



Leading Through

AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q2/H1'18 Earnings presentation

July 2018



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H1'18 highlights

MEASURED GROWTH



NET LOANS

AED 166 bn (+2% YtD)

CUSTOMER DEPOSITS

AED 172 bn (+5% YtD)

CREATING SHAREHOLDER VALUE



NET PROFIT

AED 2.332 bn (+10% YoY)

ROAE

16.5% (+100 bps YoY)

STRONG METRICS



CET1

12.37% (-159 bps YtD)

COST OF RISK

0.68% (-13 bps YoY)

Continued execution of our strategy

Balance sheet highlights

AED mn	Jun'18	% Change vs.		
		Mar'18	Dec'17	Jun'17
Total assets	271,722	2	3	5
Net loans and advances	165,733	2	2	1
Investment securities	49,082	3	0	20
Deposits from customers	171,521	3	5	6
Borrowings (including ECP)	45,415	2	4	4
Total shareholders' equity	30,552	3	(6)	0

Components may not sum exactly to totals because of rounding

Highlights (YtD comparison)

- ▶ Total assets grew 3% to AED 272 billion. Deposits and balances due from banks increased by AED 7.0 billion to AED 18.5 billion
- ▶ Investment securities at par
- ▶ Net loans to customers increased by 2% to AED 166 billion, led by growth in Wholesale Banking loans. Gross loan growth was 2%
- ▶ Customer deposits increased by 5% to AED 172 billion, CASA/total customer deposits maintained at 43%. Overall CASA deposits grew by 5% to AED 75 billion
- ▶ Loan to deposit ratio of 96.6% compared to 100.1% as at 31 December 2017
- ▶ Total equity of AED 31 billion was 6% 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	% Change		% Change vs.		
	H1'18	H1'17	Q2'18	Q1'18	Q2'17
Net interest income	3,612	9	1,784	(2)	7
Non - interest income	1,030	(0)	504	(4)	16
Operating income	4,643	7	2,288	(3)	9
Operating expenses	(1,545)	9	(775)	1	15
Operating profit	3,097	6	1,513	(4)	5
Impairment allowances	(770)	(5)	(390)	2	(9)
Net profit	2,332	10	1,125	(7)	12

Components may not sum exactly to totals because of rounding

Highlights (H1'18 vs. H1'17)

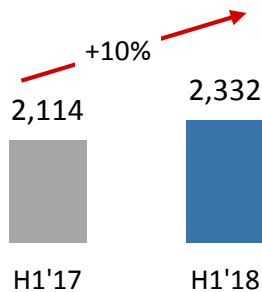
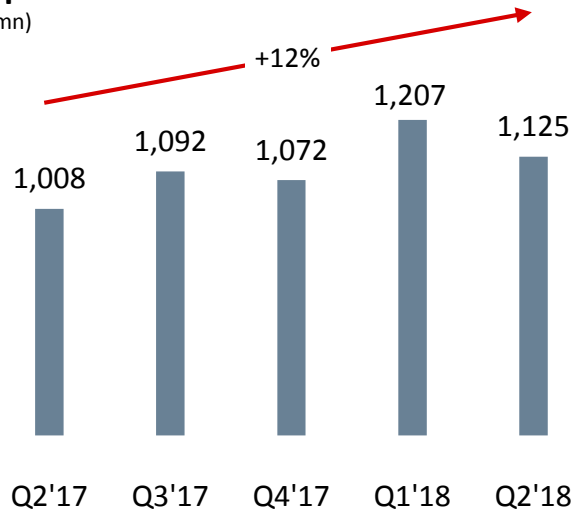
- ▶ Net profit increased by 10% to AED 2.332 billion, mainly driven by higher margins and lower impairment charges
- ▶ Total net interest income and Islamic financing income increased 9% to AED 3.612 billion, on account of rising benchmark rates, higher interest in suspense reversals and a change in the composition of the asset book
- ▶ Non-interest income was unchanged from H1'17. Decrease in net fees and commission was offset by an increase in trading income
- ▶ Operating income increased 7% to AED 4.643 billion, whilst operating expenses increased 9% to AED 1.545 billion, resulting in a cost to income ratio of 33.3% compared to 32.5% in H1'17
- ▶ Impairment charges (net) improved 5% to AED 770 million, as a result of de-risking of the retail portfolio

Double digit growth in net profit over H1'17

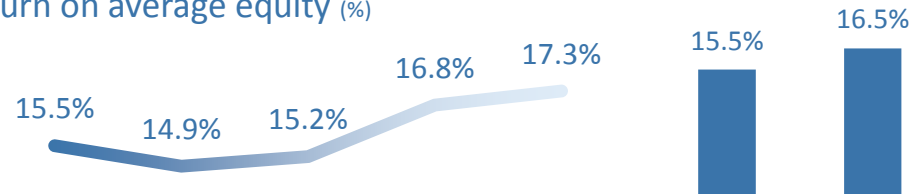
Key performance indicators

Net profit

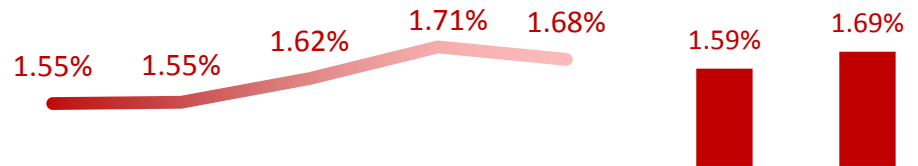
(AED mn)



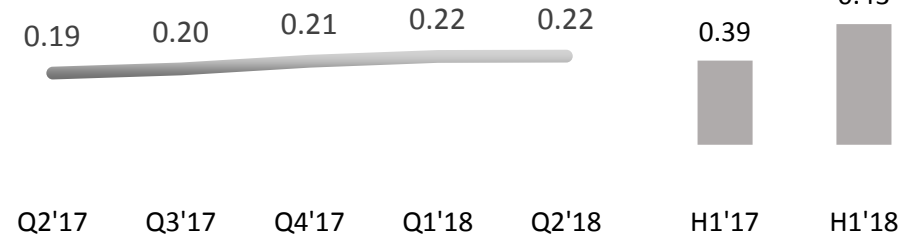
Return on average equity (%)



Return on average assets (%)



Earnings per share (AED)



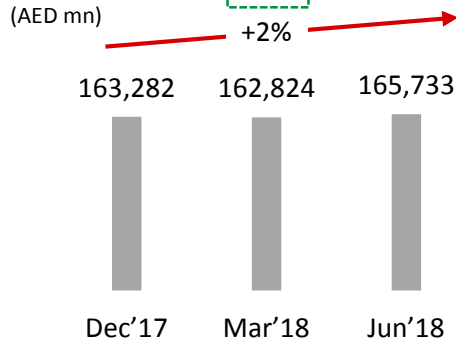
Components may not sum exactly to totals because of rounding

- ▶ Strong performance in an evolving operating and regulatory environment, H1'18 ROAE of 16.5%
- ▶ On a quarterly basis, net profit was down 7%, on account of rising cost of funds, in line with higher benchmark rates and lower FX gains, whilst operating expenses and impairment allowances were well-maintained

Balance sheet metrics

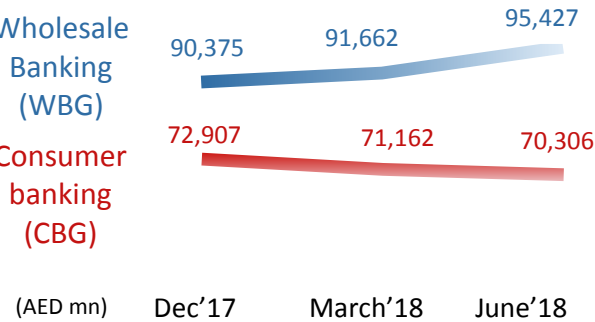
Loan and deposit growth

Net loans

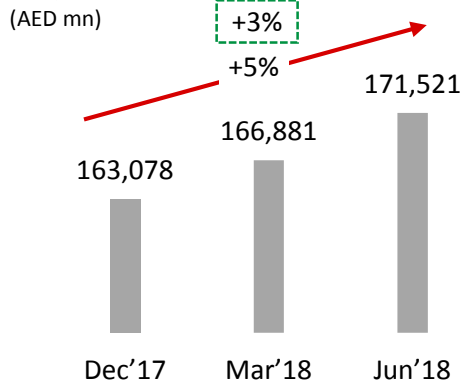


Wholesale Banking (WBG)

Consumer banking (CBG)



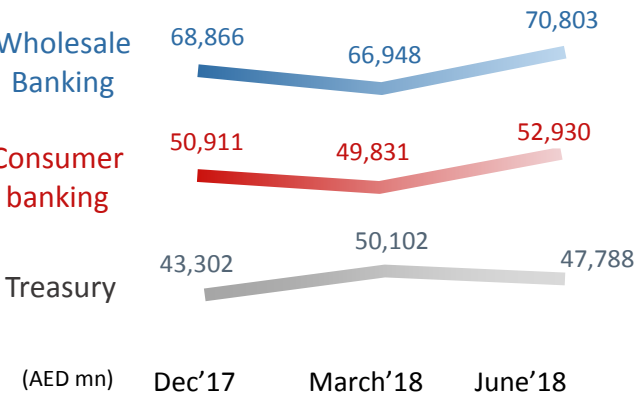
Deposits



Wholesale Banking

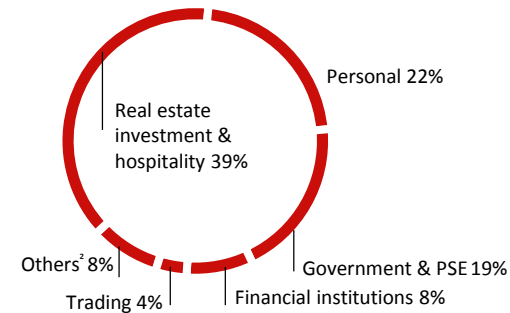
Consumer banking

Treasury



Gross loans by economic sector

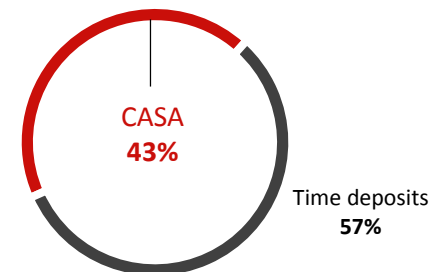
AED 172,727 mn (As at 30 June 2018)



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

CASA deposit %

AED 74,524 mn (As at 30 June 2018)



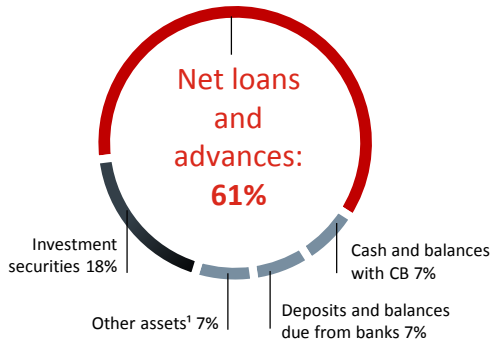
UAE Banking industry average until May

- ▶ YTD loan growth led by the Corporate segment. Increase in loans to the Real estate, Investment and Hospitality economic sector was primarily due to the novation of an existing loan from a Government related enterprise (GRE) to a real estate development company
- ▶ CBG loan contraction led by the continued de-risking of 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

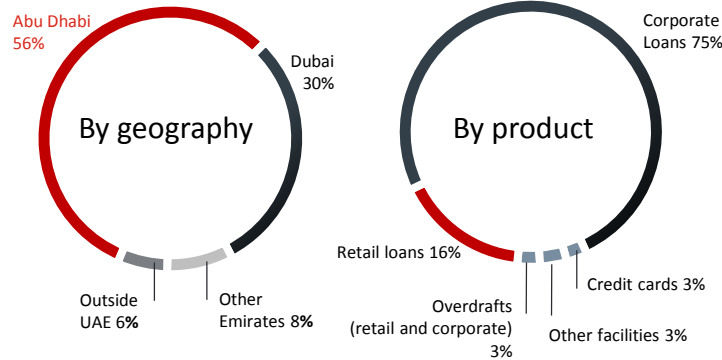
Asset mix

AED 271,722 mn (As at 30 June 2018)



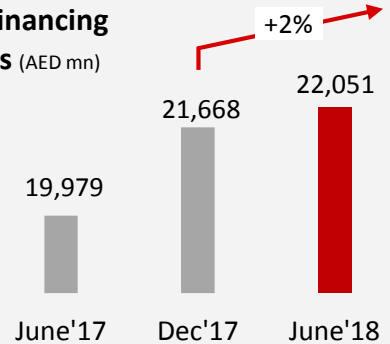
Gross loans

AED 172,727 mn (As at 30 June 2018)

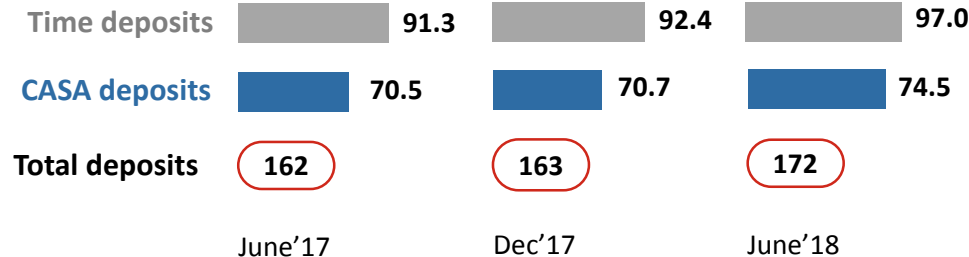


Islamic Banking continues to be a key driver of growth

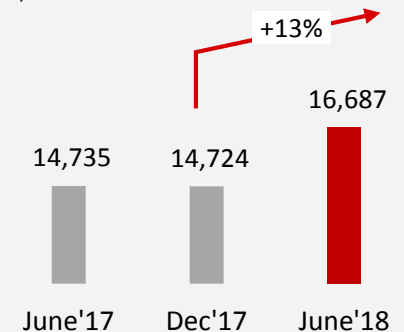
Net financing assets (AED mn)



Continued focus on growing CASA deposits (AED bn)



Deposits (AED mn)



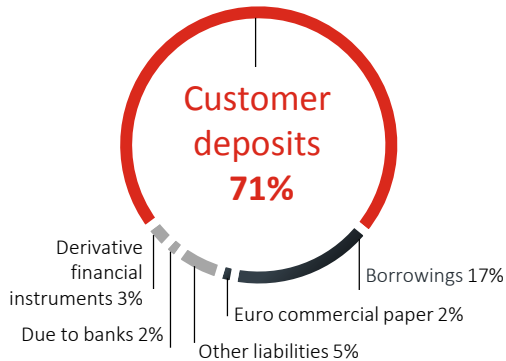
¹ Other assets include: Derivative financial instruments, Investments in associate, Investment properties, Property and equipment (net), Intangible assets, Reverse repo placements and Trading securities and Other assets

94% of loans (gross) within the UAE

Wholesale funding and maturity profile

Liability base

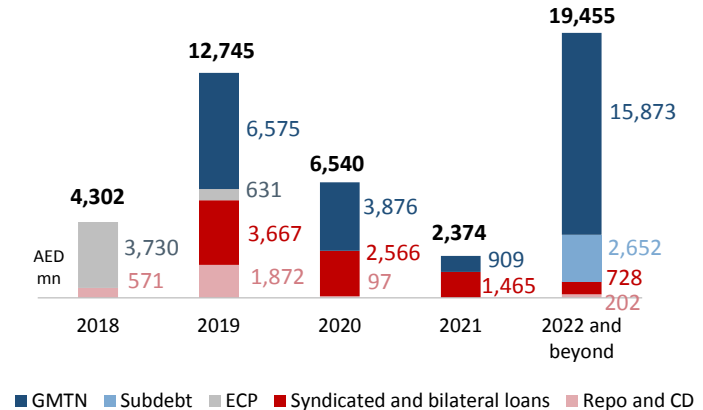
AED 241,170 mn (As at 30 June 2018)



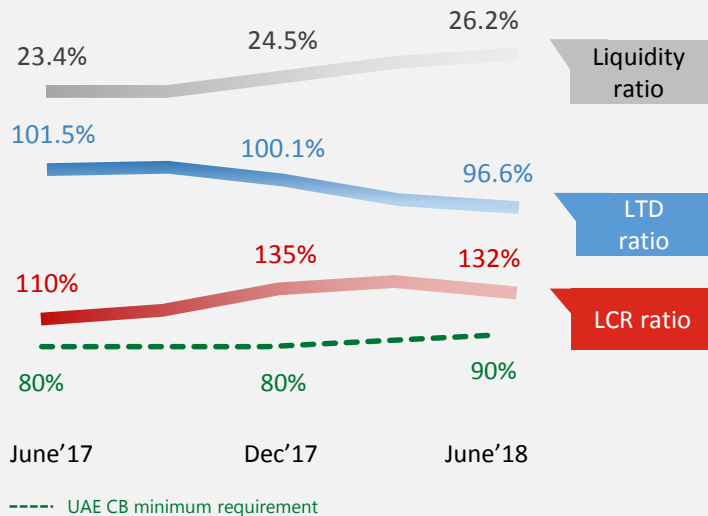
Wholesale funding

As at 30 June 2018	AED mn
Global medium term notes (GMTN)	27,233
Subordinated debt	2,652
Euro Commercial paper	4,362
Repo	402
Bilateral loans	5,491
Syndicated loans	2,934
Certificate of Deposits	2,342
Total	45,416

Maturity profile



Strong liquidity ratios



Net lender in the interbank markets

AED 11 bn

Main issuances in H1'18

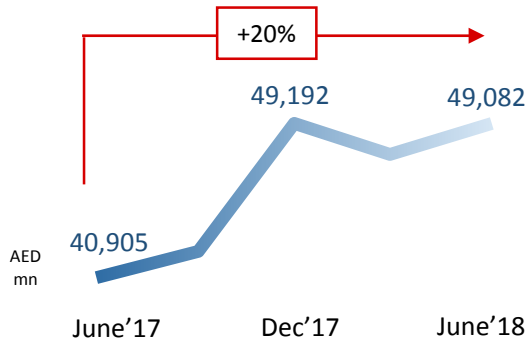
- ▶ 5 year USD 750 mn RegS/144A with a coupon of 4% p.a.
- ▶ 30 year USD 540 mn Formosa bonds with IRR of 4.75% p.a.
- ▶ 3 to 4 year CNH 360 mn with coupons between 4.82 to 5.02% p.a.
- ▶ 5 year CHF 175 mn with a coupon of 0.385% p.a.

Main maturities/call backs in H1'18

- ▶ 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

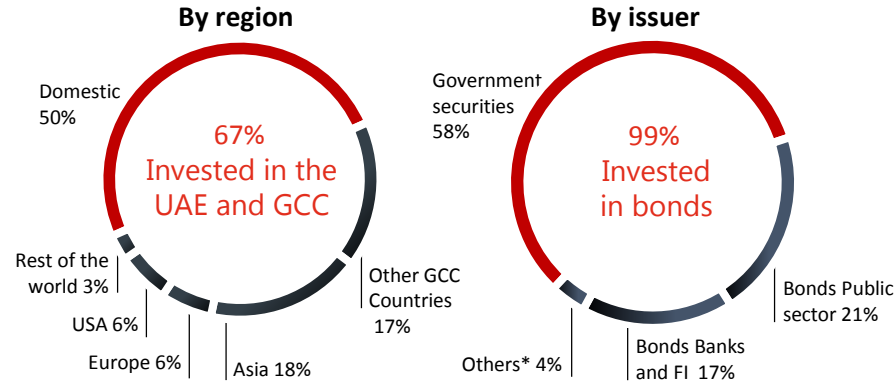
Investment securities

Investment securities



Investment securities

AED 49,082 mn (As at 30 June 2018)

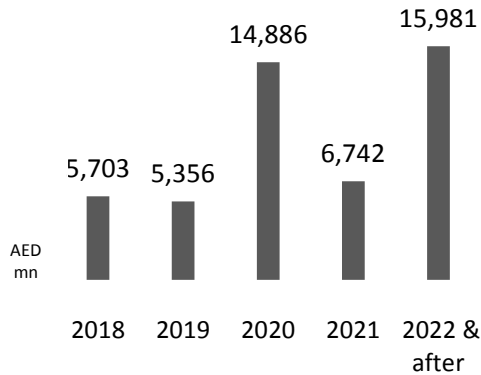


Non-Government bond portfolio:

- ▶ Rated A- or better: 64%
- ▶ Rated Investment grade (i.e. BBB+ to BBB-): 31%
- ▶ Rated below investment grade (BB+ and below including unrated): 5%

* Include equity instruments and mutual funds

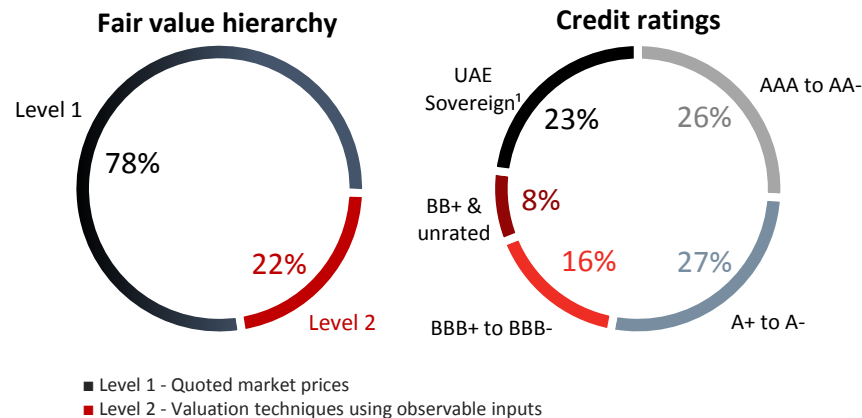
Maturity profile*



* Excluding investments in equity and funds

Total bond portfolio

Government and Non-Government bond portfolio:
AED 48,668 mn (As at 30 June 2018)



Credit ratings:

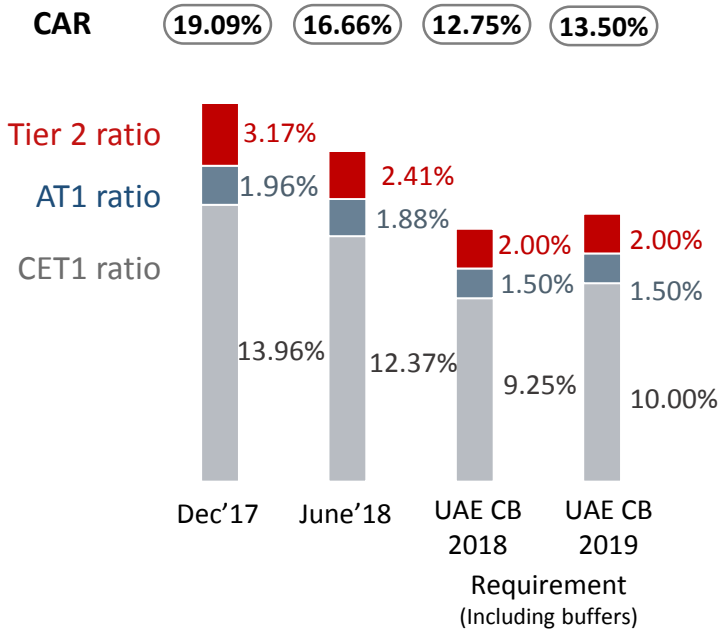
Standard & Poor's, or equivalent of Fitch or Moody's. Issuer/guarantor's based ratings are used, where bonds are unrated

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

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 2.43%

Capital adequacy ratio movement	%
Dec'17 Capital adequacy ratio	19.09
Increase in capital on account of profit	1.13
Impact of AED 2.2 bn dividend payout	(1.08)
Increase in credit risk weighted assets	(1.01)
Repayment of qualifying Tier 2 capital	(0.73)
Impact of IFRS 9 on retained earnings	(0.67)
Others	(0.07)
Jun'18 Capital adequacy ratio	16.66

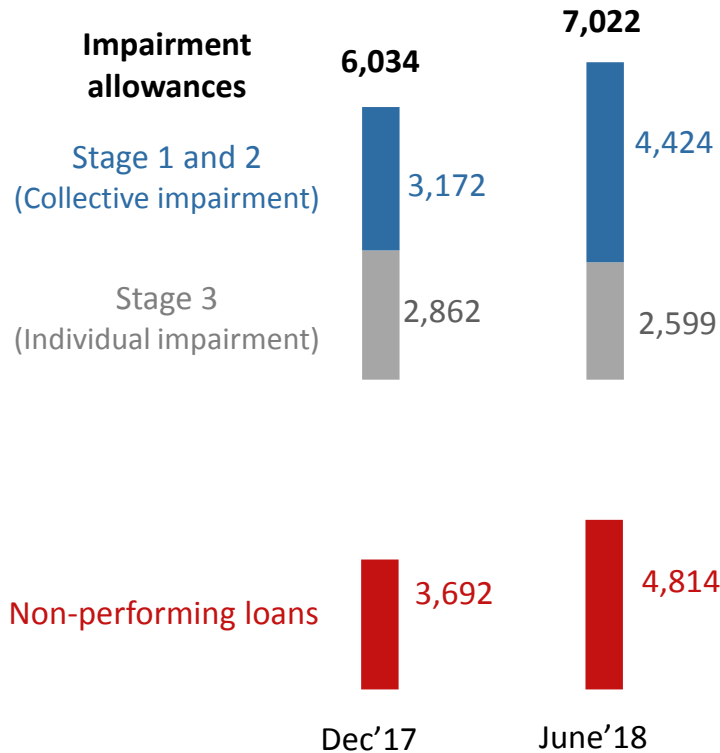
Others include increase in operational risk weighted assets and reduction in market risk weighted assets

Components may not sum exactly to totals because of rounding

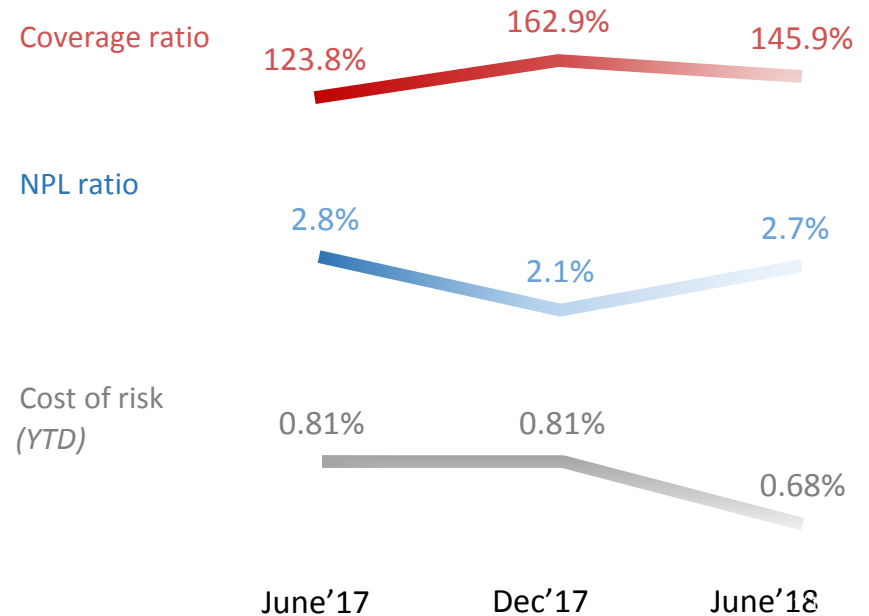
Robust capital position

Asset quality

Stage 3 (NPL) and Impairment allowances* (AED mn)



Risk indicators



At its lowest level since 2016
H1'18 impairment charges 5% lower YoY

* Impairment allowances for loans and advances to customers and banks
Components may not sum exactly to totals because of rounding

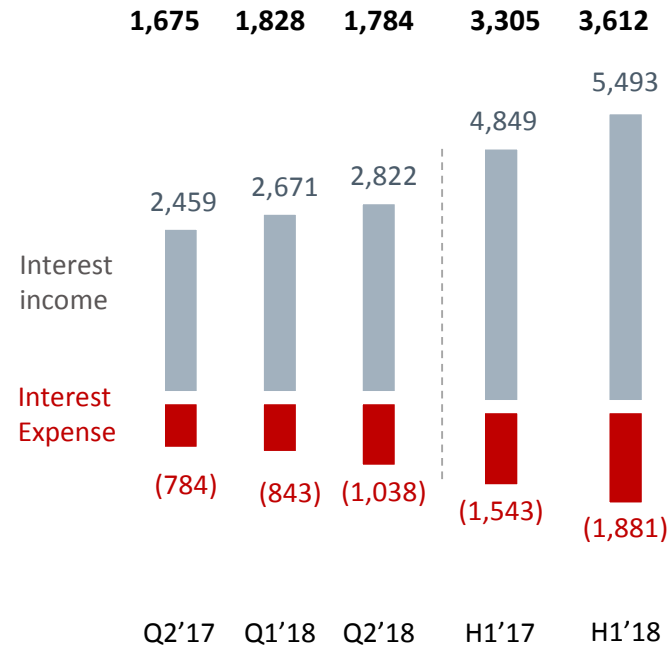
- ▶ Successful transition to IFRS 9, effective 1 January 2018
- ▶ Stage 3 (non-performing loans) increased to AED 4,814 million, due to an increase in a few corporate accounts
- ▶ Stage 1 and 2 expected credit loss allowances were 2.64% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank

Income statement metrics

Net interest income

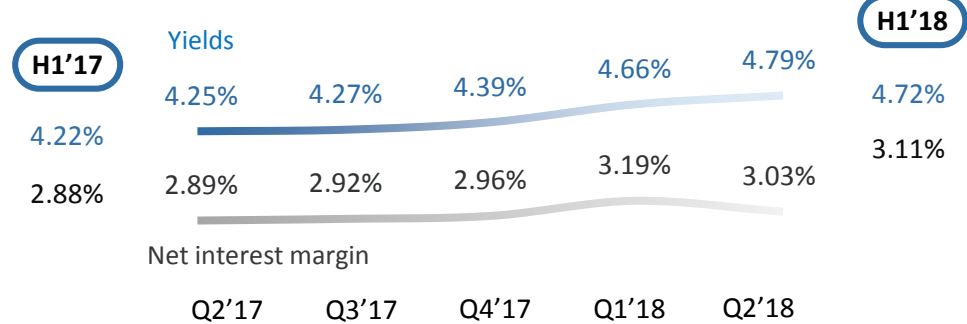
Net interest income

(AED mn)

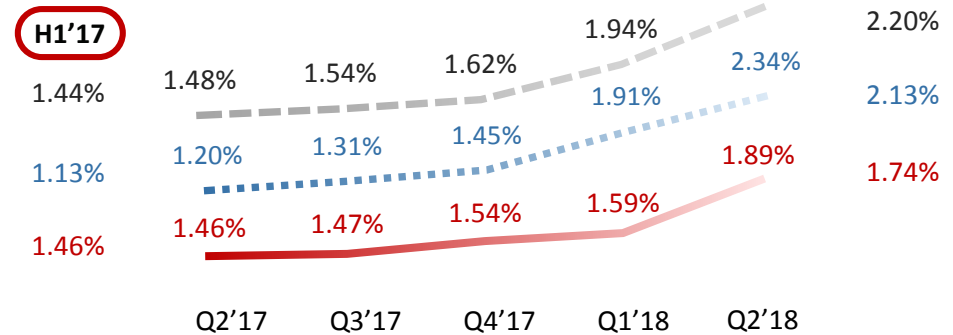


Increase in yields supported by repricing of assets

H1'18 yields +50 bps YoY



Increase in CoF lower than the increase in benchmark rates



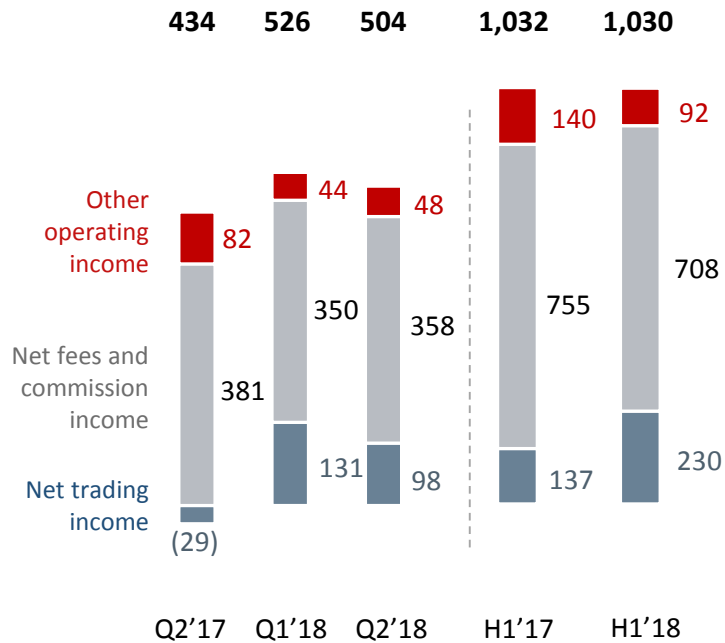
— Cost of funds - - - Average 3M Libor - - - Average 3M Eibor

- ▶ Q1'18 yields benefited from a one-off write-back of interest in suspense on a few accounts
- ▶ H1'18 NIM increased 23 bps YoY to 3.11%
- ▶ QoQ NIM contraction was driven by the de-risking of the retail unsecured loan portfolio and increased cost of carrying high quality liquid assets (HQLA) to meet LCR and recently introduced NSFR regulations

Non-interest income

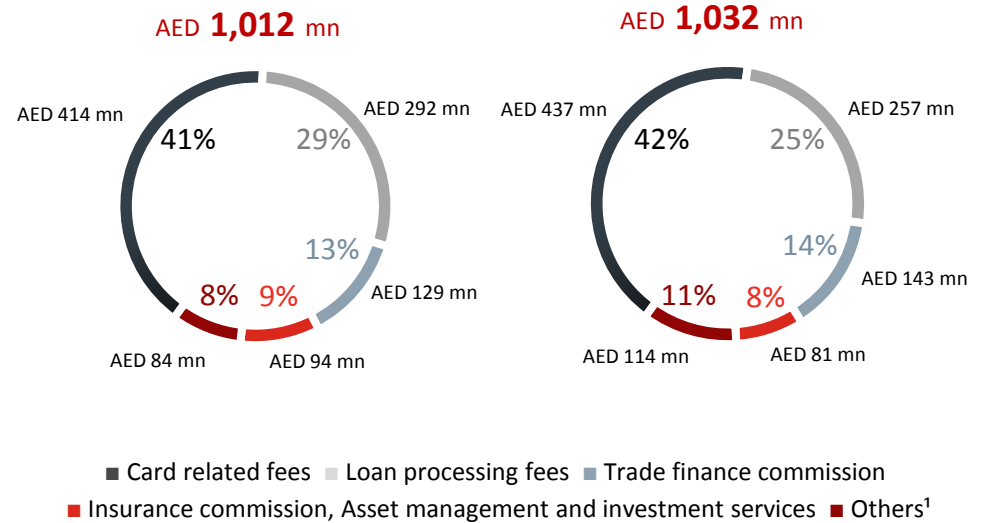
Non-interest income

(AED mn)



Gross fees and commission income

H1'17 +2% H1'18



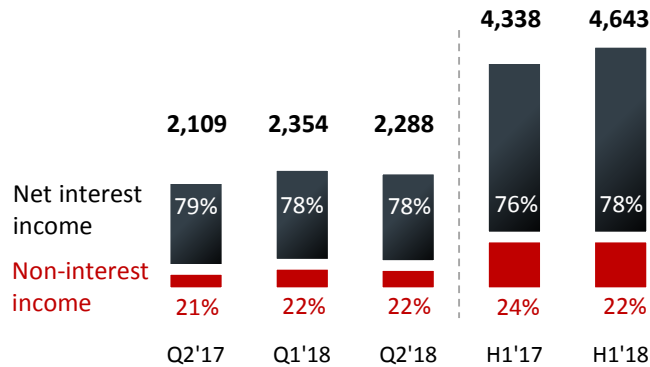
¹ Others include brokerage, fees from accounts related activities and other fees

- ▶ H1'18 gross fee income was up 2% YoY. Net fees and commission income was 6% lower, reflecting lower business volumes, higher card related expenses and the setup costs related to the merchant acquiring business
- ▶ This was partially offset by an increase in net trading income, up 67% over H1'17, mainly driven by higher FX gains
- ▶ Decline in other operating income mainly due to the non-recurrence of one-off gains recorded in H1'17 and lower income from property management business in H1'18

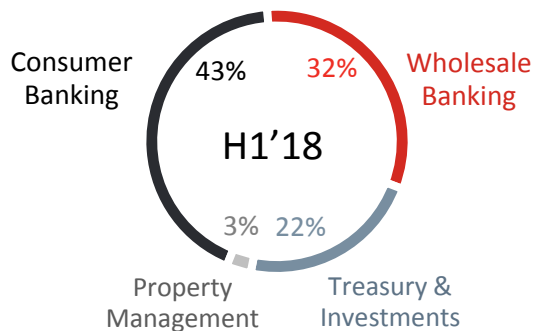
Operating income and performance by business segment

Operating income

(AED mn)

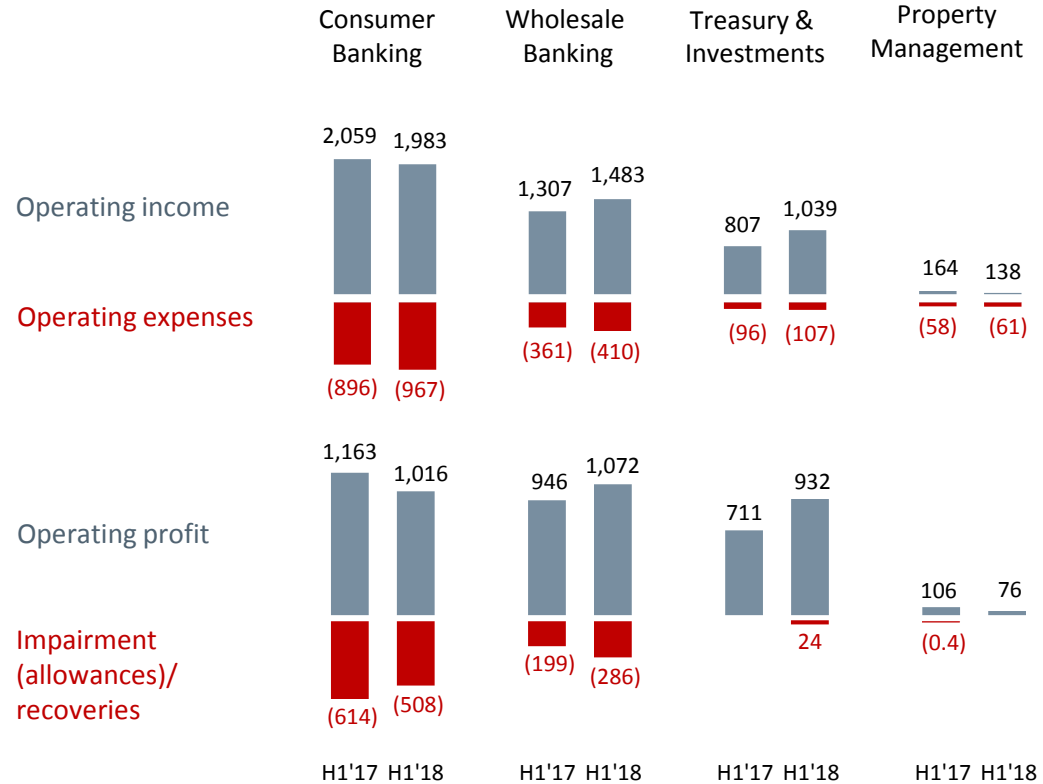


Operating income by business segment



Business performance

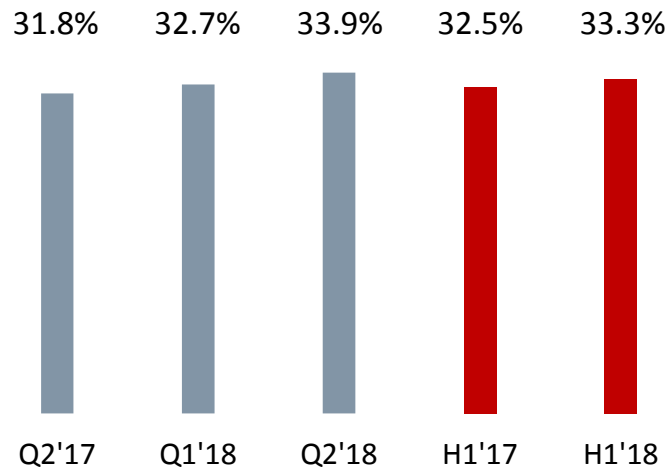
(AED mn)



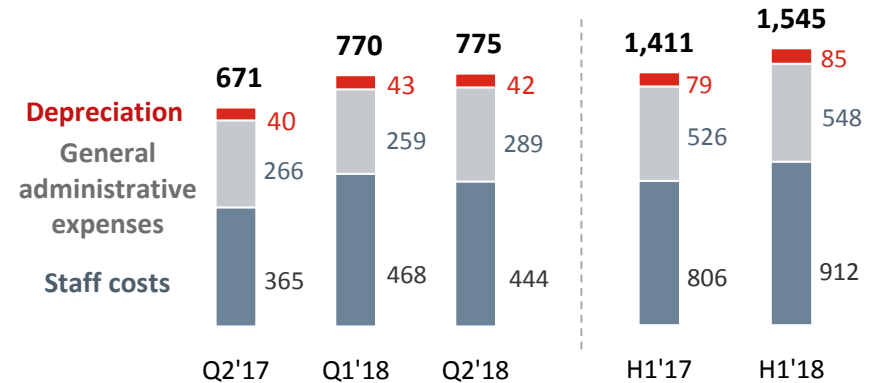
- ▶ H1'18 CBG impairment allowances declined 17% YoY, supported by the continued de-risking of the unsecured retail loan portfolio. Revenues impacted by lower volumes and higher fee expense
- ▶ H1'18 WBG revenues were up 13% YoY, mainly driven by higher net interest income. Higher impairment allowances on account of a few corporate accounts
- ▶ H1'18 Treasury revenues were up 29% YoY

Operating expenses

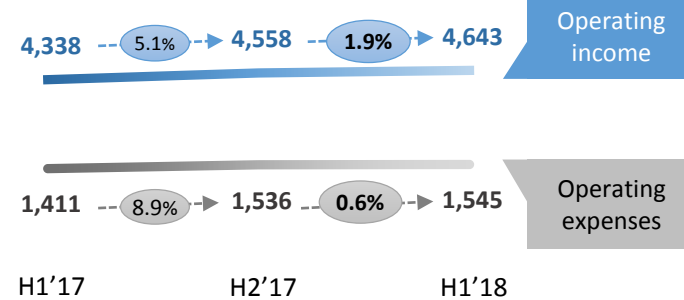
Cost to income ratio (%)



Operating expenses (AED mn)



Operating jaws (AED mn)



Cost to income ratio within our target range

Appendix

2018 Awards

“Best Cash
Management Bank in
the Middle East”

Global Finance

“Best Cash
Management Bank in
the U.A.E”

Global Finance

“Best Affinity Card in
Middle East & North
Africa”

MasterCard Leadership
Forum

Ranked the 2nd in S&P/Hawkamah ESG Pan Arab
Index for Leadership in Corporate Sustainability

Hawkamah

“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

Balance sheet

AED million	June'18	Dec'17	% Change
Cash and balances with Central banks	18,849	19,997	(6)
Deposits and balances due from banks, net ¹	18,478	11,452	61
Reverse-repo placements	163	99	65
Trading securities	577	485	19
Derivative financial instruments	5,914	3,820	55
Investment securities	49,082	49,192	(0)
Loans and advances to customers, net	165,733	163,282	2
Investment in associate	201	205	(2)
Investment properties	633	635	(0)
Other assets	11,128	14,876	(25)
Property and equipment, net	965	960	0
Total assets	271,722	265,003	3
Due to banks	4,579	5,177	(12)
Derivative financial instruments	6,940	4,234	64
Deposits from customers	171,521	163,078	5
Euro commercial paper	4,362	2,910	50
Borrowings	41,054	40,555	1
Other liabilities	12,715	16,603	(23)
Total liabilities	241,170	232,558	4
Total shareholders' equity	30,552	32,445	(6)
Total liabilities and shareholders' equity	271,722	265,003	3

¹ Deposits and balances due from banks include AED 6.4 bn as at Jun 30, 2018 (AED 5.1 bn as at Dec 31, 2017) of loans to banks that were earlier reported under loans and advances to customers, net

Income statement

AED million	H1'18	H1'17	% Change
Interest income and income from Islamic financing	5,493	4,849	13
Interest expense and profit distribution	(1,881)	(1,543)	22
Net interest and Islamic financing income	3,612	3,305	9
Net fees and commission income	708	755	(6)
Net trading income	230	137	67
Other operating income	93	140	(34)
Non interest income	1,030	1,032	(0)
Operating income	4,643	4,338	7
Staff expenses	(912)	(806)	13
General administrative expenses	(548)	(526)	4
Depreciation	(85)	(79)	8
Operating expenses	(1,545)	(1,411)	9
Operating profit before impairment allowances & taxation	3,097	2,926	6
Impairment allowances	(770)	(814)	(5)
Share in profit of associate	6	5	NM
Overseas income tax expense	(1)	(4)	NM
Net Profit	2,332	2,114	10

Leading Through

AMBITION + DISCIPLINE



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