Abu Dhabi Commercial Bank
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Press Release: Immediate Release

ABU DHABI COMMERCIAL BANK PJSC REPORTS

NINE MONTH 2016 NET PROFIT OF AED 3.153 BILLION,

THIRD QUARTER 2016 NET PROFIT OF AED 1.006 BILLION

Abu Dhabi, 23 October 2016 – Abu Dhabi Commercial Bank PJSC ("ADCB" or the "Bank") today reported its financial results for the nine month period ended 30 September 2016 ("9M'16").

Key highlights (30 September 2016)

- Operating performance: Consistent and resilient financial performance with strong fundamentals

  9M'16 vs. 9M'15

  - Operating profit before impairment allowances of AED 4.257 billion was up 3%; operating expenses of AED 2.067 billion declined 2%, due to the bank's disciplined cost management strategy
  - While net profit of AED 3.153 billion was 16% lower impacted by higher impairment allowances, the Bank maintained an industry leading ROAE of 16% and ROAA of 1.66% for the nine month period of 2016
  - Operating income of AED 6.324 billion was up 1%, while total net interest income of AED 4.628 billion was 2% lower year on year, impacted by higher funding costs. This was partially offset by higher non-interest income of AED 1.697 billion, up 12% over 9M'15, which comprised 27% of operating income compared to 24% in 9M'15, driven by the Bank's continued focus on diversifying revenues
  - Interest income (gross) of AED 6.423 billion was up 10%, while income from Islamic financing (gross) of AED 609 million recorded a strong growth of 23% year on year
  - Net fee income of AED 1.092 billion was up 4%, mainly attributable to a healthy increase in retail banking fees (net) at AED 523 million, up 15% year on year

- Disciplined cost management, improved cost to income ratio

  - Cost to income ratio for 9M'16 was 32.7% compared to 33.8% in 9M'15, an improvement of 110 bps year on year
  - Cost of funds for 9M'16 was 127 bps compared to 87 bps in 9M'15, in line with higher benchmark rates and reflective of the tighter liquidity environment

- Healthy asset quality metrics

  - As at 30 September 2016, NPL and provision coverage ratios were 2.6% and 133.1% respectively, compared to NPL ratio of 3.0% and provision coverage ratio of 128.5% as at 31 December 2015
  - Collective impairment allowances were 1.81% of credit risk weighted assets, well above the minimum 1.5% stipulated by the UAE Central Bank

- Resilient balance sheet; healthy loan and deposit growth

  - Total assets grew 12% to AED 255 billion and net loans and advances to customers increased 10% to AED 162 billion over 31 December 2015
  - Deposits from customers increased 7% to AED 153 billion over 31 December 2015. Low cost current and savings account (CASA) deposits comprised 42.2% of total customer deposits

- Strong capital ratios and high liquidity levels maintained

  - As at 30 September 2016, capital adequacy ratio was 17.98% and tier I ratio was 14.72%
  - Net lender of AED 23 billion in the interbank markets as at 30 September 2016, with a strong liquidity ratio of 26.4%
  - Investment securities increased to AED 26 billion as at 30 September 2016, an increase of 23% over year end, mainly driven by an increase in UAE government bonds

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

"The Bank delivered strong financial results for the nine month period of 2016, reporting a net profit AED 3.153 billion and an industry leading return on equity of 16%. While the challenging operating environment and the turbulent markets have impacted the industry, our underlying performance and fundamentals remain strong and we continue to grow our businesses. Our balance sheet remains resilient and registered a healthy growth in net loans and customer deposits year to date, 10% and 7% respectively.

We continuously work to build loyalty and earn trust. Our consistent good set of results and profitable growth in a range of economic scenarios is a reflection of the trust that our clients place on us. In September 2016, ADCB was ranked amongst the top 5 safest banks in the Middle East and Africa by Global Finance, in addition to numerous prestigious awards won during this quarter, including "Best Cash Manager" by Euromoney for our world-class cash management services.

We have confidence in the long-term growth of the UAE economy. UAE is well positioned and poised for sustained growth in the future. We have a strong franchise and continue to deliver enduring value for all our stakeholders."

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

"We are pleased with our performance this quarter and achieved solid results year to date, continuing to manage our business efficiently. Our operating performance demonstrates the strength and resilience of our business model and strategic pillars. Operating profit before impairment allowances for the third quarter was up 11% over Q3'15, and for the nine month period was up 3% over 9M'15. Cost to income ratio for the nine month period of 2016 improved to 32.7% from 33.8% during the same period last year. Our bottom line was impacted by higher impairment allowances reflecting the current market conditions, while our asset quality metrics remain healthy with a non performing loan ratio of 2.6% and provision coverage ratio of 133.1% as at 30 September 2016.

Our balance sheet remains strong with continuous focus on granular loan growth. Year to date, Wholesale Banking loans (gross) were up 5% and Consumer Banking loans (gross) were up 9%. Our capital ratios remain robust and our low cost CASA deposits comprised 42% of our total customer deposits as at 30 September 2016. Operating in a tighter liquidity environment, the Bank also increased its time deposits significantly, which resulted in higher cost of funds year on year.

We remain committed in our pursuit of measured and sustainable growth and our strategic framework creates a clear direction and agility in a rapidly changing world."

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9M'16/ Q3'16 financial highlights

	Year to date trend			Quarterly trend				
			Change %				Q3'16 Change %	
Income statement highlights (AED mn)	**9M'16**	9M'15	YoY	**Q3'16**	Q2'16	Q3'15	QoQ	YoY
Total net interest and Islamic financing income	4,628	4,729	(2)	1,528	1,526	1,545	0	(1)
Non - interest income	1,697	1,515	12	541	617	465	(12)	16
Operating income	6,324	6,245	1	2,070	2,143	2,011	(3)	3
Operating expenses	(2,067)	(2,112)	(2)	(663)	(666)	(740)	0	(10)
Operating profit before impairment allowances	4,257	4,133	3	1,406	1,477	1,271	(5)	11
Impairment allowances	(1,083)	(391)	177	(380)	(351)	(66)	8	476
Share in profit/(loss) of associate	5	0	NA	2	2	0	NM	NA
Profit before taxation	3,179	3,742	(15)	1,028	1,128	1,205	(9)	(15)
Overseas income tax expense	(26)	(6)	NM	(22)	(2)	(1)	NM	NM
Net profit for the period	3,153	3,736	(16)	1,006	1,126	1,204	(11)	(16)
Net profit attributable to equity shareholders	**3,144**	**3,734**	**(16)**	**999**	**1,125**	**1,203**	**(11)**	**(17)**
			Change %				**Change %**	
Balance sheet highlights (AED mn)	**Sep'16**	Sep'15	YoY	**Sep'16**	June'16	Dec'15	QoQ	YTD
Total assets	254,679	215,329	18%	254,679	240,752	228,267	6	12
Loans and advances to customers, net[1]	161,562	142,198	14%	161,562	154,853	146,250	4	10
Deposits from customers	153,353	130,009	18%	153,353	149,055	143,526	3	7
Ratios (%)	**Sep'16**	Sep'15	bps	**Sep'16**	June'16	Dec'15	bps	bps
CAR (Capital adequacy ratio)	17.98	19.68	(170)	17.98	18.40	19.76	(42)	(178)
Tier I ratio	14.72	16.14	(142)	14.72	15.07	16.29	(35)	(157)
Advances to stable resources	93.9	92.9	100	93.9	89.4	88.2	450	570

Figures may not add up due to rounding differences

Key indicators (9M'16)

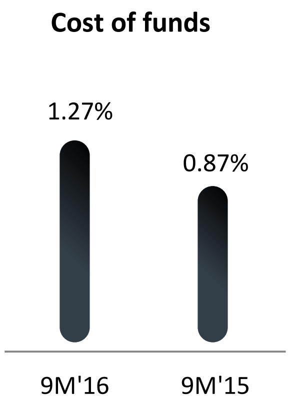
Net profit (AED billion)	**Return on average equity** (ROAE %)*	**Return on average assets** (ROAA %)*	**Basic earnings per share** (EPS – AED)
3.153	16.0	1.66	0.58

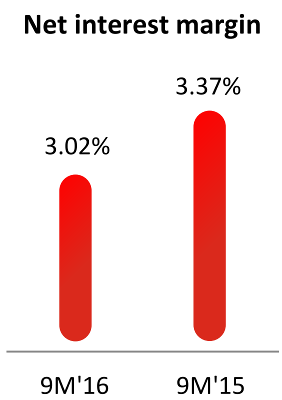
* Annualised, for ROE/ROAA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and interest expense on Tier I capital notes

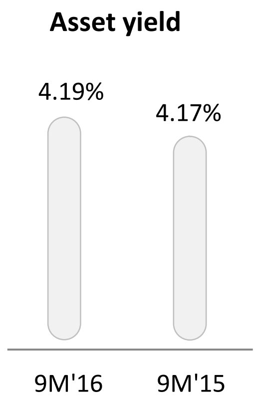
[1] In Q2'16, loans and advances to banks were reclassified to "Deposits and balances due from banks, net" to better reflect the underlying nature of the business of the borrowers. Accordingly, comparative amounts pertaining to previous years were reclassified to conform to current period's presentation.

Operating performance – Consistent and resilient financial performance with strong fundamentals

- The Bank reported a net profit of AED 3.153 billion in 9M’16 compared to AED 3.736 billion in 9M’15, 16% lower year on year, and Q3’16 net profit of AED 1.006 billion compared to AED 1.204 billion in Q3’15, 16% lower year on year, primarily on account of higher funding costs and an increase in impairment allowances reflecting current market conditions.
- Basic earnings per share were AED 0.58 in 9M’16 compared to AED 0.70 in 9M’15.
- Return on equity for the nine month period of 2016 was 16% and return on assets was 1.66%.
- Operating income for 9M’16 was AED 6.324 billion, up 1% over 9M’15. 9M’15 benefited from significant recoveries and interest in suspense reversals which were not repeated in 9M’16. 9M’16 total net interest and Islamic financing income of AED 4.628 billion was 2% lower, partially offset by higher non-interest income of AED 1.697 billion, up 12% over 9M’15. Interest expense for 9M’16 was AED 1.796 billion, compared to AED 1.118 billion in 9M’15 and cost of funds for 9M’16 increased to 1.27% from 0.87% in 9M’15, while average interest bearing liabilities increased 11% and total customer deposits increased 18% year on year. Driven by the tighter liquidity environment the Bank increased its time deposits by 32% over 9M’15, while CASA deposits comprised 42.2% of total customer deposits as at 30 September 2016. Net interest margin for 9M’16 was 3.02%, compared to 3.37% for 9M’15. For the quarter, operating income of AED 2.070 billion was up 3%, while non-interest income of AED 541 million was up 16% over Q3’15.
- Non-interest income accounted for 27% of operating income in 9M’16 compared to 24% in 9M’15. The increase in non-interest income was mainly driven by higher trading income and higher fee and commission income. Net retail banking fees (excluding brokerage) of AED 523 million in 9M’16 registered a strong growth of 15% year on year. Net trading income of AED 382 million in 9M’16 was up 47% year on year.

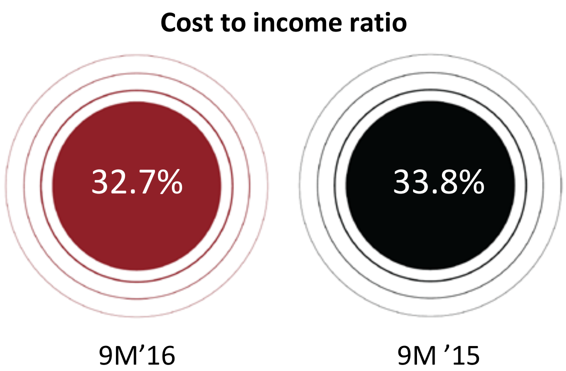






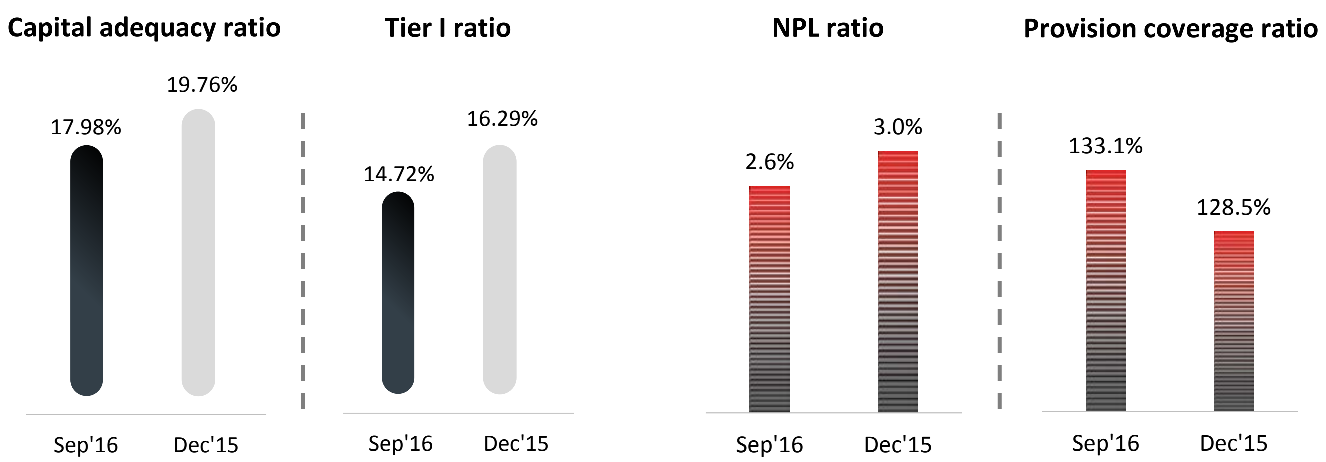
Disciplined cost management, improved cost to income ratio

- Operating profit before impairment allowances of AED 4.257 billion for the nine month period of 2016 was up 3% over 9M’15, while Q3’16 operating profit before impairment allowances increased 11% over Q3’15 to AED 1.406 billion, benefiting from an efficiently managed cost base. Q3’16 operating expenses declined 10% year on year to AED 663 million, while operating expenses for the nine month period of 2016 declined 2% over 9M’15 to AED 2.067 billion, resulting in an improved cost to income ratio of 32.7% in 9M’16 compared to 33.8% in 9M’15, an improvement of 110 basis points year on year.



Resilient balance sheet; healthy loan and deposit growth

- Total assets reached AED 255 billion as at 30 September 2016, an increase of 12% over the year end. Net loans and advances to customers were AED 162 billion, up 10% over 31 December 2015. 94% of loans to customers (gross) were within the UAE, in line with the Bank's UAE centric strategy and continued focus on granular growth in our core geography and core businesses.
- Total customer deposits increased to AED 153 billion as at 30 September 2016, up 7% over 31 December 2015. Year to date, low cost current and savings account (CASA) deposits increased 2% to AED 65 billion, while time deposits increased 11% to AED 89 billion.
- As at 30 September 2016, loan to deposit ratio from customers was 105.4% and advances to stable resources were at 93.9% compared to 101.9% and 88.2% respectively as at 31 December 2015.
- Investment securities totaled AED 26 billion, an increase of 23% year to date, mainly driven by an increase in UAE government bonds, providing further liquidity for the Bank.
- As at 30 September 2016, the Bank was a net lender of AED 23 billion in the interbank markets and its liquidity ratio was 26.4% compared to 2015 average of 25% and 24.9% as at 30 June 2016.
- Capital and liquidity position continue to be at industry leading levels, with a capital adequacy ratio of 17.98% and a Tier I ratio of 14.72% compared to 19.76% and 16.29% respectively as at 31 December 2015. The reduction in capital adequacy ratio was mainly on account of balance sheet growth and a change in asset mix. The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and the Tier I minimum requirement is 8%.



Healthy asset quality metrics

- As at 30 September 2016, non-performing loan and provision coverage ratios were 2.6% and 133.1% respectively, compared to NPL ratio of 3.0% and provision coverage ratio of 128.5% as at 31 December 2015. Non-performing loans were AED 4.445 billion compared to AED 4.834 billion as at 31 December 2015, a decrease of 8% year to date. Cost of risk for 9M'16 was 80 basis points compared to 79 basis points for the first half of the year.
- Charges for impairment allowances on loans and advances, net of recoveries amounted to AED 1.115 billion in 9M'16 compared to AED 400 million in 9M'15. Loan impairment charges in 9M'16 include collective impairment charges of AED 227 million to account for increase in the loan book and reflecting our prudent risk management approach.
- As at 30 September 2016, the Bank's collective impairment allowance balance was AED 3.196 billion, 1.81% of credit risk weighted assets and above the minimum 1.5% stipulated by the UAE Central Bank, while individual impairment balances stood at AED 2.808 billion.

Awards – 2016

Award	Awarded by
"Best Bank for Liquidity Management in the Middle East"	Global Finance
"Best Brand Initiative of the Year" across Asia, Middle East and Africa	Asian Banker
"Best Property Management Team– UAE" for ADCP	Capital Finance International (CFI)
"Best Transaction Service Bank in the Middle East"	Euromoney
"Islamic Bank of the Year" – Sharia Compliant Window	The Banker Magazine
"Best Managed Bank in the UAE"	Asian Banker
"Best Bank for Cash management in the UAE"	Global Finance
"Best Retail Bank in the UAE"	Asian Banker
"Islamic Banker of the Year"	The Asset Triple A Islamic Finance Awards
"The Asian Banker CEO Leadership Achievement Award for the UAE"	Asian Banker
"Best Cash Manager in the UAE"	Euromoney Cash Management Survey
"SME Bank of The Year" & "UAE Domestic Technology & Operations Bank of the Year"	Asian Banking and Finance
"Retail Innovation of the Year" for its introduction of the Voice Biometrics initiative "ADCB VoicePass"	Asian Banking and Finance
"Best Investor Relations Website in the Middle East"	Middle East Investor Relations Association (MEIRA)
"Best Annual Report in the Middle East and South Asia" & "Best Non-Traditional Annual Report"	ARC Awards International

About ADCB (30 September 2016):

ADCB was formed in 1985 and as at 30 September 2016 employed over 4,500 people from 74 nationalities, serving retail customers and corporate clients in 48 branches, 3 pay offices and 2 branches in India, 1 branch in Jersey and representative offices in London and Singapore. As at 30 September 2016, ADCB's total assets were AED 255 billion.

ADCB is a full-service commercial bank which offers a wide range of products and services such as retail banking, wealth management, private banking, corporate banking, commercial banking, cash management, investment banking, corporate finance, foreign exchange, interest rate and currency derivatives and Islamic products, project finance and property management services.

ADCB is owned 58.08% by the Government of Abu Dhabi (Abu Dhabi Investment Council). Its shares are traded on the Abu Dhabi Securities Exchange. As at 30 September 2016, excluding treasury shares, ADCB's market capitalisation was AED 34 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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