source: MEED Projects, ADCB

PMI data reflects the softening in non-oil activity, though remaining solid



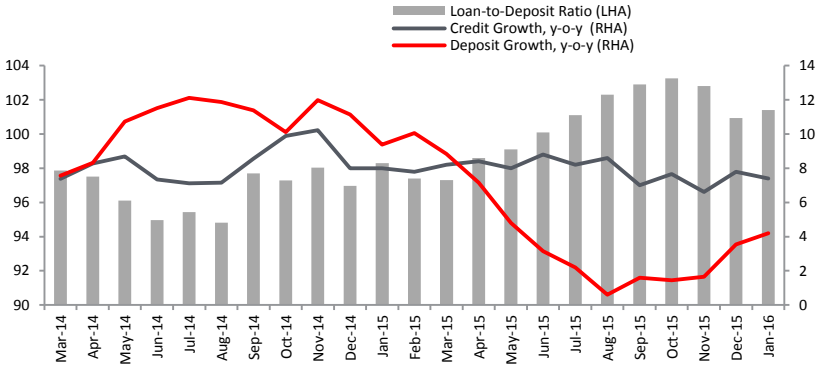
Source: Market Economics PMI: Purchasing Managers Index

UAE banks overview : Liquidity tightening
Credit growth continues to outstrip deposit growth

- UAE Banking sector is ranked largest in the GCC in terms of assets, comprises of 23 local banks with 874 branches and 26 foreign banks with 86 branches
- YoY credit growth (7.4% in January 2016) outstripping deposit growth (4.2%)
- Some improvement in Government and GRE net deposits at the end of 2015, with a pickup in GRE deposits in the banking system and a slight moderation in government borrowing
- Private sector credit growth stood at 7.6% YoY in January 2016, down from 12.7% YoY in January 2015. There has been a deceleration credit growth to corporate credit growth, whilst retail credit growth has generally been stronger
- Interbank lending rates increased from their lows seen in 2015 as banking sector liquidity tightened and with the expectations of a rate hike in the US. Interbank rates have ticked down marginally in early 2016
- Banking sector is strongly capitalised, and has ample provisions to deal with the expected slowdown in economic activity

Banking sector liquidity tightening as credit growth outstrips deposit growth

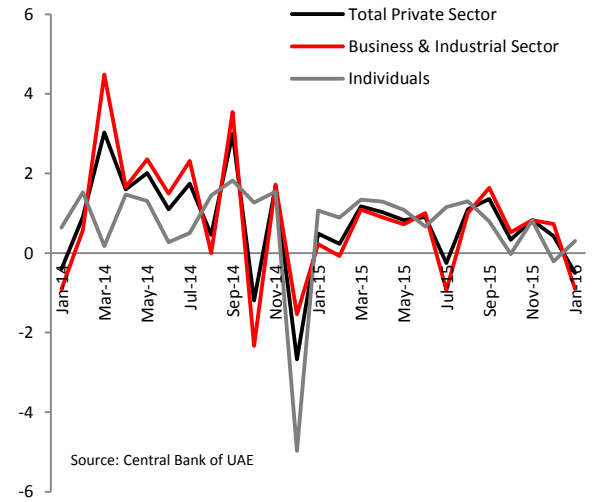
L-to-D ratio (LHA); % change y-o-y (RHA)



Source: Central Bank of UAE

Retail credit growth stronger than corporate credit growth in 2015

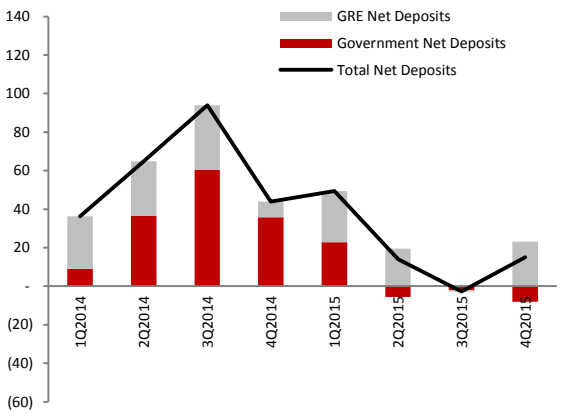
% change m-o-m



Source: Central Bank of UAE

Government and GRE net deposits in banking sector fall from Q3'14

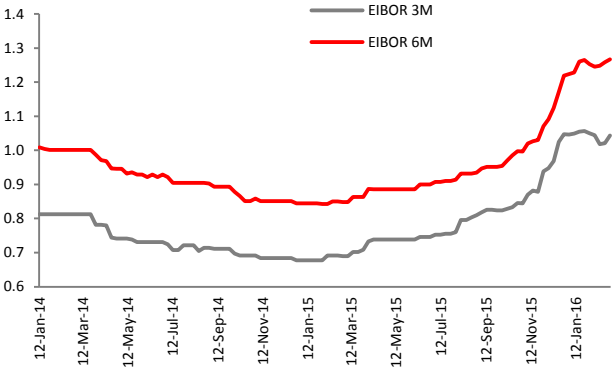
AED billion



Source: Central Bank of UAE

UAE Interbank rates start to rise from historical lows with tighter banking sector liquidity

%



Source: Bloomberg

بنك أبوظبي التجاري
ADCB

2015 Financial highlights

Business overview

Macro overview

Appendix

Rating agency views

"ADCB has a high quality management team. By focusing on improving deposit granularity, increasing the amount of low cost current account deposits, and lengthening funding tenors, the Bank has improved its funding profile substantially since 2008… in addition to its declining credit losses, the improving margins enabled the Bank to enhance its returns."

"We regard ADCB's capital and earnings as "strong". This reflects the bank's high level of capital, its strong core earnings generation, and manageable dividend payout policy, which enables it to maintain its capitalisation."

STANDARD &POOR'S

"ADCB is well funded by customer deposits due to its strong franchise…The Bank's liquidity position is supported by a good stock of highly liquid assets and a very diverse funding mix."

"Capital ratios have improved significantly over the last four years due to a series of capital strengthening measures, including higher retained earnings."

FitchRatings

Extracts from latest reports issued by Standard & Poor's (4 August 2015) and Fitch Ratings (17 August 2015) on ADCB,
Note: These quotes are excerpts from Standard & Poor's and Fitch reports, and are qualified by the full reports which investors should refer to.
Credit ratings may not reflect all risks and are subject to change at any time

Our aspirations, priorities and objectives…

Aspiration	Metric	Measure (2015)
Most valuable	Total shareholder return	6%
Most profitable	Return on equity	20.3%
Most resilient	Earnings per share	93 Fils
Most efficient	Cost to income ratio	34.2%
Best customer service	Net Promoter Score	Towards service excellence

Our priorities…

- Create the most valuable bank in the UAE in terms of total return to shareholder
- Build sustainable and quality profits through a repeatable core business and operating model
- Retain our conservative risk stance

Our objectives…

- Profitably grow assets and volume in line with the market in the segments of our choice, focusing on SMEs/Mid corporates and consumer
- Diversify our revenues with increased focus on fee income generation
- Further improve our agility and execution capabilities
- Through delivering world class service, make it easier for our customers to bank with us

Customer focus
Towards service excellence

بنك أبوظبي التجاري
ADCB

2015

4,601
Mystery shopping surveys

1,994
Service recoveries following feedback from a fast feedback loop

 # 1
We retained the #1 position among our peers across our Wholesale, Mid Corporate, Treasury and Private accounts segments

5,619
Staff trained on service standards and Our Promise

24
Live fast feedback loops

10
Processes fully re-engineered

20,600+
Staff provided feedback on internal service providers

130
Studies undertaken on the voice of the customer

29
Customer focus groups undertaken

22
Service quality forums and customer experience working groups

60,800
Customers spoken to for feedback

2015 Awards

"UAE Trade Finance Firm of the Year"

Finance Monthly's Global Awards

"Best Trade Finance Offering"

Banker Middle East

"Business Leader of the Year" Ala'a Eraiqat, CEO of ADCB Group

Gulf Business Industry Awards 2015

"UAE Domestic Trade Finance Bank of the Year"

Asian Banking and Finance's Wholesale Banking Awards

"Best Corporate Governance Award 2015"

World Finance

"Daman Award for Corporate Health and Wellness Initiative"

Daman Corporate Health Awards

"Trade Finance - Overall quality of service in Middle East"

Euromoney Award

"Best Human Capital Development Initiative" to Islamic Banking Academy

Global Islamic Finance Awards, London

"Best Customer Service - Corporate Banking"

Banker Middle East

"Best Fund over 3 years, Equity, UAE" for Al Nokhitha Fund

Thomson Reuters Lipper Fund Awards 2015

"Best Bank for Cash Management in the Middle East"

Global Finance

"Best for Cash Management in the UAE"

Euromoney Award

"SME Banking Innovation Award"

Enterprise Agility Awards 2015

"Trade Finance - Overall quality of service Global – 2nd place"

Euromoney Award

"Sharia Lawyer of the Year" Kamran Sherwani, Head of Sharia Advisory

Global Islamic Finance Awards, London

"Best Trade Finance Bank in UAE"

Global Finance

"Best Brand Building Initiative in the Middle East Award"

The Asian Banker

"Best Affinity Credit Card in the Middle East & Asia/Oceania 2015"

Annual Freddie Awards

"Best Trade Finance Provider in the UAE"

Euromoney Award

"Best Islamic Banking Window in UAE "

International Finance Magazine, London

"Best Trade Finance Bank in MENA"

GTR Leaders in Trade Awards

"Best Islamic Retail Bank in UAE and Islamic Bank of the Year in UAE"

The Asset- Hong Kong

"Best Supply Chain Finance Provider Award- Middle East"

Global Finance

"Best local Bank in UAE"

GTR MENA's Leaders in Trade Awards

"Bank of the Year"

Gulf Business Industry Awards 2015

"Best Cash Management"

Banker Middle East

"Most Innovative Product (Salam Personal Finance) "

International Finance Magazine, London

"Best Islamic Trade Finance Bank " and "Best Trade Finance Bank in UAE"

GTR Leaders in Trade Awards

Management team

From left to right

Ali Darwish
Group Head of Human Resources

Joined ADCB: 2010

Previous Experience : General Manager, CEO and Head of Distribution positions with Tamweel, Dubai Islamic Bank (DIB) and ABN Amro

Over 20 years of banking and finance experience

Arup Mukhopadhyay
Group Head of Consumer Banking

- Joined ADCB: 2005
- Previous Experience : Citibank - Head of Wealth Management products and Marketing Director for its UAE customer business. Unilever India – Marketing & Sales

Simon Copleston
Group General Counsel

- Joined ADCB: 2008
- Previous Experience : ADIA– Lawyer to the Emerging Markets Department and the Strategic Investment and Infrastructure teams
- Over 16 years of banking, finance and corporate law experience
- UK-qualified Solicitor and has been highly instrumental in the Bank's recent recognition as a regional leader in corporate governance

Abdirizak Mohamed
Group Chief Internal Auditor

- Joined ADCB: 2006
- Previous Experience: NASDAQ Stock Market, NASD (FINRA) and OFHEO (FHFA)
- Over 20 years of financial industry experience in capital markets management, accounting policy/applications, examinations and auditing, risk management, regulatory oversight, and corporate governance

Deepak Khullar
Group Chief Financial Officer

- Joined ADCB: 2008
- Previous Experience: Standard Chartered Bank in the Middle East and in Korea, Ernst & Young and Price Waterhouse & Co. (now PricewaterhouseCoopers)
- Associate of the Institute of Chartered Accountants of India and an Associate member of the Association of Corporate Treasurers (UK)
- Over 25 years of banking & finance experience

Ala'a Eraiqat
Group Chief Executive Officer, Executive Director

- Joined ADCB in 2004, appointed Deputy CEO in 2007, CEO since February 2009
- Over 20 years of banking experience with previous employers including Citibank and Standard Chartered
- Chairing the following subsidiaries and committees of ADCB: Abu Dhabi Commercial Properties, Abu Dhabi Commercial Engineering Services, ADCB Securities, ITMAM Services, the Management Executive Committee and the Management Risk & Credit Committee

Kevin Taylor
Group Treasurer

- Joined ADCB: 2009
- Previous Experience : Significant risk and treasury positions with ALICO, Citigroup, Westpac Bank and Merrill Lynch. Chairman of the UAE Banks Federation's Financial Markets Committee
- Over 25 years of banking & finance experience

Jerry Möllenkramer
Group Chief Operating Officer

- Joined ADCB: 2010
- Previous Experience: Chief Operating Officer for Royal Bank of Scotland's Middle East and Africa franchise
- Executive Director for ABN Amro's Group Services Division

Colin Fraser
Group Head of Wholesale Banking

- Joined ADCB: 2008
- Previous Experience: Barclays' Corporate Banking Director, GCC
- Associate of the Chartered Institute of Bankers and a fellow of the Royal Society for the Arts
- Over 17 years of banking & finance experience

Kishore Rao
Chief Risk Officer

- Joined ADCB: 2009
- ABN AMRO, handling various assignments across Asia, Europe and North America, and was previously Chief Credit & Risk Officer at Arab Banking Corporation
- Over 25 years of banking & risk management experience

As at 31 December 2015

Balance sheet

AED mn	2015	2014	Change%
Cash and balances with Central Banks	20,180	15,092	34
Deposits and balances due from banks	14,955	13,189	13
Reverse-repo placements	4,256	2,830	50
Trading securities	62	200	(69)
Derivative financial instruments	4,002	4,289	(7)
Investment securities	20,864	21,652	(4)
Loans and advances, net	153,677	140,562	9
Investment in associate	197	196	1
Investment properties	648	616	5
Other assets	8,572	4,552	88
Property and equipment, net	835	806	4
Intangible assets	19	36	(47)
Total assets	**228,267**	**204,019**	**12**
Due to banks	1,692	4,089	(59)
Derivative financial instruments	4,741	5,000	(5)
Deposits from customers	143,526	126,011	14
Euro commercial paper	5,700	6,375	(11)
Borrowings	33,472	30,320	10
Other liabilities	10,403	5,805	79
Total liabilities	**199,534**	**177,601**	**12**
Total shareholders' equity	28,728	26,408	9
Non -controlling interests	5	10	(52)
Total liabilities and shareholders' equity	**228,267**	**204,019**	**12**

Figures may not add up due to rounding differences

Income statement

AED mn	2015	2014	Change%
Interest income and income from Islamic financing	7,797	6,985	12
Interest expense and profit distribution	(1,591)	(1,401)	14
Net interest and Islamic financing income	**6,206**	**5,585**	**11**
Net fees and commission income	1,438	1,243	16
Net trading income	352	407	(14)
Revaluation of investment properties	0	22	(99)
Other operating income	265	273	(3)
Non interest income	**2,055**	**1,945**	**6**
Operating income	**8,260**	**7,529**	**10**
Staff expenses	(1,689)	(1,464)	15
Other operating expenses	(986)	(941)	5
Depreciation	(135)	(132)	2
Amortisation of intangible assets	(17)	(26)	(35)
Operating expenses	**(2,827)**	**(2,563)**	**10**
Operating profit before impairment allowances & taxation	**5,434**	**4,966**	**9**
Impairment allowance on loans and advances	(753)	(1,041)	(28)
Recovery of loans	253	229	10
Recoveries on written off available for sale investments	11	49	(78)
Other impairment	(12)		-
Share of profit of associates	1	-	-
Overseas income tax expense	(6)	(3)	NM
Net profit for the period	**4,927**	**4,201**	**17**
Attributed to:			
Equity holders of the Parent	**4,925**	**4,050**	**22**
Non-controlling interests	2	152	(98)
Net Profit	**4,927**	**4,201**	**17**

Figures may not add up due to rounding differences

The Difference Is...

AMBITION + DISCIPLINE

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