Leading Through

AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q3/9M'18 Earnings presentation

October 2018

بنك أبوظبي التجاري

ADCB

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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	% Change vs. Dec'17	% Change vs. 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	9M'18	% Change 9M'17	Q3'18	% Change vs. Q2'18	% Change vs. 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

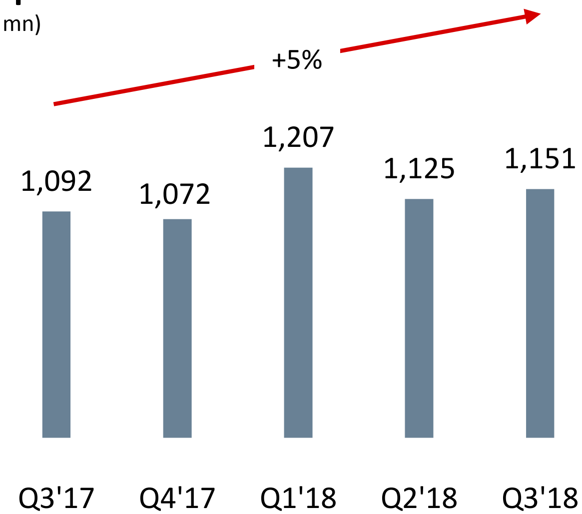
Highlights (9M'18 vs. 9M'17)

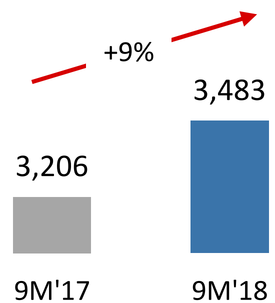
- Net profit increased by 9% to AED 3.483 billion, mainly driven by a healthy expansion in NIMs, driven by optimal management of cost of funds, combined with lower impairment charges
- Total net interest income and Islamic financing income increased 9% to AED 5.417 billion, on account of higher volumes 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

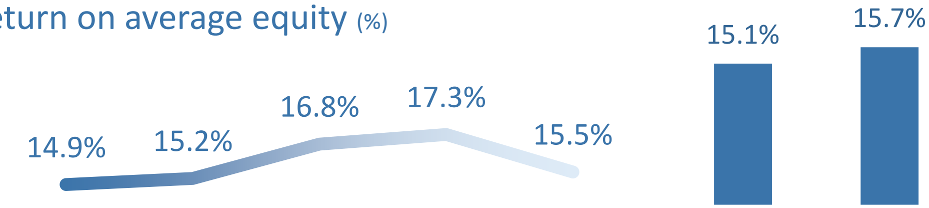
Key performance indicators

Net profit
(AED mn)

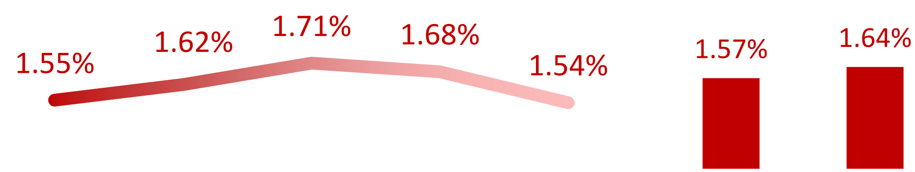




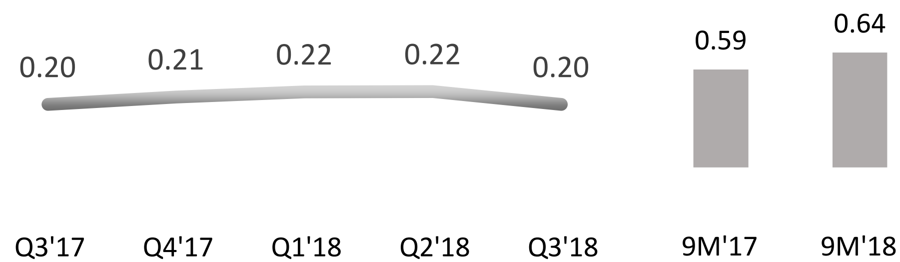
Return on average equity (%)



Return on average assets (%)



Earnings per share (AED)



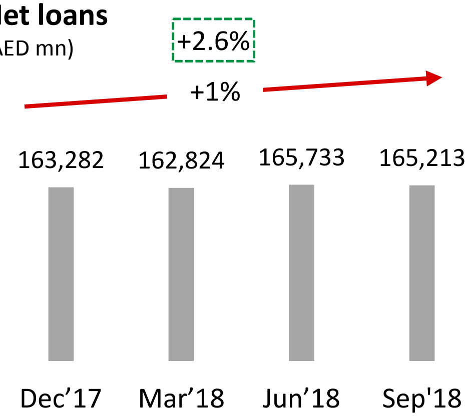
Components may not sum exactly to totals because of rounding

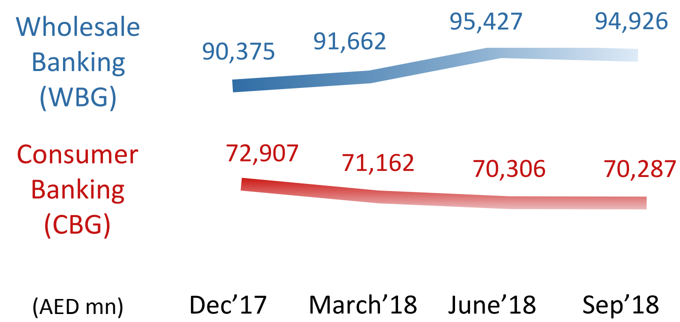
Sustained profitability and solid key performance indicators

Balance sheet metrics

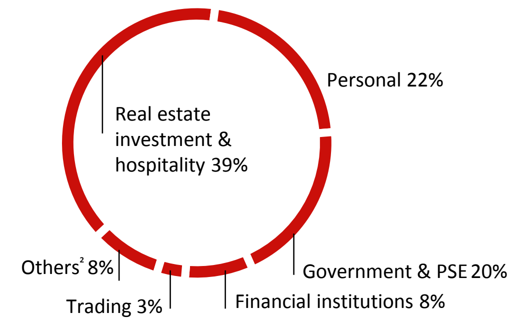
Loan and deposit growth

Net loans
(AED mn)



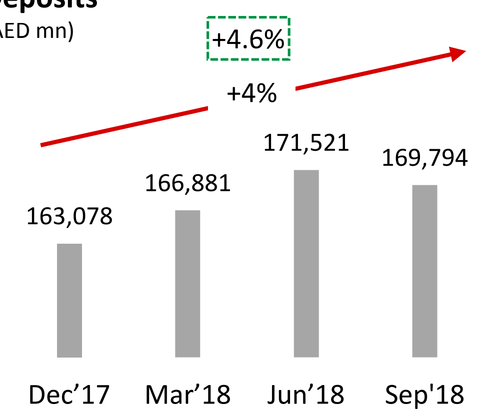


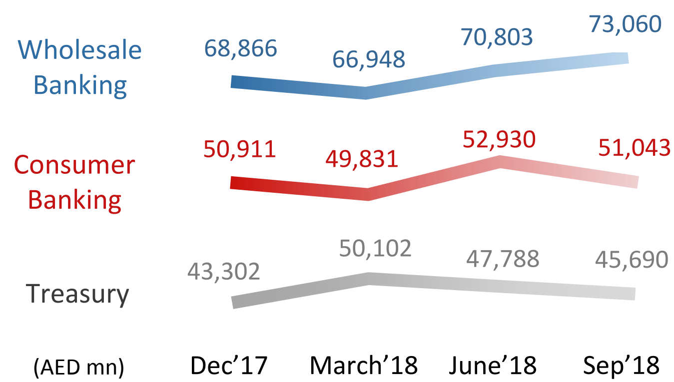
Gross loans by economic sector
AED 172,243 mn (As at 30 September 2018)



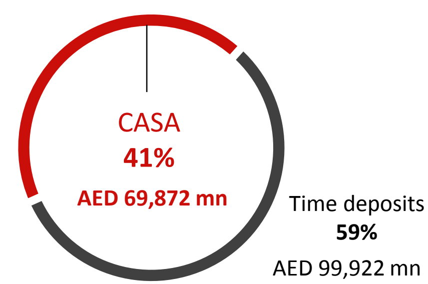
² Others include: Agriculture, Energy, Transport, Manufacturing, Services and others

Deposits
(AED mn)





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



UAE Banking industry average until August'18

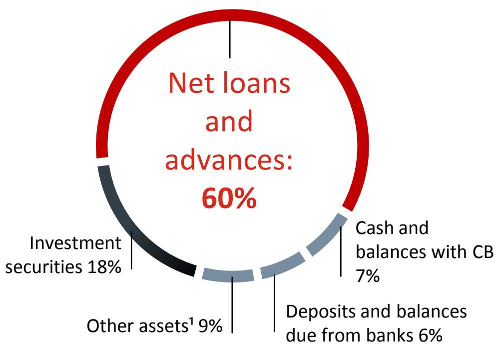
Components may not sum exactly to totals because of rounding

- 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

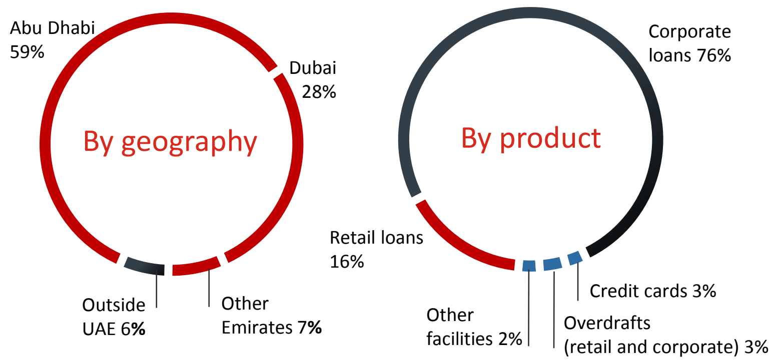
Asset mix

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

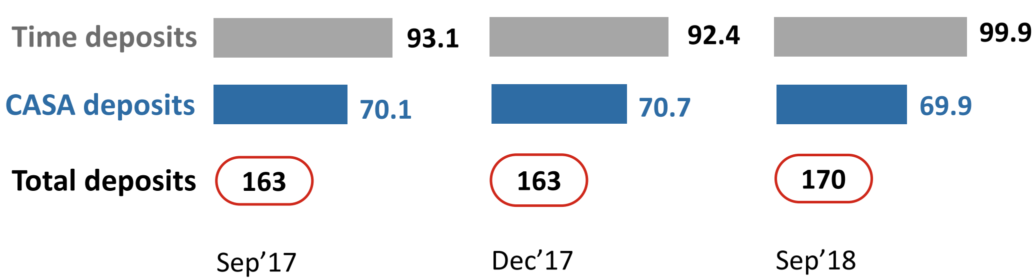


Gross loans

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



Continued focus on growing CASA deposits (AED bn)

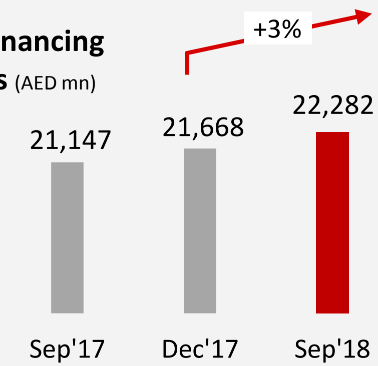


[1] Other assets include: Derivative financial instruments, Investments in associate, Investment properties, Property and equipment (net), Intangible assets, Reverse repo placements and Trading securities and Other assets

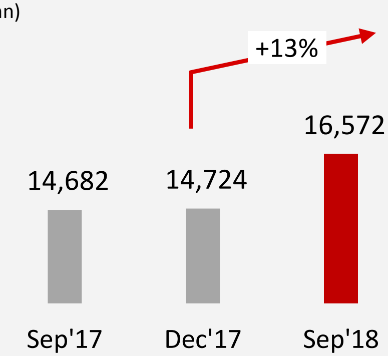
Components may not sum exactly to totals because of rounding

Islamic Banking continues to be a key driver of growth

Net financing assets (AED mn)



Deposits (AED mn)

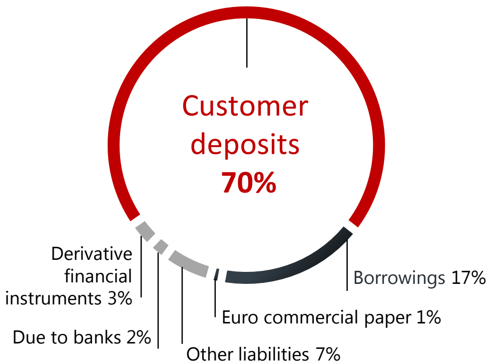


YTD time deposits increased to meet LCR and NSFR requirements, CASA deposits maintained at a time of rising benchmark rates

Wholesale funding and maturity profile

Liability base

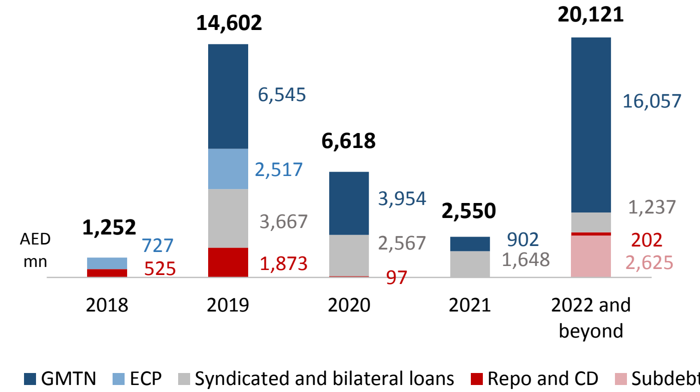
AED 241,575 mn (As at 30 September 2018)



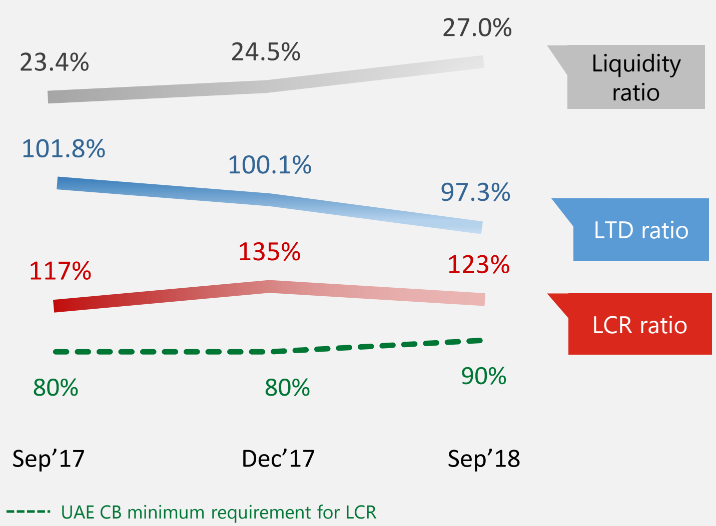
Wholesale funding

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.

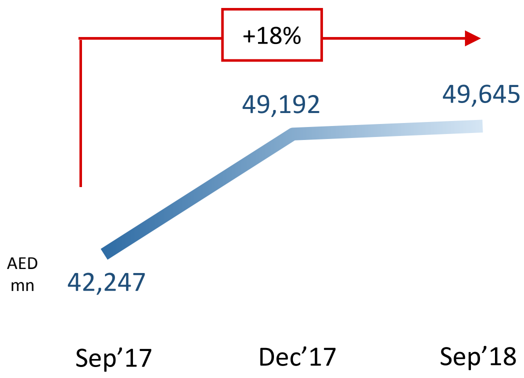
Main maturities/call backs in 9M'18

- 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

Components may not sum exactly to totals because of rounding

Investment securities

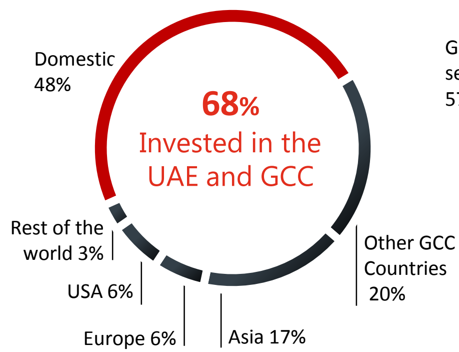
Investment securities



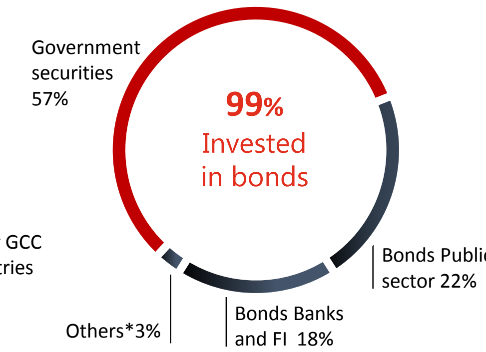
Investment securities

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

By region



By issuer

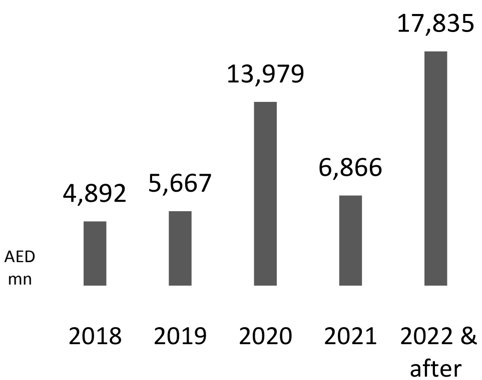


Non-Government bond portfolio:

- 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*

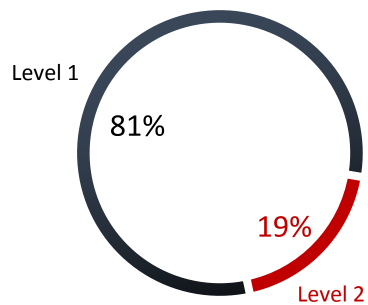


* Excluding investments in equity and funds

Total bond portfolio

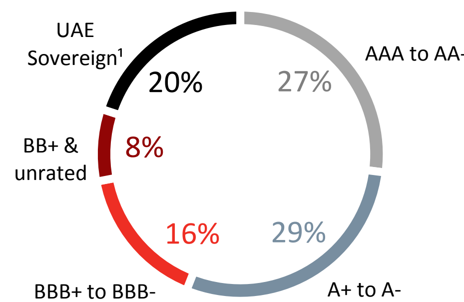
Government and Non-Government bond portfolio:
AED 49,238 mn (As at 30 September 2018)

Fair value hierarchy



■ Level 1 - Quoted market prices
■ Level 2 - Valuation techniques using observable inputs

Credit ratings



Credit ratings:

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

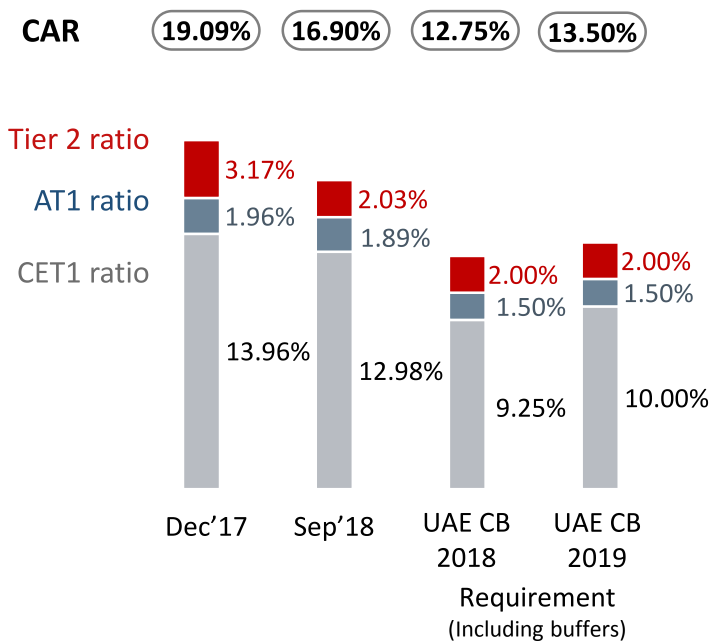
[1] UAE Sovereign internal rating mainly in Grade 2 and maps to external rating between AA to A

Components may not sum exactly to totals because of rounding

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

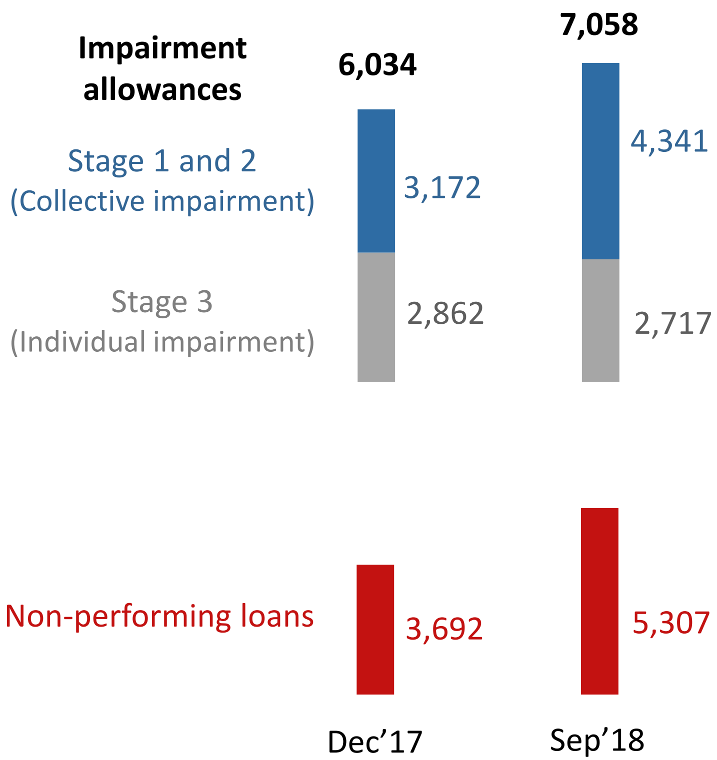
Components may not sum exactly to totals because of rounding

Robust capital position

Asset quality

Stage 3 (NPL) and Impairment allowances*

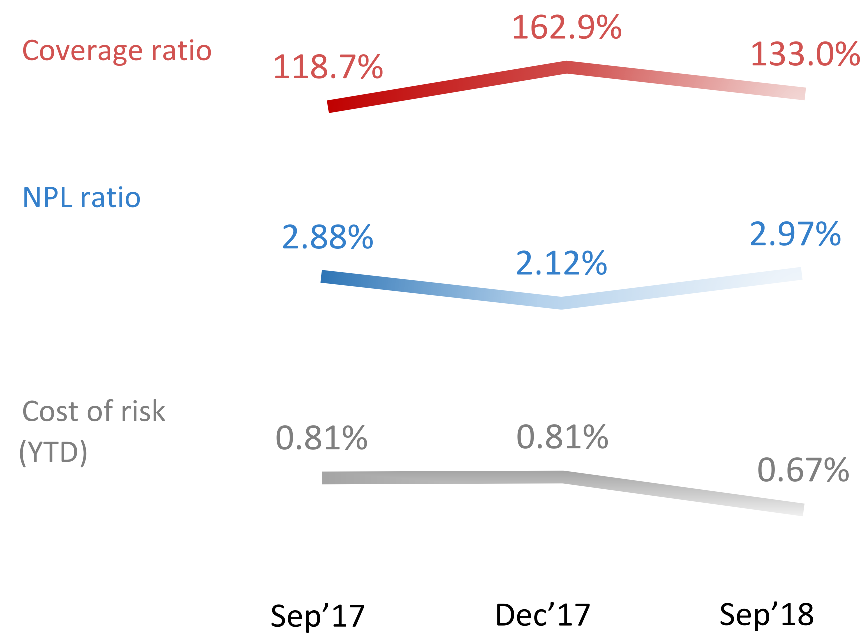
(AED mn)



* Impairment allowances for loans and advances to customers and banks

Components may not sum exactly to totals because of rounding

Risk indicators



CoR

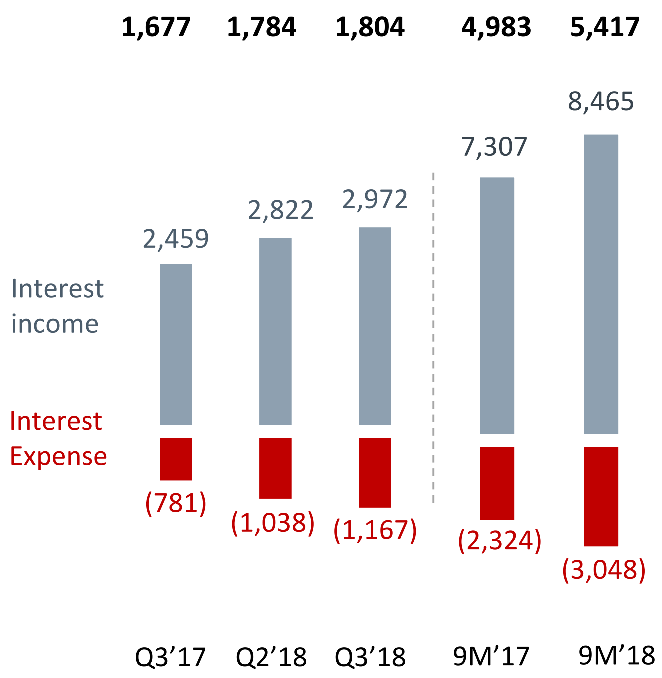
Improvement in CoR supported by the continued de-risking of the unsecured retail portfolio

- 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

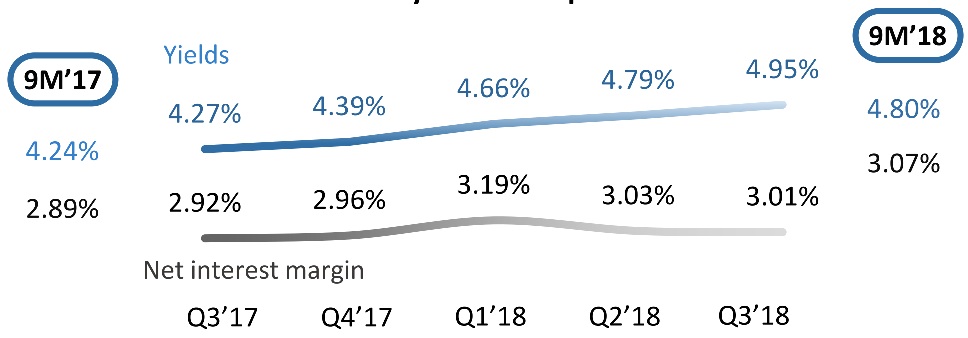
Net interest income

Net interest income
(AED mn)

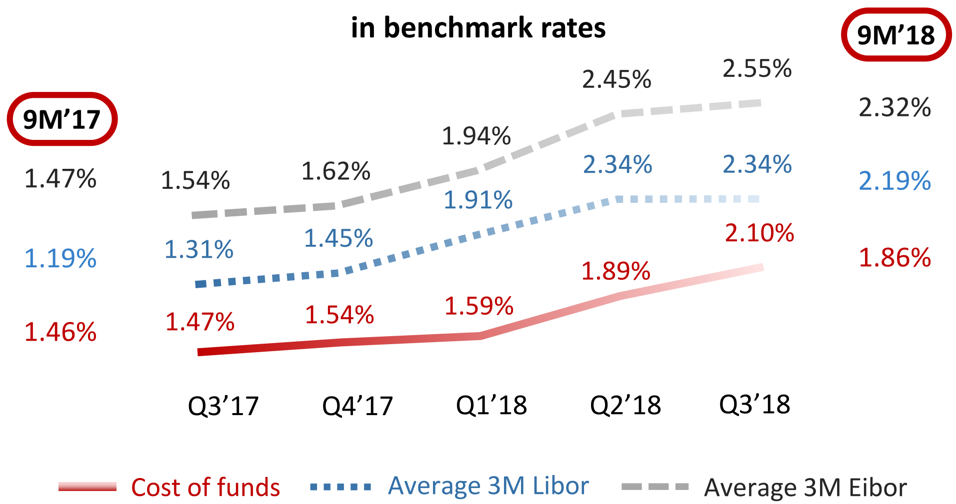


Components may not sum exactly to totals because of rounding

Increase in yields supported by repricing of assets
9M'18 yields +56 bps YoY



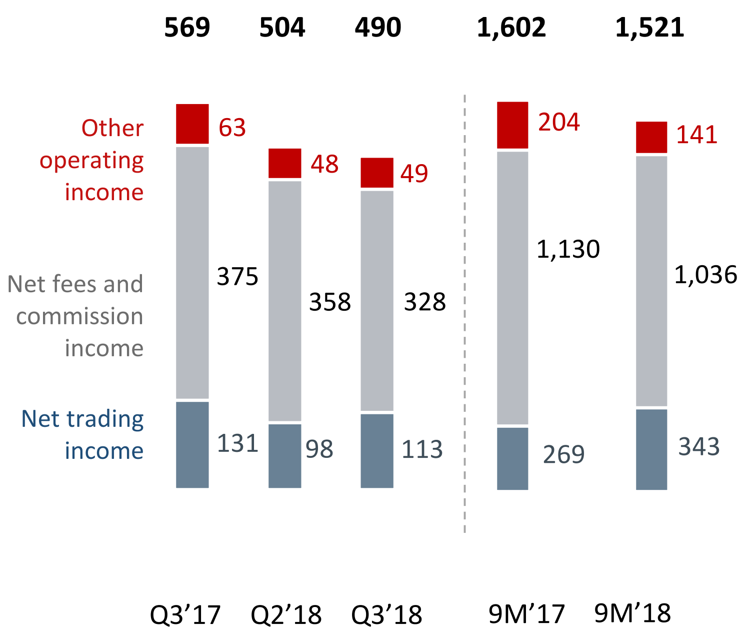
Increase in CoF lower than the increase in benchmark rates



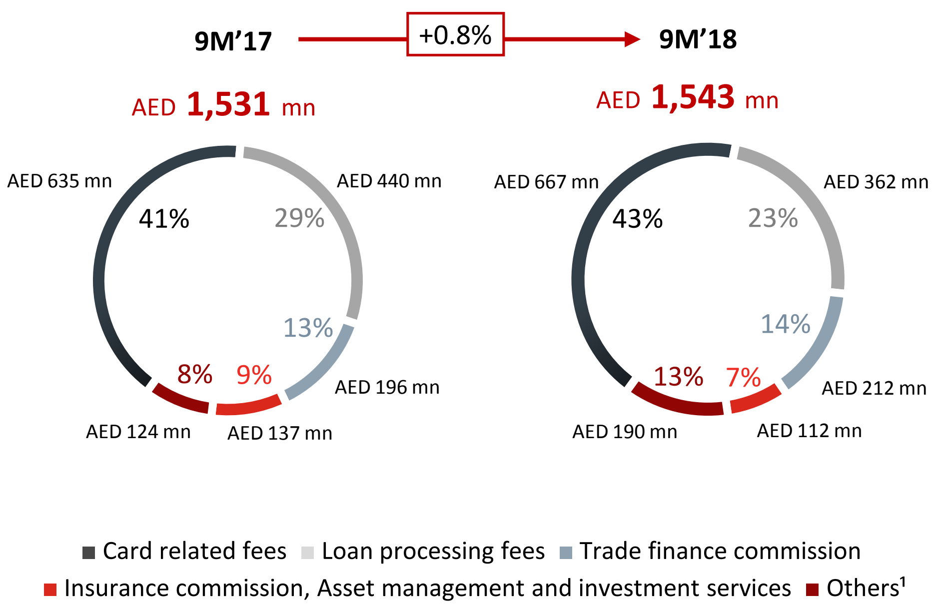
- YTD net interest margin improved to 3.07% from 2.89% in 9M'17, an increase of 18 basis points, despite the increased cost of carrying high quality assets (HQLA) to meet LCR and NSFR requirements
- YTD cost of funds increased to 1.86% from 1.46% in 9M'17, an increase of 40 basis points year on year, compared to an increase of 85 basis points in average 3M Eibor and an increase of 100 basis points in 3M Libor over the same period

Non-interest income

Non-interest income
(AED mn)



Gross fees and commission income



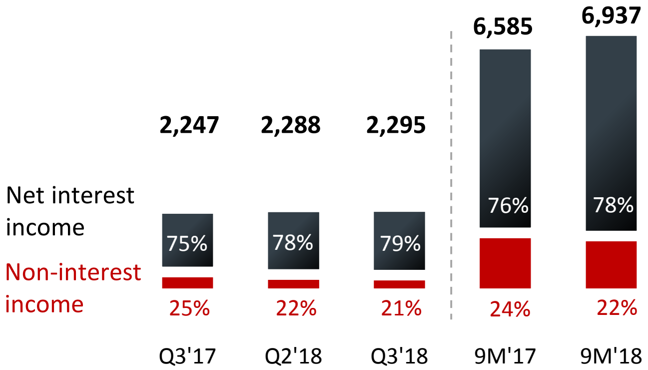
[1] Others include brokerage, fees from accounts related activities and other fees

Components may not sum exactly to totals because of rounding

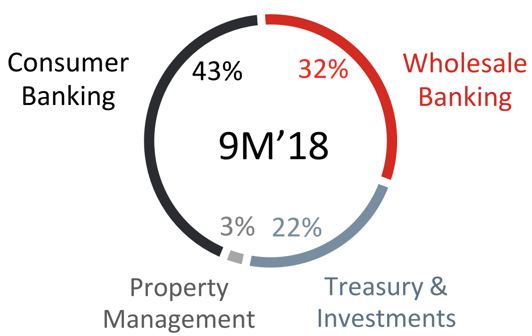
- 9M'18 non-interest income of AED 1,521 million was down 5%, mainly on account of higher fee and commission related expenses and lower volumes. This was partially offset by a healthy pick up in card related fees, income from the merchant acquiring business and income from trade commission
- 9M'18 trading 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 in 9M'18

Operating income and performance by business segment

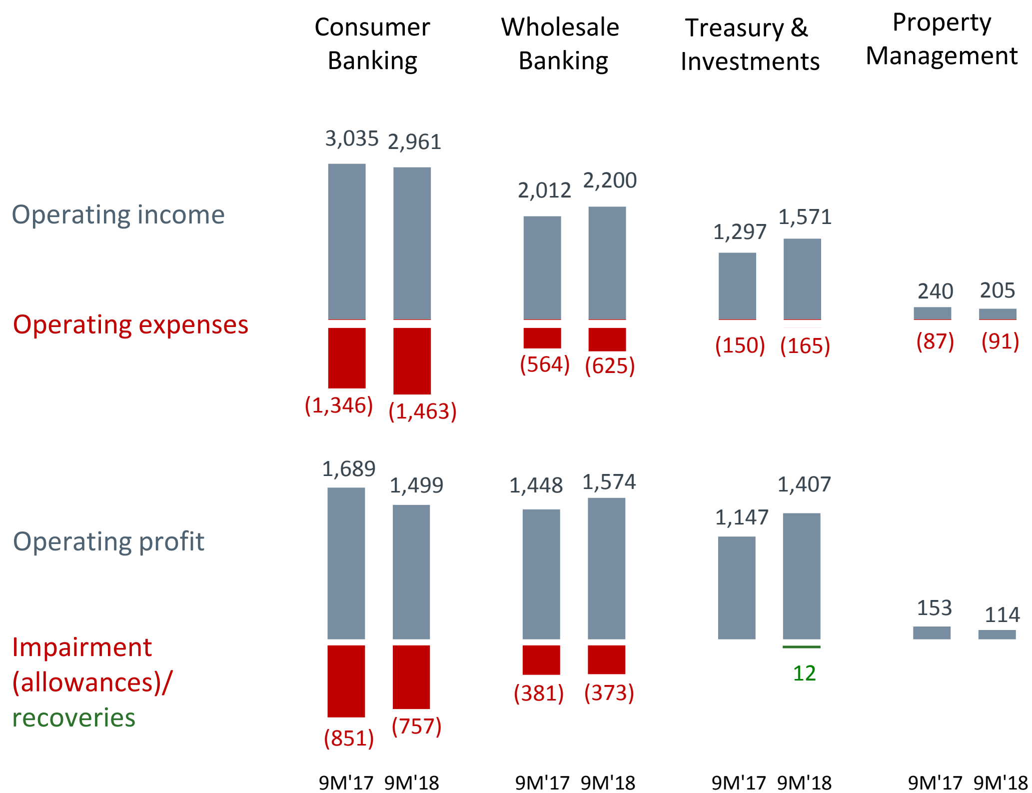
Operating income
(AED mn)



Operating income by business segment

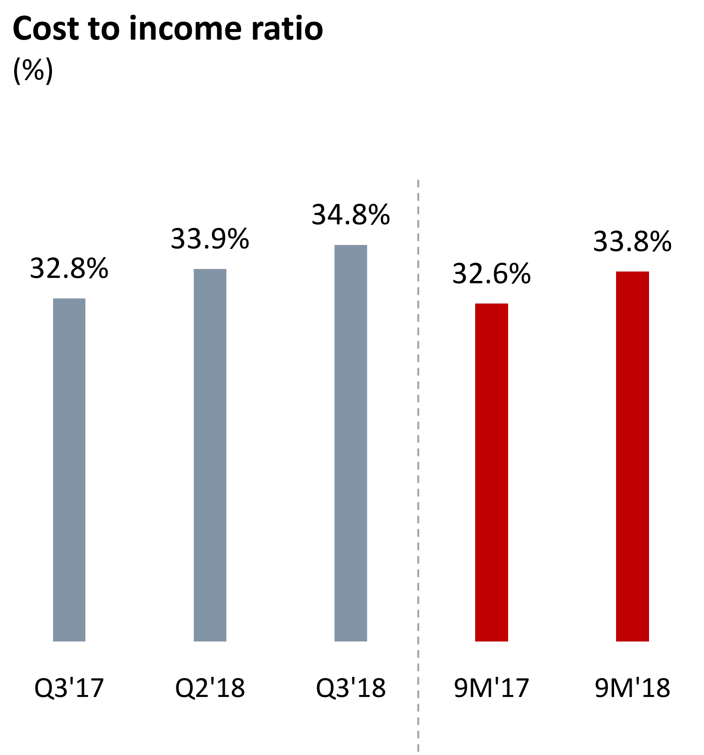


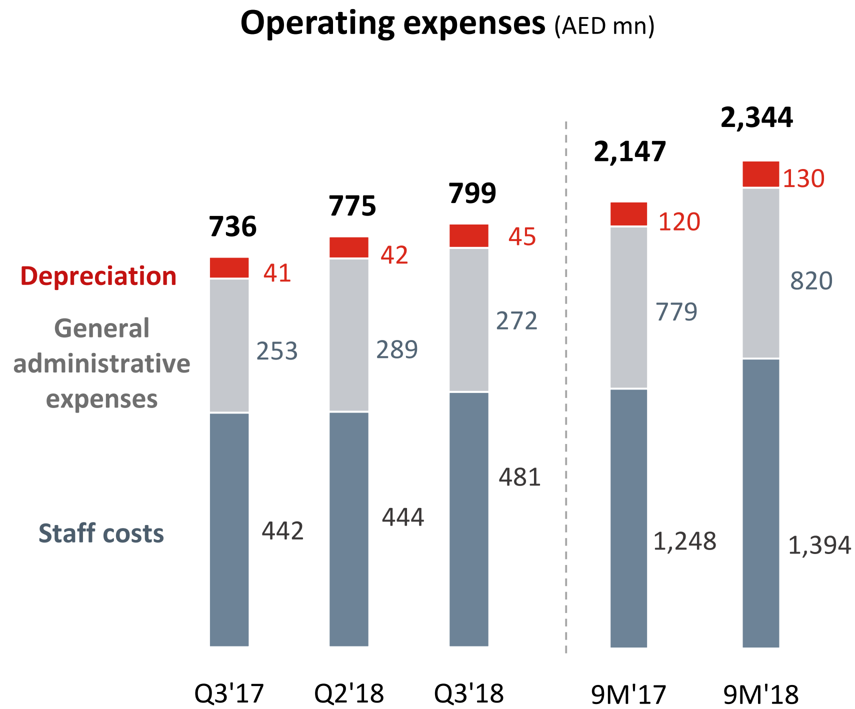
Business performance
(AED mn)



- 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
- 9M'18 Treasury revenues were up 21% YoY

Operating expenses





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
- 9M'18 cost to income ratio of 33.8% remains within our target range

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

Components may not sum exactly to totals because of rounding

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**

Components may not sum exactly to totals because of rounding

Leading Through

AMBITION + DISCIPLINE

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