Abu Dhabi Commercial Bank
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Press Release: Immediate Release

ABU DHABI COMMERCIAL BANK PJSC

REPORTS FIRST QUARTER 2017 NET PROFIT OF AED 1.105 BILLION,

AN INCREASE OF 10% QUARTER ON QUARTER, AND 8% YEAR ON YEAR

Abu Dhabi, 30 April 2017 – Abu Dhabi Commercial Bank PJSC ("**ADCB**" or the "**Bank**") today reported its financial results for the first quarter of 2017 ("Q1'17").

Financial highlights (31 March 2017)

- Strong operating performance and disciplined cost management
  - Net profit of AED 1.105 billion was 10% higher quarter on quarter and 8% higher year on year, while the Bank maintained a strong ROAE of 16.1% and ROAA of 1.60% for the first quarter of 2017
  - Operating profit before impairment allowances of AED 1.489 billion was 3% higher quarter on quarter and 8% higher year on year, driven by the Bank's increased revenues and tightly managed cost base
  - Operating income of AED 2.229 billion was 3% higher quarter on quarter and 6% higher year on year, while operating expenses of AED 740 million remained flat year on year, driven by the Bank's continuous efforts to manage its businesses efficiently. Cost to income ratio for Q1'17 was 33.2% compared to 34.9% in Q1'16, an improvement of 170 basis points year on year
  - Total net interest and Islamic financing income of AED 1.631 billion was 4% higher quarter on quarter and year on year, despite the increasing cost of funds reflective of the tighter liquidity in the market. Cost of funds for Q1'17 was 1.45% compared to 1.17% in Q1'16 and 1.49% in Q4'16.
  - Non-interest income of AED 598 million was stable quarter on quarter and 11% higher year on year, on account of higher trading income, and an increase in fees and commission income. Net trading income of AED 166 million was up 36% year on year, while net fees and commission income of AED 373 million was up 4% year on year

- Resilient balance sheet, significant increase in CASA deposits
  - Total assets grew 2% to AED 264 billion and net loans and advances to customers increased by 1% to AED 160 billion over 31 December 2016. As compared to 31 March 2016, total assets and net loans and advances to customers grew 14% and 6% respectively year on year
  - Deposits from customers increased 4% to AED 162 billion over 31 December 2016 and 10% over 31 March 2016. Low cost current and savings account (CASA) deposits increased 10% to AED 71 billion over 31 December 2016 and comprised 44% of total deposits
  - Customer deposit growth outpaced loan growth, resulting in an improved loan to deposit ratio of 98.4%

- Healthy asset quality indicators, committed to maintaining a disciplined risk profile
  - As at 31 March 2017, NPL and provision coverage ratios were 2.7% and 132.5% respectively
  - Cost of risk for the first quarter of 2017 was 0.78% compared to 0.83% in 2016
  - Collective impairment allowances were 1.80% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank

- Capital and liquidity position continue to remain strong
  - Capital adequacy ratio of 17.83% and Tier 1 ratio of 14.55% as at 31 March 2017, post dividend payment of AED 2.1 billion in Q1'17
  - Liquidity coverage ratio of 116% compared to a minimum ratio of 80% prescribed by UAE Central Bank
  - Net lender of AED 20.6 billion in the interbank markets and a strong liquidity ratio of 25.7% as at 31 March 2017

Commenting on the Bank's performance Ala'a Eraiqat, Member of the Board and Group Chief Executive Officer, said:

"The Bank had a very good start to the year, reporting strong top and bottom line growth for the first three months of 2017. Our ROE and CAR continued to be at industry leading levels, while we saw strong underlying performance from each of our businesses. Our stringent cost controls to drive efficiency across the Bank resulted in a significant improvement in our cost to income ratio year on year. As a highly disciplined bank, we continue to take measures to address the prevailing economic conditions with rigorous risk management and cost containment.

Our balance sheet remains resilient as we continue to grow loans and deposits, attracting customer deposits faster than the industry. This a reflection of our commitment to our strategic pillars to maintain a strong liability base and to fund future loan growth from customer deposits. While challenging markets have impacted the industry, the Bank grew its low cost CASA deposits significantly in Q1'17, which comprised 44% of total customer deposits compared to 42% at year-end.

Our results for the first three months of 2017 speak to the discipline and resilience of the Bank and reflect the strength of our strategy."

Deepak Khullar, Group Chief Financial Officer, commented on the results:

"In addition to our strong balance sheet, we are well diversified, have healthy margins and strong controls. Our continuous efforts to diversify our revenue stream resulted in an increase of 11% in non-interest income year on year, which comprised 26.8% of operating income compared to 25.5% in Q1'16. Operating income and operating profit before impairment allowances increased 6% and 8% respectively year on year.

Our asset quality indicators also remained strong, with a provision coverage ratio of 132.5% compared to 129.9% as at 31 December 2016, while non-performing loan ratio remained stable at 2.7%. Our liquidity levels were robust, with a liquidity coverage ratio of 116% compared to UAE Central Bank requirement of 80% and liquidity ratio of 25.7% compared to 24.3% as at 31 March 2016."

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Q1'17 financial highlights

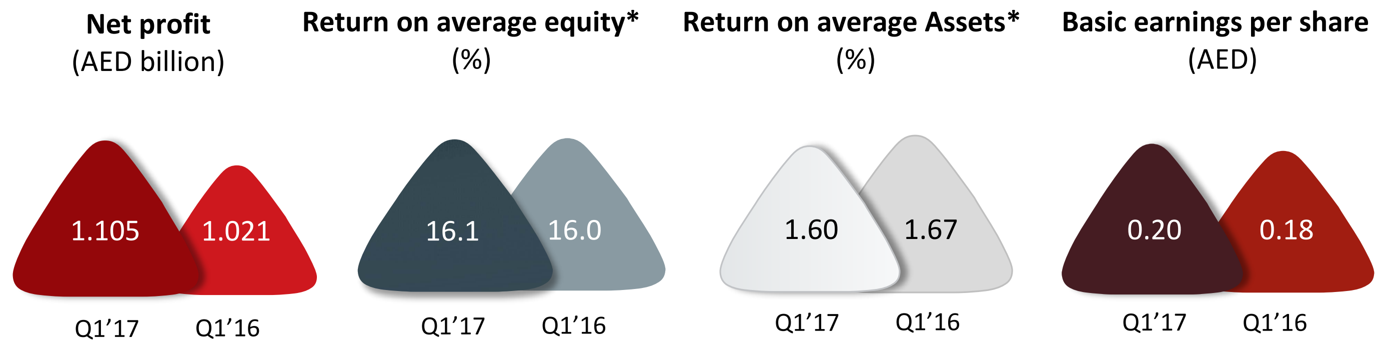
Income statement highlights (AED million)	Q1'17	Q4'16	Q1'16	Change% QoQ	Change% YoY
Total net interest and Islamic financing income	**1,631**	1,573	1,573	4	4
Non - interest income	**598**	598	539	0	11
Operating income	**2,229**	2,171	2,112	3	6
Operating expenses	**(740)**	(729)	(738)	2	0
Operating profit before impairment allowances	**1,489**	1,443	1,374	3	8
Impairment allowances	**(386)**	(437)	(352)	(12)	10
Share in profit of associate	**3**	2	2	NM	NM
Profit before taxation	**1,106**	1,008	1,023	10	8
Overseas income tax expense	**(1)**	(4)	(2)	NM	NM
Net profit for the period	**1,105**	1,004	1,021	10	8
Net profit attributable to equity shareholders	**1,105**	1,004	1,020	10	8

Balance sheet highlights (AED million)	March'17	Dec'16	March'16	Change% QoQ	Change% YoY
Total assets	**263,672**	258,289	232,207	2	14
Net loans and advances	**159,802**	158,458	151,116	1	6
Deposits from customers	**162,362**	155,442	147,333	4	10

Ratios (%)	March'17	Dec'16	March'16	bps	bps
CAR (Capital adequacy ratio)	**17.83**	18.92	18.09	(109)	(26)
Tier I ratio	**14.55**	15.66	14.74	(111)	(19)
Loan to deposit ratio	**98.4**	101.9	102.6	(350)	(420)

There could be inconsistencies in totals due to rounding differences

Key indicators



* 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

Strong operating performance and disciplined cost management

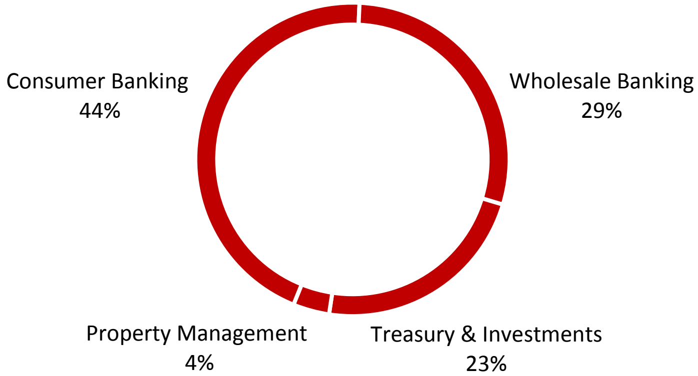
- The Bank reported a net profit of AED 1.105 billion for the first quarter of 2017, an increase of 8% year on year. The increase in net profit was driven by healthy volumes and a strong non-interest income combined with a well managed cost base.

- Each business segment contributed to the strong underlying performance of the Bank. Consumer Banking and Wholesale Banking comprised 44% and 29% of total operating income, while Treasury and Property Management comprised 23% and 4% of total operating income respectively.

Percentage contribution to operating income

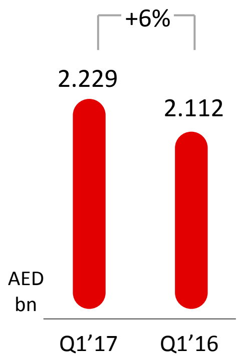
31 March 2017

Total operating income = AED 2.229 billion

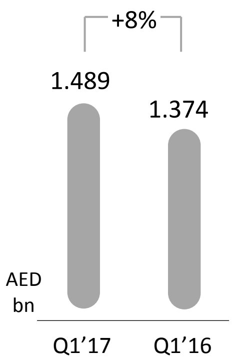


- Operating income of AED 2.229 billion was up 6% year on year and at AED 1.489 billion operating profit before impairment allowances was up 8% over Q1’16.

Operating income

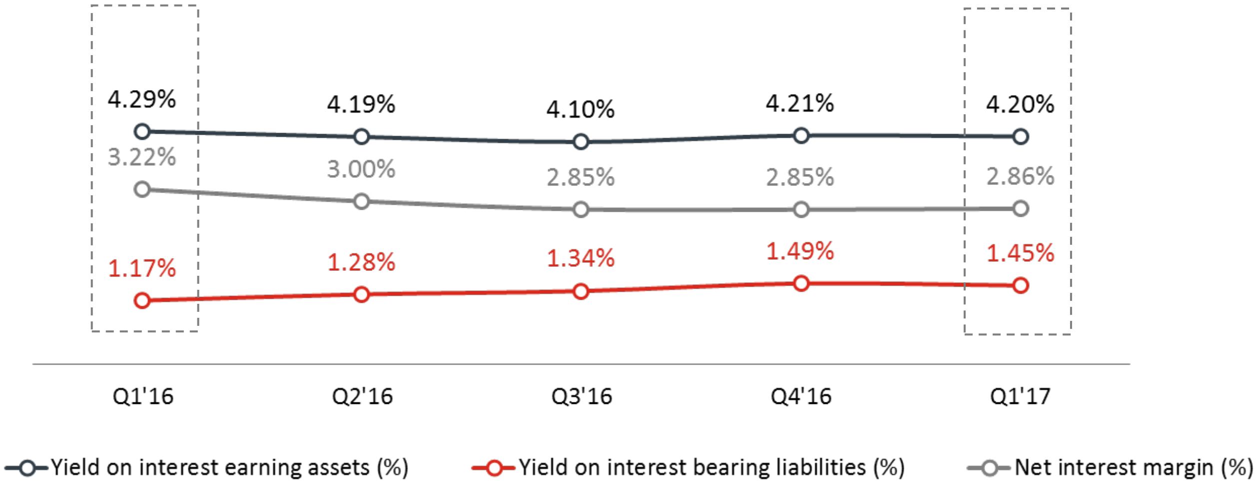


Operating profit before impairment allowances



- Driven by a 16% increase in average interest earning assets, at AED 2.390 billion, interest and Islamic financing income was up 14% over Q1’16. This was achieved in the absence of higher interest in suspense reversals that benefited Q1’16, which were not repeated in Q1’17. The increase in interest income was offset by higher interest expenses. Interest expense in Q1’17 was AED 759 million, compared to AED 525 million in Q1’16. This resulted in a 4% increase in net interest and Islamic financing income of AED 1.631 billion, and a net interest margin of 2.86% in Q1’17. Year on year, average interest bearing liabilities increased 17%, while CASA and time deposits grew 10%. The higher benchmark rates (Eibor/Libor) drove the Bank’s cost of funds from 1.17% in Q1’16 to 1.45% in Q1’17.

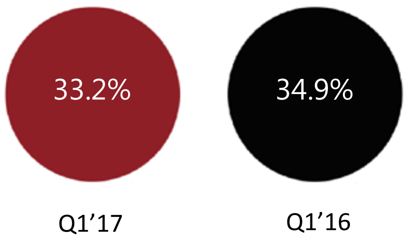
Evolution of yields



- Non-interest income accounted for 26.8% of operating income in Q1'17 compared to 25.5% in Q1'16. At AED 598 million, non-interest income was up 11% year on year. Net fees and commission income of AED 373 million in Q1'17 was up 4% year on year, primarily on account of loan processing fees, which grew 12% over Q1'16. Trading income of AED 166 million in Q1'17 was up 36% year on year, driven by higher FX gains and derivative income.

- Cost growth continued to be tightly managed, while cost to income ratio remained within our target range. Operating expenses of AED 740 million remained flat year on year, resulting in a cost to income ratio of 33.2% for the quarter, compared to 34.9% in Q1'16, an improvement of 170 basis points year on year. Staff expenses were 60% of total operating expenses compared with 63% in Q1'16.

Cost to income ratio



Resilient balance sheet, significant increase in CASA deposits, while capital and liquidity position continue to be strong

- Total assets reached AED 264 billion as at 31 March 2017, an increase of 14% year on year and up 2% year to date. Net loans and advances to customers were AED 160 billion, up 6% year on year and 1% year to date, compared to system wide growth of 0.7% until February and year on year growth of 5.2%[1]. 93% of loans (gross) were within the UAE, in line with the Bank's UAE centric strategy and continues to focus on granular growth in our core geography and core businesses.

- As at 31 March 2017, customer deposits were AED 162 billion, an increase of 10% over the prior year and 4% year to date; above the UAE banking industry average growth of 1.2% until February and year on year growth of 7.5%[1]. Low cost current and savings account (CASA) deposits increased AED 6.5 billion over December 2016 to AED 71 billion and comprised 44% of total customer deposits.

[1] Latest data available from the UAE Central Bank up to February 2017

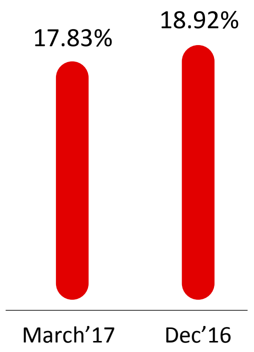
- Loan to deposit ratio from customers was 98.4% compared to 101.9% as at 31 December 2016. Advances to stable resources ratio was 94.2% compared to 94.8% as at 31 December 2016.

- Investment securities[2] reached AED 42 billion, an increase of 24% year to date, mainly driven by an increase in government bonds.

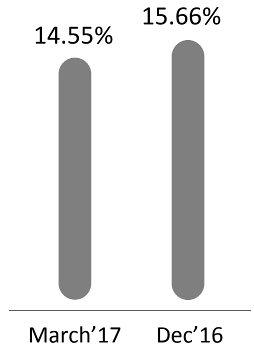
- As at 31 March 2017, liquidity coverage ratio was 116%, compared to a minimum ratio of 80% prescribed by UAE Central Bank. The Bank was a net lender of AED 20.6 billion and its liquidity ratio was 25.7% compared to 24.3% as at 31 March 2016.

- Capital and liquidity position continued to be robust, with a capital adequacy ratio of 17.83% and Tier I ratio of 14.55% compared to 18.92% and 15.66% respectively as at 31 December 2016. The reduction in capital adequacy ratio was mainly on account of a dividend payment of AED 2.1 billion in the first quarter of 2017 and an increase in risk weighted assets.

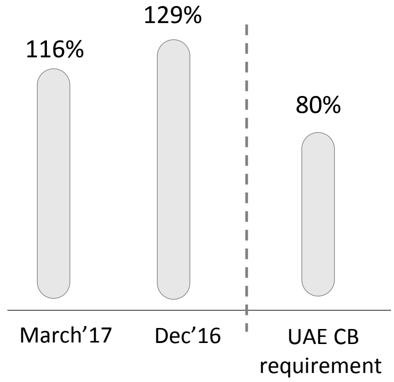
Capital adequacy ratio



Tier I ratio



Liquidity coverage ratio

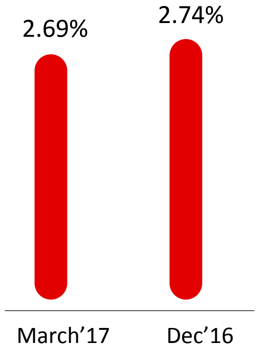


Healthy asset quality indicators, committed to maintaining a disciplined risk profile

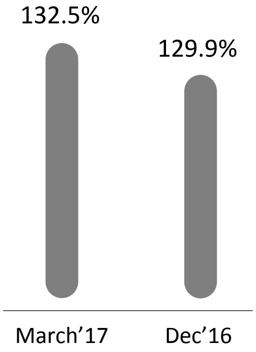
- As at 31 March 2017, non-performing loan and provision coverage ratios improved to 2.69% and 132.5% respectively from 2.74% and 129.9% as at 31 December 2016. Non-performing loans were AED 4.569 billion compared to AED 4.600 billion as at 31 December 2016. Cost of risk for the quarter was 0.78% compared to 0.83% in December 2016.

- Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 386 million in Q1'17 compared to AED 365 million in Q1'16. As at 31 March 2017, the Bank's collective impairment allowance balance was AED 3.164 billion, 1.80% of credit risk weighted assets and above the minimum 1.5% stipulated by the UAE Central Bank, while individual impairment balance stood at AED 2.949 billion.

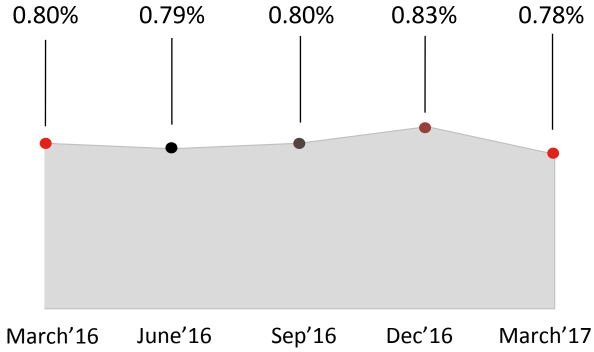
NPL ratio



Provision coverage ratio



Cost of risk



[2] Includes trading securities

Awards - 2017

"Best Business Change or Transformation – Delivery of a Great Customer Experience Through Change" for Operational Excellence Framework 'SIMPLean'
Gulf Customer Experience Awards

"Innovative Approach to Emiratisation to Deliver Exceptional Customer Experience" for Tamooha
Gulf Customer Experience Awards

"Best Trade Finance Bank in The U.A.E "
Global Finance

"Best Insight and Feedback – Listening to Customers to Create an Impact" for Customer Experience and Research
Gulf Customer Experience Awards

"Five Star Cash Manager "
Euromoney

"Best Contact Centre in the Region" for Contact Centre
Gulf Customer Experience Awards

"Best Employee Engagement in Financial Services" for the Human Resources Team
Gulf Customer Experience Awards

"Best Supply Chain Finance Bank in the Middle East"
Global Finance

"Mohammed Bin Rashid Al Maktoum Business Innovation Award"
"The Mohammed Bin Rashid Al Maktoum Business Innovation Awards"

"Outstanding Award for Business Innovation"
"The Mohammed Bin Rashid Al Maktoum Business Innovation Awards"

About ADCB (31 March 2017):

ADCB was formed in 1985 and as at 31 March 2017 employed over 4,500 people from 75 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 31 March 2017, ADCB's total assets were AED 264 billion.

ADCB is a full-service commercial bank which offers a wide range of products and services, which include 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 62.52% by the Government of Abu Dhabi (Abu Dhabi Investment Council). Its shares are traded on the Abu Dhabi Securities Exchange. As at 31 March 2017, ADCB's market capitalisation was AED 35 billion.

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By their nature, these forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond ADCB's control, including, among others, the UAE domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact and other uncertainties of future acquisition or combinations within relevant industries.

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