



Leading Through

AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q4/FY'16 Investor presentation

February 2017

بنك أبوظبي التجاري
ADCB



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Macro overview

Business overview

Our journey

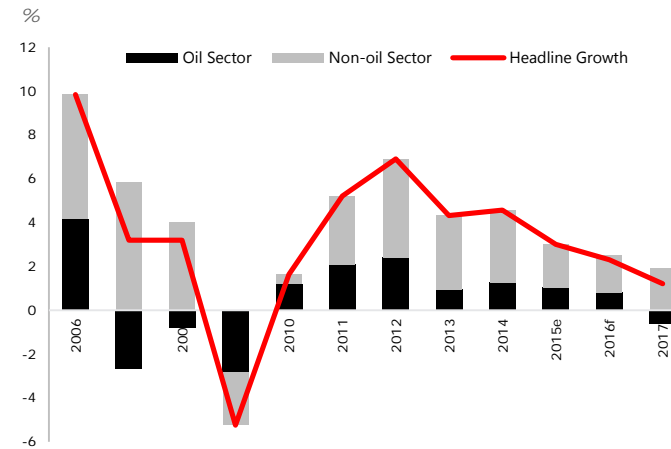
Financial highlights

Appendix

UAE economic overview : High oil price supportive but challenges remain

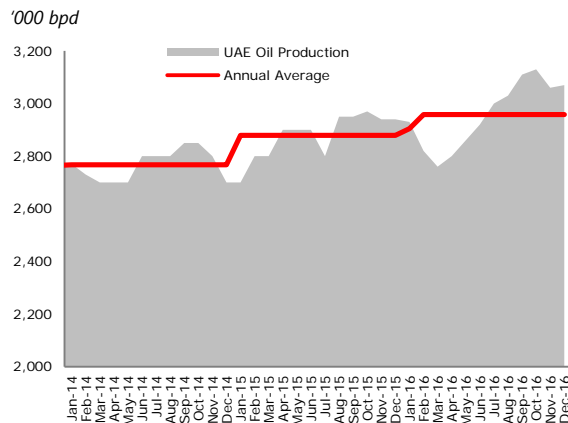
- ▶ UAE's non-oil economy is forecast to see a moderate pickup in growth in 2017. However, economic challenges remain, include ongoing softening real estate prices, weak global and regional demand, the strong USD and monetary tightening
- ▶ We expect headline real GDP growth to moderate in 2017 as the UAE reduces oil output in 1H2017, in line with the OPEC agreement. However, oil revenue will increase with a higher average oil price
- ▶ Real non-oil GDP growth is expected to strengthen to decelerate to 2.9% in 2017, from 2.3% in 2016
- ▶ We expect the focus to remain in fiscal consolidation in Abu Dhabi and do not expect to see an increase in government spending. Reforms include further reduction in utility subsidies (Jan 2017)
- ▶ Dubai announced an expansionary budget for 2017, with a focus on investment spending. Dubai saw an 11.6% rise in project awards in 2016 and investment activity around Expo 2020 to increase
- ▶ Key service sectors (tourism, transportation, logistics, etc.) are continuing to see growth, albeit softening. PMI data reflects the weakening in external demand backdrop, albeit seeing some improvement in 4Q2016
- ▶ UAE introduces visa on arrival from China and Russia to support tourism and related sectors
- ▶ UAE annual average inflation to tick up moderate in 2017 with higher fuel prices in 2016, before seeing an acceleration in 2018 with the GCC-wide introduction of VAT
- ▶ Diverse economic base and strong FX reserves support the economic outlook; UAE is one of the best placed amongst the global oil exporters to with stand the lower oil price

Positive contribution to headline GDP growth from non-oil sectors, though pace of expansion moderating



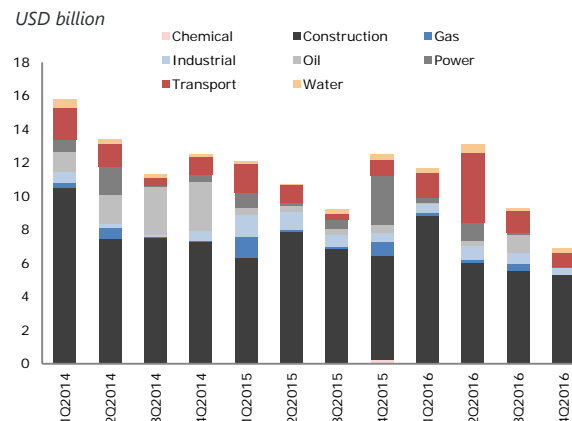
Source: UAE National Bureau of Statistics, ADCB estimates

Oil production has strengthened since mid-2016, oil sector to make a small positive contribution to 2016 GDP growth



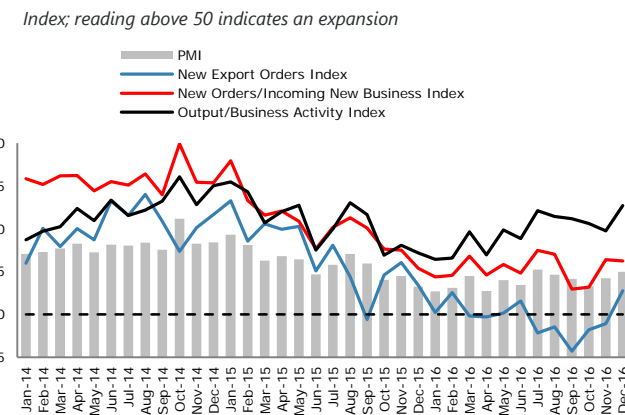
Source: Bloomberg

Total UAE project awards are trending lower, but progress continues with core projects



Source: MEED Projects, ADCB

PMI data reflects the softening in non-oil activity, though remaining expansionary, some improvement in 2Q



Source: Market Economics

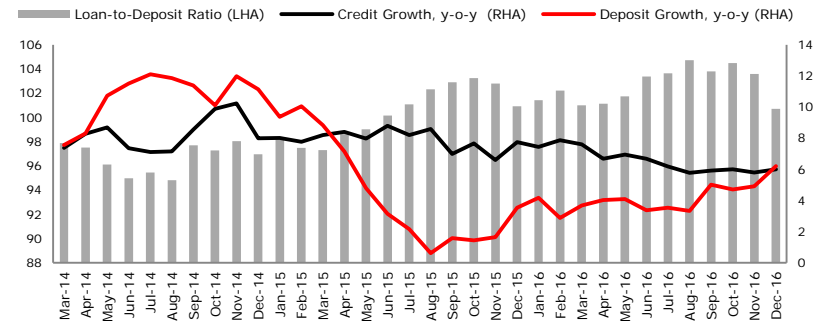
PMI: Purchasing Managers Index

UAE banks overview : Strong deposit growth, improved liquidity conditions

- ▶ UAE Banking sector is ranked largest in the GCC in terms of assets, comprises of 23 national banks and 35 foreign banks
- ▶ Interbank lending rates continued to rise in 2016 as banking sector liquidity tightened and with the 25 bps rate hike December. However, greater funding from the debt capital markets (sovereign and corporate) helped to limited the upside pressure
- ▶ Gross credit growth outstripped deposit growth in 2016, expect for December which saw a sharp rise in deposits (of 6.2% YoY vs. credit growth of 6%)
- ▶ Government and GRE combined are net creditors from the banking sector in 2016, with particularly a pickup in GRE borrowing and lower deposits. Government returned to being a net depositor to the banking sector in December 2016
- ▶ Private sector credit growth stood at 5.6% YoY in December 2016, down from 8.5% YoY in December 2015. The decelerating retail credit growth in 2016 in YoY terms has been particularly notable, from 10.3% YoY in December 2015 to 5.3% YoY in December 2016, with greater job uncertainties and losses in certain sectors
- ▶ Banking sector is strongly capitalised, with a CAR of 19.0% and Tier I of 17.3% as at 31 December 2016

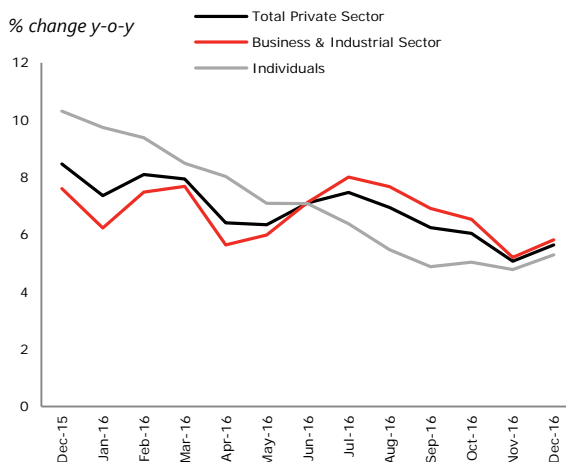
Banking sector liquidity tightening as credit growth outstrips deposit growth, albeit by a smaller margin

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



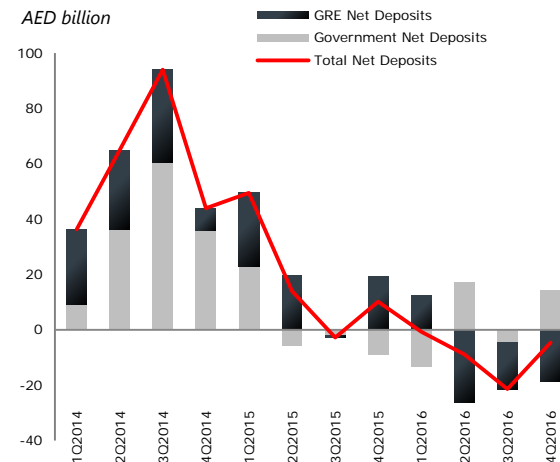
Source: Central Bank of UAE

Private sector credit growth decelerates in 2016 with retail growth moderating, corporate has been more steady



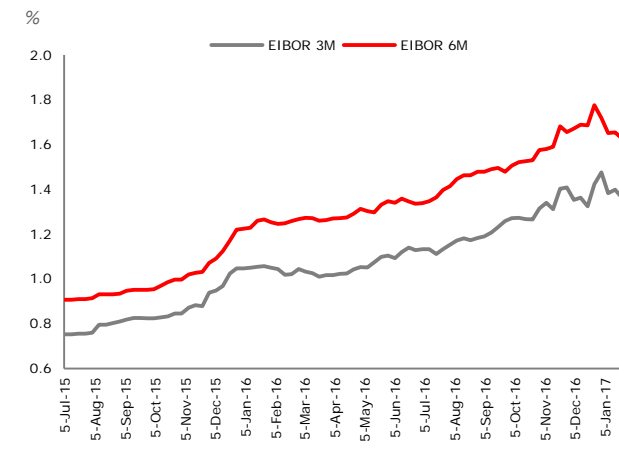
Source: Central Bank of UAE

GRE and government both net creditors from the banking sector in 3Q2016



Source: Central Bank of UAE

UAE Interbank rates continue to rise with tighter banking sector liquidity



Source: Bloomberg

Macro overview

Business overview

Our journey

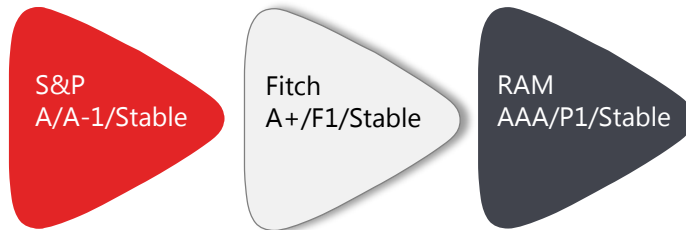
Financial highlights

Appendix

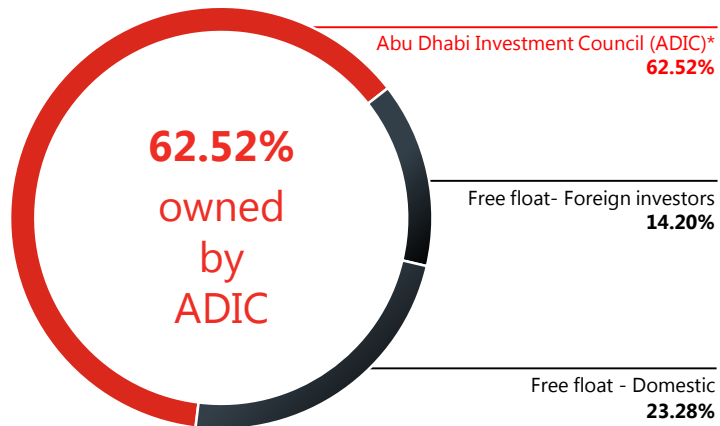
ADCB overview

ADCB franchise	2016	2015
Market cap (AED billion)	36	34
Branch network (UAE) ¹	48	49
Overseas branches ²	3	3
Market share of loans, net (%)	10.8	10.6
Market share of deposits (%)	9.9	9.8

Ratings



Ownership structure



¹ Excludes pay offices

² Two branches in India and one branch in Jersey

* Following our buyback program concluded in January 2015, the Bank has cancelled 397,366,172 treasury shares. The new issued share capital is AED 5,198,231,209 (Effective 8 January 2017)

Core strengths (As at 31 December 2016)

Situated to benefit from UAE economic growth

Supportive principal shareholders

Strong domestic franchise with a well known and trusted brand

Measured growth, sustainable profitability

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

Experienced management team and strong corporate governance culture

- ▶ Remain positive on UAE's medium term outlook, despite the lower oil price and softening economic activity
- ▶ Government remains focused on driving economic diversification. New attractions and theme parks important to drive tourism growth

- ▶ The Government (Abu Dhabi Investment Council) owns 62.52% of the issued share capital
- ▶ Long-standing government related corporate client base

- ▶ Broad portfolio of innovative consumer and wholesale products, customised cash management and trade finance solutions; key enablers for CASA growth
- ▶ Tailor made financing and risk management solutions that facilitate access to capital markets, investment solutions and structured products that meet clients' needs
- ▶ Strategic partnerships with Bank of America Merrill Lynch

- ▶ Continue to grow our balance sheet in a granular and prudent manner in our core geography and core businesses
- ▶ Total assets increased 13% and net loans increased 8% year on year
- ▶ Delivered ROAE of 15.7% for 2016
- ▶ In July 2016, S&P raised ADCB's stand-alone (SACP) credit profile to 'bbb+' from 'bbb' on account of strengthening business position and improving returns, coupled with more balanced earnings generation across different business segments

- ▶ Total CAR of 18.92%, Tier I capital ratio of 15.66% as at 31 December 2016
- ▶ Despite tightening liquidity, total customer deposits grew 8% year on year and CASA deposits comprised 42% of total deposits
- ▶ Net lender of AED 22 billion in the interbank markets
- ▶ Strong risk management culture, maintaining a rigorous control framework, NPL ratio of 2.7% and provision coverage ratio of 129.9%

- ▶ Management team has wealth of 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

Our business segments provide a diversified revenue stream



- ▶ 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



- ▶ Serves SMEs, mid-corporates, large corporations, financial institutions, public enterprises and government institutions
- ▶ Responsible for ADCB's 2 Indian branches, Jersey branch and representative offices in London and Singapore
- ▶ Award winning world class cash management services and solutions, delivering CASA balances for ADCB
- ▶ Strong digital online transaction banking platform
- ▶ Strategic relationship with Bank of America Merrill Lynch to allow clients who require services in the region to access capabilities provided by ADCB



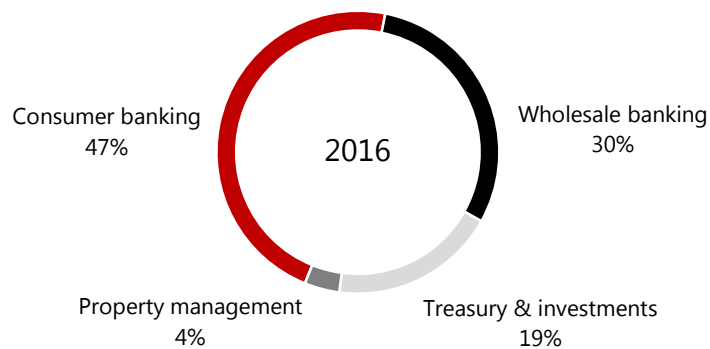
- ▶ Treasury business and investment portfolio provides interest rate, commodities and foreign exchange services
- ▶ Covers money market, FX, interest rates, currency, commodity derivatives and asset & liability management



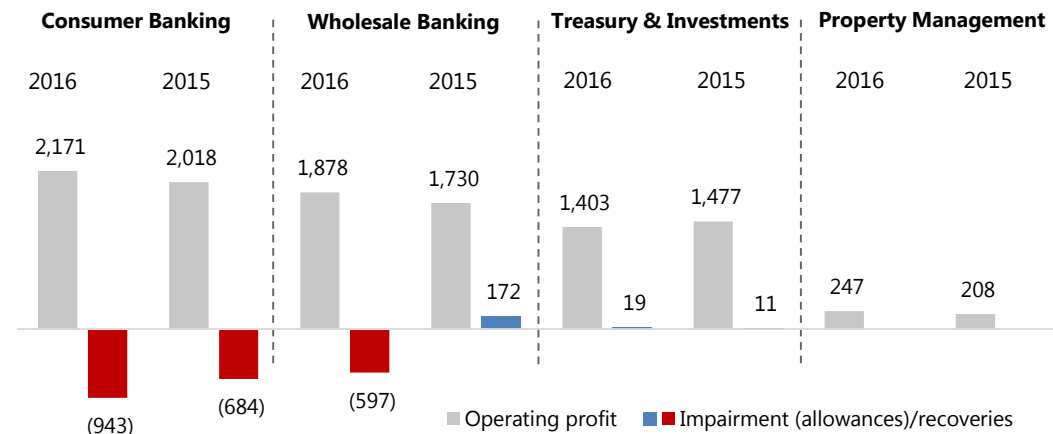
- ▶ Includes real estate and property management activities
- ▶ Comprises real estate, property management and engineering services through subsidiaries Abu Dhabi Commercial Proprieties and Abu Dhabi Commercial Engineering Services
- ▶ Management of investment properties and ADCB rental income

Percentage contribution to operating income

Total operating income = AED 8,495 million



Operating profit and impairment allowances by business segment (AED million)



Leading through: Ambition + Discipline

Our strategy remains steady and consistent – sharp focus on serving the UAE

Our five strategic pillars

1

Growth through a UAE-centric approach with controlled internationalisation

UAE centric

2

Stability through liability growth

Sustainable growth

3

Maintain a culture of service excellence and efficiency

Customer centric

4

Manage our risk in line with pre-defined risk strategy

Risk - aware

5

Success through staff

Talent driven

94%

gross loans within the UAE

42%

CASA deposits/total deposits

1

achieved the #1 position among our peers across our Wholesale, Mid Corporate, Treasury, SME, Institutional Clients Group, Private accounts and ADCB Securities segments¹

0.83%

Cost of risk

9 years

Average time span of Executive management

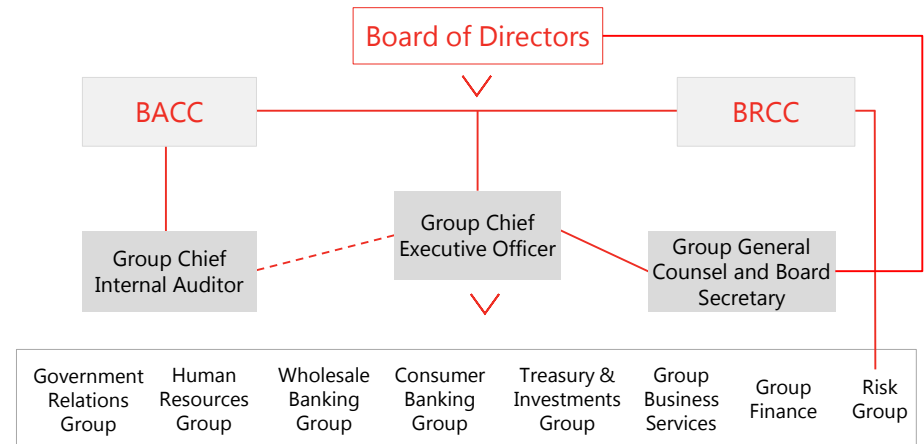
¹ Source: 2016 survey conducted by independent third party research agencies for ADCB customers

Recognised as a regional leader in corporate governance

Corporate governance structure



Structure and composition



Highlights

- ▶ 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 Auditor** is independent and reports to the Board Audit & Compliance Committee
 - **Group General Counsel and Board Secretary** is independent and has a dual reporting line to the Board and the CEO
- ▶ The Bank appointed Sir Gerry Grimstone as an independent Adviser to its Board of Directors – Chairman of Standard Life and Deputy Chairman of Barclays PLC, to bring a third party perspective on the Bank's governance, and his deep experience, and to help the Bank with a continual process of improvement
- ▶ 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 Board level, Aysha Al Hallami was appointed in 2013 as the Bank's first female Director. The Board's Nomination, Compensation & HR Committee is aware of the need to structure the Board to ensure that it obtains an appropriate balance of skills, experience and knowledge as well as independence.

Effective risk management is fundamental to our core strategy

Principal risks

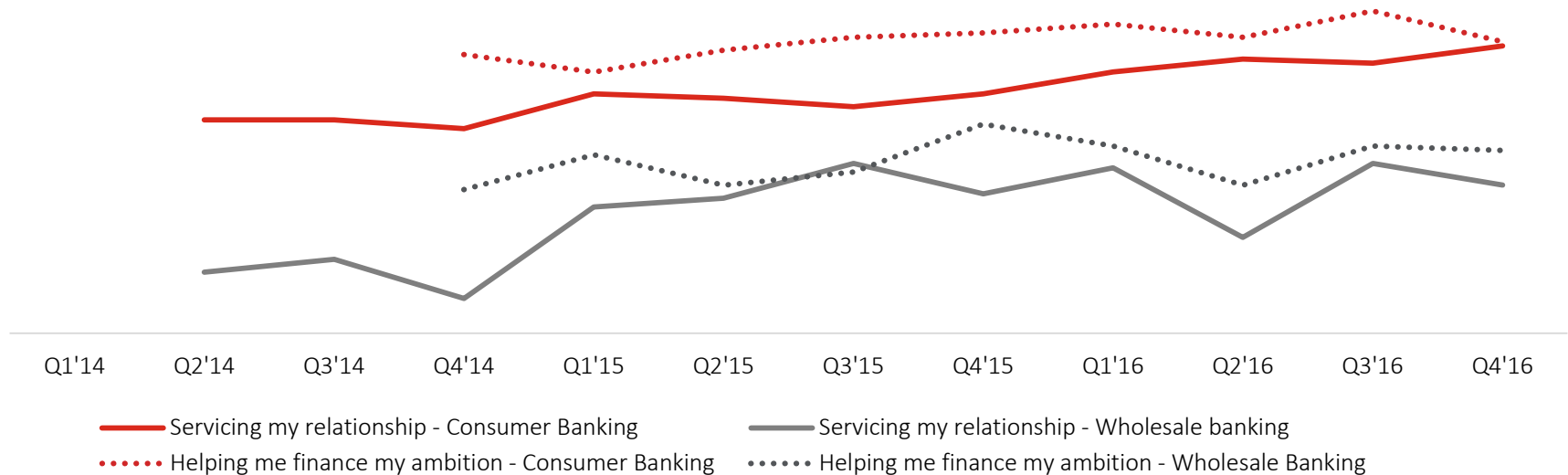
Credit Risk	Managing concentrations, growth of granular businesses and improvement in average portfolio quality. Effective pricing tools to price risk appropriately
Market Risk	Implements valuation and risk policies for all Level 1 and Level 2 financial instruments in the trading book through measures 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

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 to 35.38% of gross loans in 2016 compared to 37.01% in 2015, concentration reduction by name and sector
 - Provision coverage of 129.9% remains strong
 - Average portfolio quality has improved one notch, notwithstanding a negative trend in credit conditions
 - LCR of 129% is well above the UAE Central Bank requirement of 70%
- ▶ 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

Leading through customer centricity

Net Promoter Scores (NPS)¹ continued to rise throughout 2016



- ▶ 114,000 customers spoken to for feedback
- ▶ In 2016, 16.4 million payments were processed with a value of (AED 1.7 trillion), an increase of 19% year on year, with 93% straight through processing (STP) for electronic payments
- ▶ Continue to invest in technology to better serve our customers
 - Opened first digital banking centre “uBank” in Yas Mall, Abu Dhabi
 - Adoption and usage of the internet and mobile banking platforms continued to grow in 2016, with the percentage of active users reaching 51% for internet banking and 65% for mobile banking
 - VoicePass, multi-lingual voice authentication system, has over 64,000 registered users, with 30% active users every month and over 1,100 authentications every day
- ▶ Over 90% of retail financial transactions done electronically
- ▶ ADCB was the #1 “Most googled” local brand in 2015
- ▶ ADCB brand recognised as one of the “Top 10 Brands” in the UAE according to Brand Intimacy 2015 Report by international brand agency MBLM, ADCB was the only local brand in the Top 10 alongside global names

¹ 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

Towards service excellence

1

We achieved the #1 position among our peers across our Wholesale, Mid Corporate, Treasury, SME, Institutional Clients Group, Private accounts and ADCB Securities segments

2,426

Service recoveries following feedback from a fast feedback loop

2,444

Staff trained on service standards and Our Promise

5,177

Mystery shopping surveys

24

Customer focus groups undertaken

46

Live fast feedback loops

24

Service quality forums and customer experience working groups

236

Studies undertaken on the voice of the customer

114,000

Customers spoken to for feedback

22,100

Staff provided feedback on internal service providers

8

Processes fully re-engineered

Macro overview

Business overview

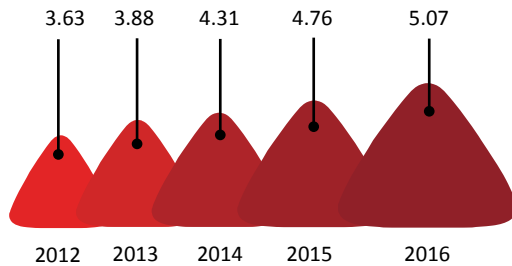
Our journey

Financial highlights

Appendix

Our journey: Strong financial performance, delivering long term value for shareholders

Book value per share (AED)

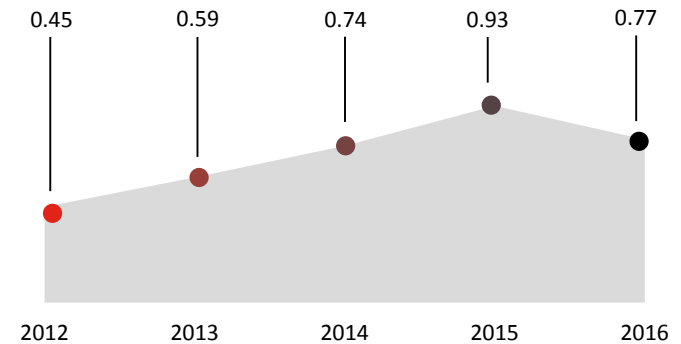


Total shareholder return (%)

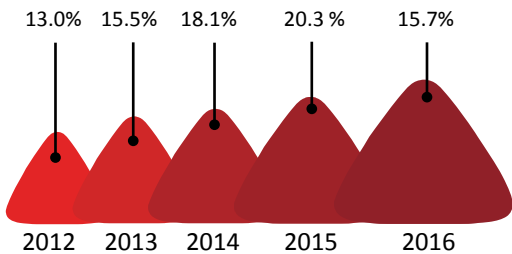
	ADCB	ADX	ADBF
1 Year	18%	11%	7%
5 Year	214%	137%	134%

Source: Bloomberg: ADCB, ADX: Abu Dhabi Exchange, ADBF: Banking Index
As at 31 December 2016

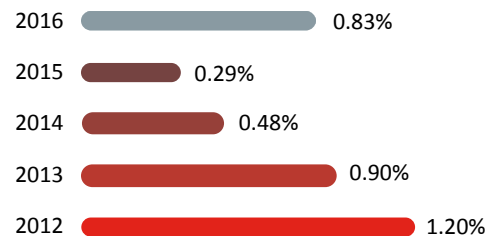
Basic earnings per share (AED)



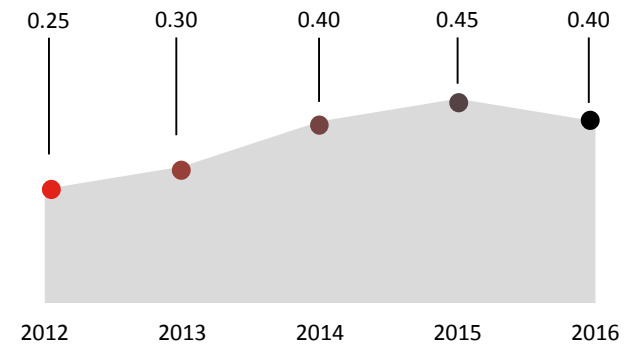
Return on average equity (%)



Cost of risk (%)

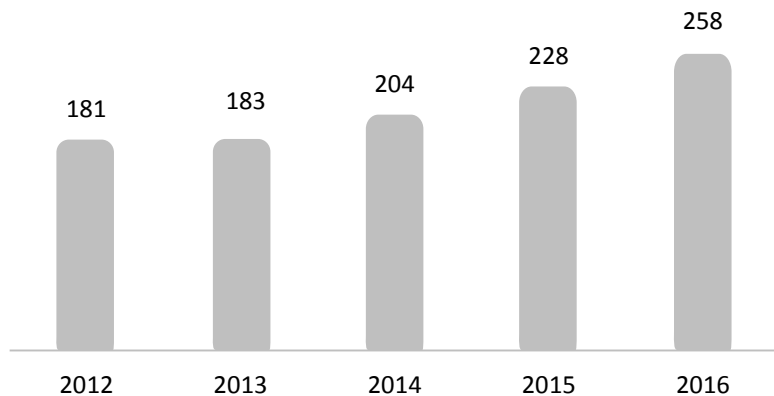


Dividend per share (AED)

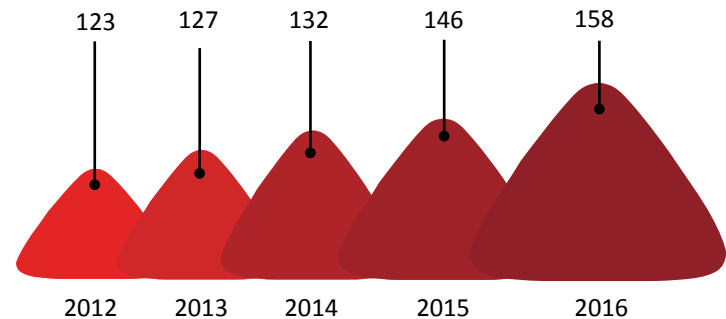


Our journey: Building on a proven strategy, delivering measured and profitable growth

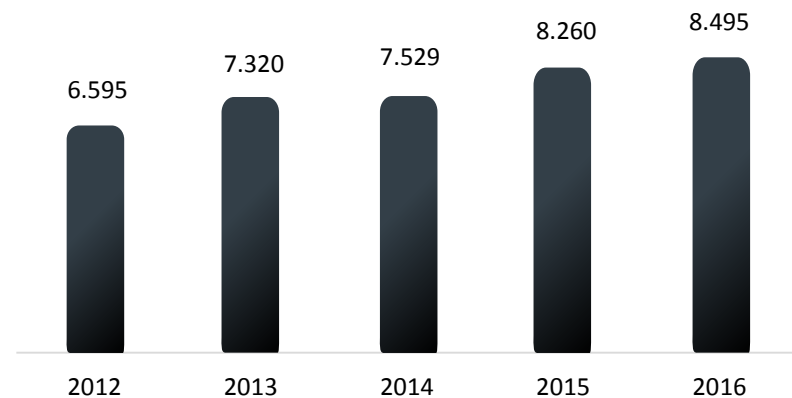
Total assets (AED billion)



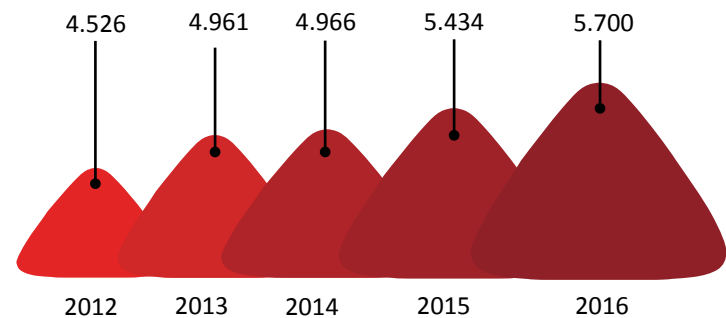
Net loans and advances* (AED billion)



Operating income (AED billion)



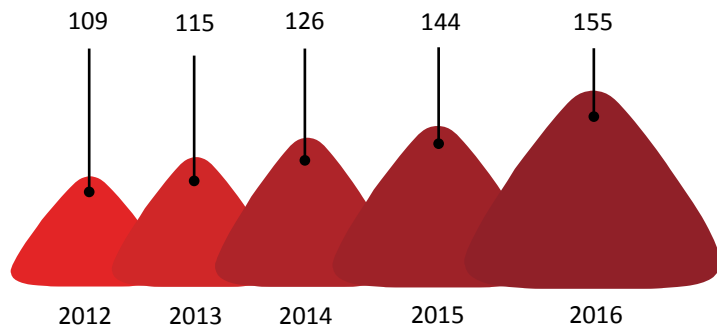
Operating profit (AED billion)



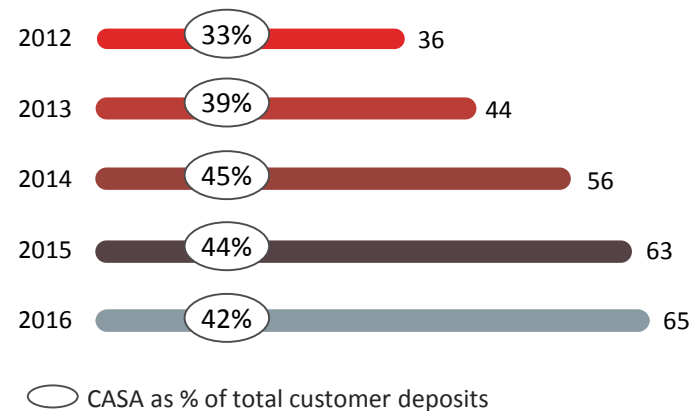
*In June 2016, loans and advances to banks have been reclassified to "Deposits and balances due from banks, net" to better reflect the underlying nature of the business of the borrowers. Accordingly, net loans in 2015 were reclassified to conform to current period's presentation

Our journey: Strong deposit gathering franchise, focus on growing CASA deposits

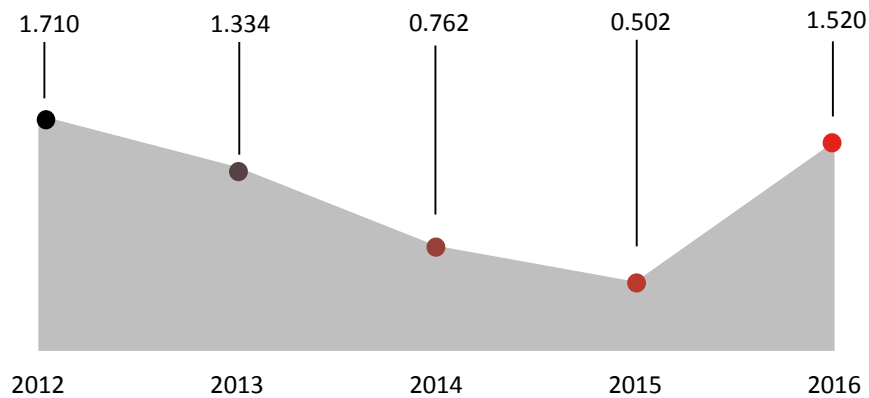
Customer deposits (AED billion)



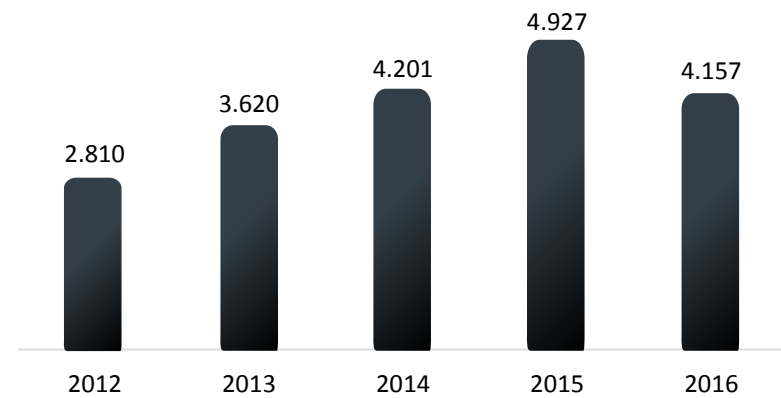
CASA deposits (AED billion)



Impairment allowance charge (AED billion)

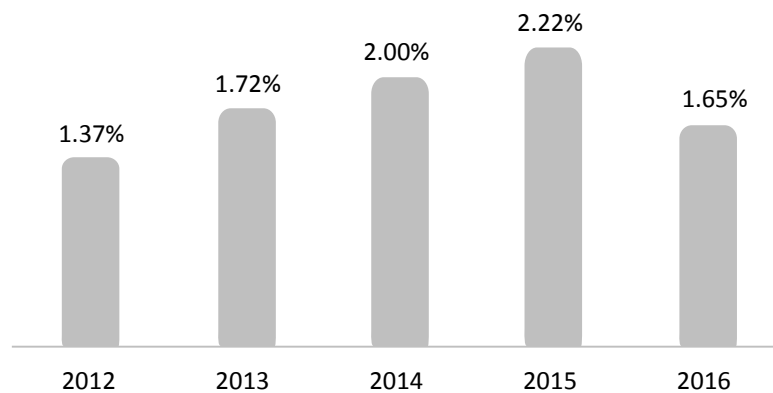


Net profit (AED billion)

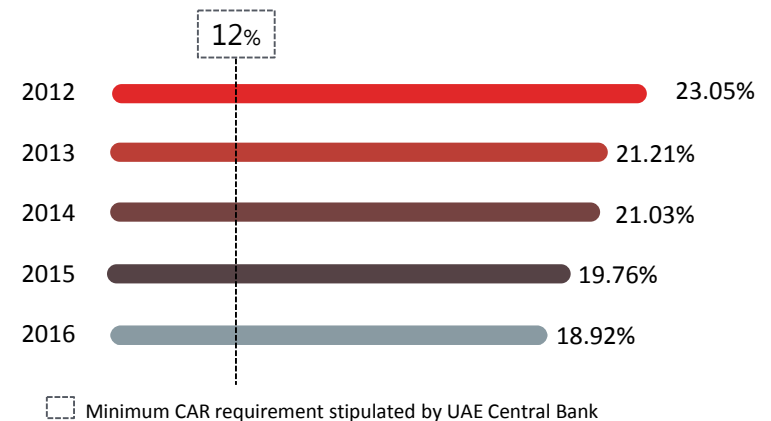


Our journey: Robust capital position, disciplined cost management

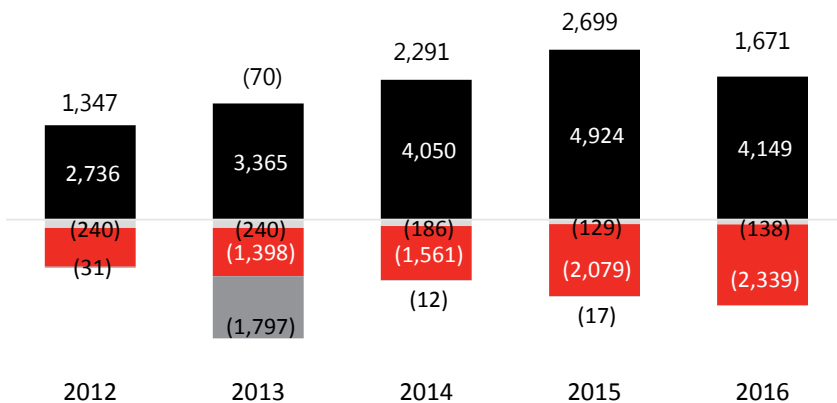
Return on average assets (%)



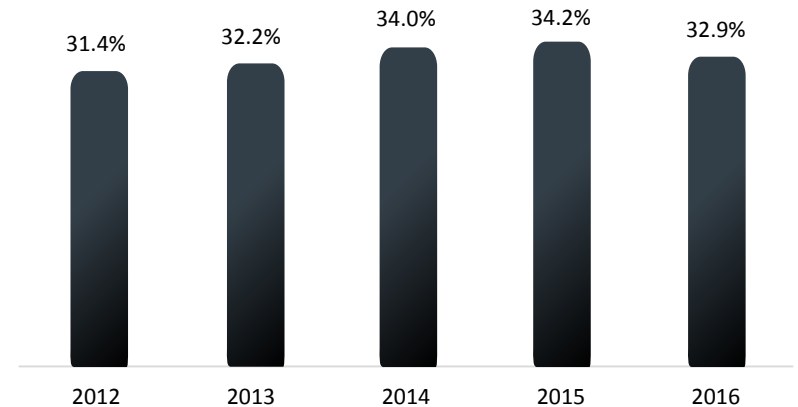
Capital adequacy ratio (%)



Capital generation (AED million)



Cost to income ratio (%)



■ Share buy back
■ Dividends paid
■ Capital notes coupon paid
■ Net profit attributable to equity holders of the Bank

Macro overview

Business overview

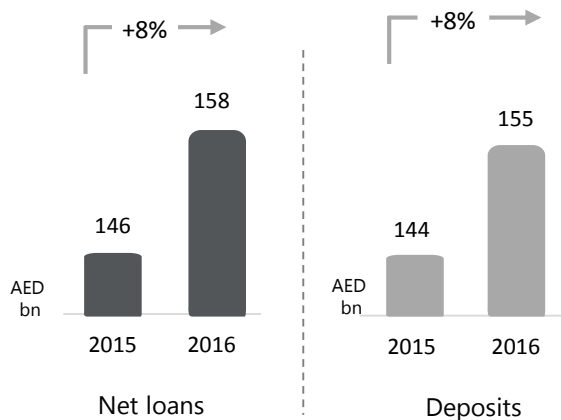
Our journey

Financial highlights

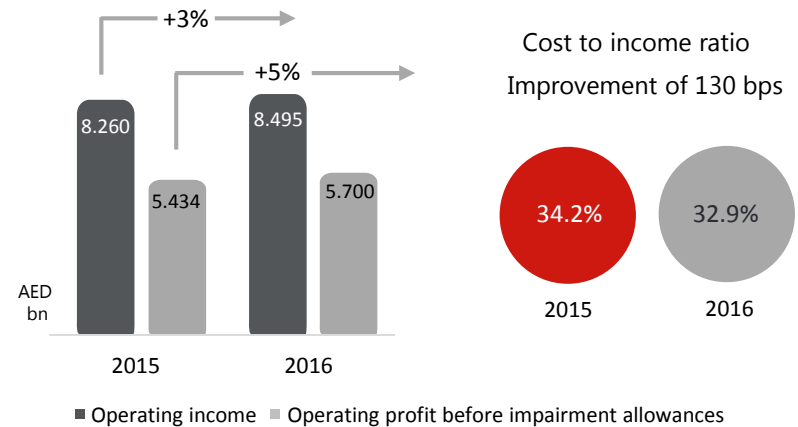
Appendix

2016 Financial Highlights

In a tight liquidity environment, loans and deposits +8% YoY



Strong underlying performance and efficiently managed cost base



Robust capital structure and strong liquidity ratios

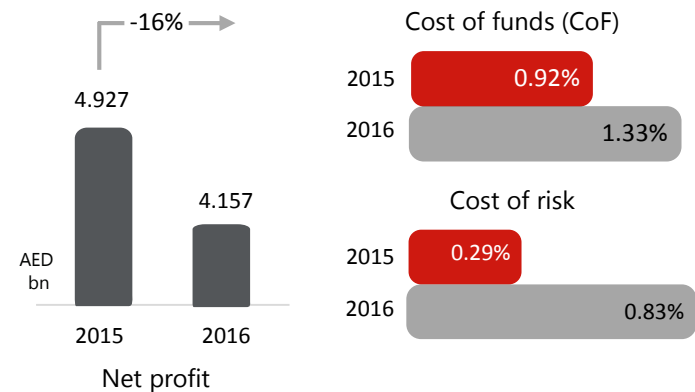
129%

Liquidity coverage ratio

18.92%

Capital adequacy ratio

Higher CoF and cost of risk resulted in lower profitability



Balance sheet highlights

Highlights (31 December 2016)

- ▶ Total assets grew 13% year on year to AED 258 billion. Net loans and advances to customers increased 8% year on year to AED 158 billion, compared to system wide growth of 6%
- ▶ Deposits from customers also increased 8% year on year to AED 155 billion, compared to system wide growth of 6%. Low cost current and savings account (CASA) deposits comprised 42% of total customers deposits
- ▶ Loan to deposit ratio from customers was unchanged at 101.9%
- ▶ Investment securities increased 58% year on year to AED 33 billion, mainly driven by an increase in UAE government bonds
- ▶ Capital adequacy and tier I ratios were 18.92% and 15.66% respectively. The decline in CAR was mainly on account of balance sheet growth and change in asset mix
- ▶ Total equity strengthened by AED 1.6 billion year on year to AED 30 billion as at 31 December 2016
- ▶ On 8 January 2017, the Bank cancelled its treasury shares and total equity reflects this cancellation

Balance sheet highlights (AED million)	Dec'16	Sep'16	Dec'15	Change%	
				QoQ	YoY
Loans and advances to customers, net ¹	158,458	161,562	146,250	(2)	8
Investment securities	33,059	25,750	20,864	28	58
Total assets	258,289	254,679	228,267	1	13
Deposits from customers	155,442	153,353	143,526	1	8
Borrowings	38,015	35,635	33,472	7	14
Total equity*	30,351	29,602	28,728	3	6
Ratios (%)	Dec'16	Sep'16	Dec'15	bps	bps
CAR (Capital adequacy ratio)	18.92	17.98	19.76	94	(84)
Tier I ratio	15.66	14.72	16.29	94	(63)
Loan to deposit ratio	101.9	105.4	101.9	(350)	-

Figures may not add up due to rounding differences

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

* Attributable to equity holders of the Bank

Income statement highlights

Highlights (2016 vs. 2015)

- ▶ Operating income of AED 8,495 million was up 3% year on year, whilst operating profit before impairment allowances of AED 5,700 million was up 5% over 2015. This was achieved in the absence of significant recoveries and interest in suspense reversals recorded in 2015, which were not repeated in 2016
- ▶ Total net interest income of AED 6,201 million was stable year on year, impacted by higher funding costs. This was partially offset by non-interest income of AED 2,294 million, up 12% over 2015
- ▶ Operating expenses of AED 2,796 million were 1% lower, driven by the Bank's disciplined cost strategy
- ▶ Impairment allowances charged for the year were AED 1,521 million compared to AED 502 million in 2015, reflecting our prudent approach to challenging market conditions
- ▶ Net profit of AED 4,157 million was 16% lower year on year, impacted by higher cost of funds and higher impairment allowances
- ▶ Whilst profitability declined year on year, the Bank maintained a robust ROAE of 15.7% and ROAA of 1.65% for 2016

Income statement highlights (AED mn)	Year on year trend			Quarterly trend				
	2016	2015	Change % YoY	Q4'16	Q3'16	Q4'15	Q4'16 Change %	
							QoQ	YoY
Total net interest and Islamic financing income	6,201	6,206	0	1,573	1,528	1,476	3	7
Non - interest income	2,294	2,055	12	598	541	539	10	11
Operating income	8,495	8,260	3	2,171	2,070	2,016	5	8
Operating expenses	(2,796)	(2,827)	(1)	(729)	(663)	(715)	10	2
Operating profit before impairment allowances	5,700	5,434	5	1,443	1,406	1,301	3	11
Impairment allowances	(1,521)	(502)	203	(437)	(380)	(110)	15	296
Share in profit of associate	8	1	NM	2	2	1	NM	NM
Profit before taxation	4,187	4,933	(15)	1,008	1,028	1,191	(2)	(15)
Overseas income tax expense	(30)	(6)	NM	(4)	(22)	(1)	NM	NM
Net profit for the period	4,157	4,927	(16)	1,004	1,006	1,191	0	(16)
Net profit attributable to equity shareholders	4,149	4,924	(16)	1,004	999	1,190	1	(16)

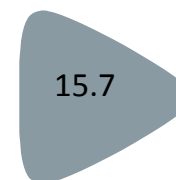
Figures may not add up due to rounding differences

2016 Key indicators

Earnings per share
(EPS – AED)



Return on average equity
(ROAE %)*



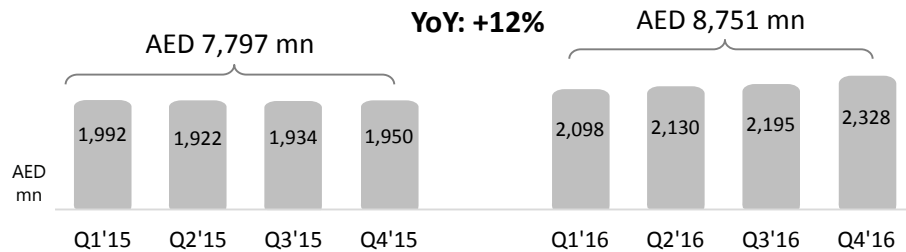
Return on average assets
(ROAA %)*



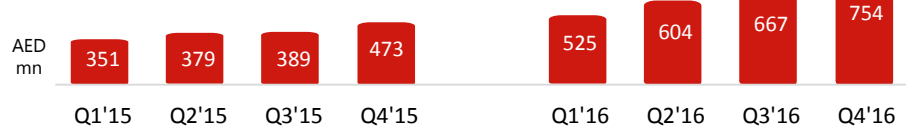
*For ROAE/ROA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and coupon on Tier 1 capital notes

Increase in cost of funds reflective of the tighter liquidity environment

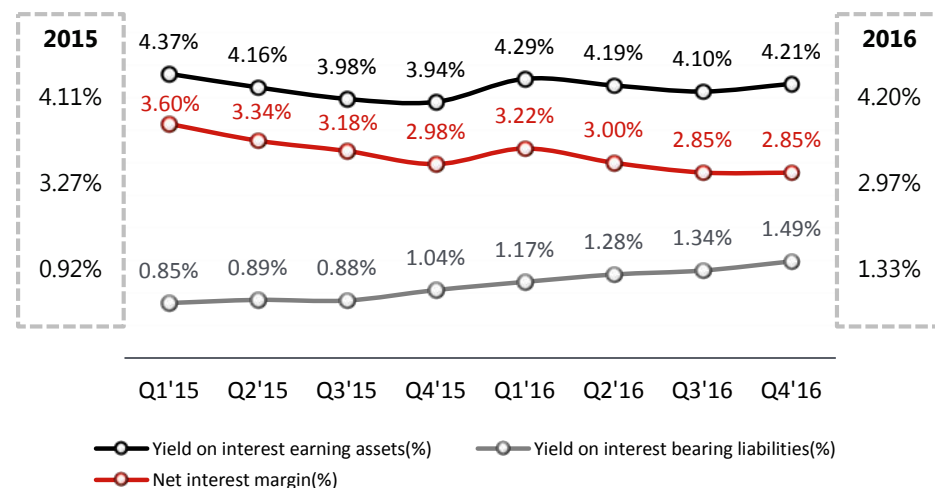
Gross interest and Islamic financing income



Interest expense



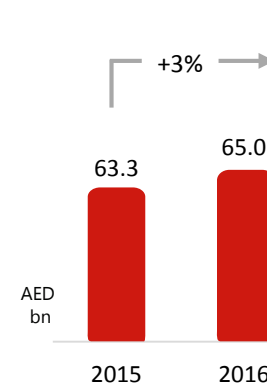
Evolution of yields (%)



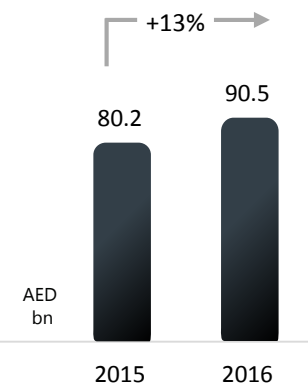
Highlights

- ▶ Gross interest and Islamic financing income of AED 8,751 million was up 12% year on year, driven by a 10% increase in average interest earning assets over 2015
- ▶ While asset yields remained strong, higher cost of funds resulted in a flat total net interest and Islamic financing income of AED 6,201 million and a lower net interest margin of 2.97% in 2016
- ▶ Interest expense of AED 2,550 million was 60% higher over 2015, reflective of the tighter liquidity environment
- ▶ Time deposits increased 13% year on year, providing stability with longer tenor deposits. The higher premium paid on time deposits and higher Eibor drove cost of funds higher to 1.33% from 0.92% in 2015

CASA deposits



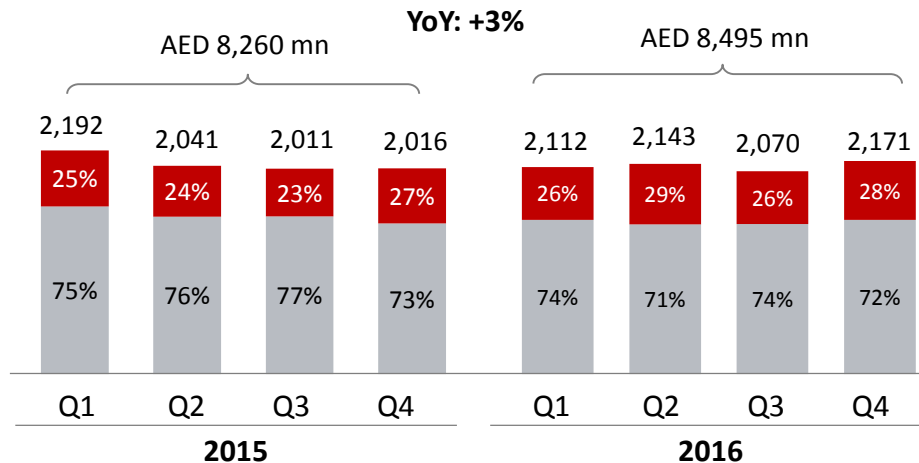
Time deposits



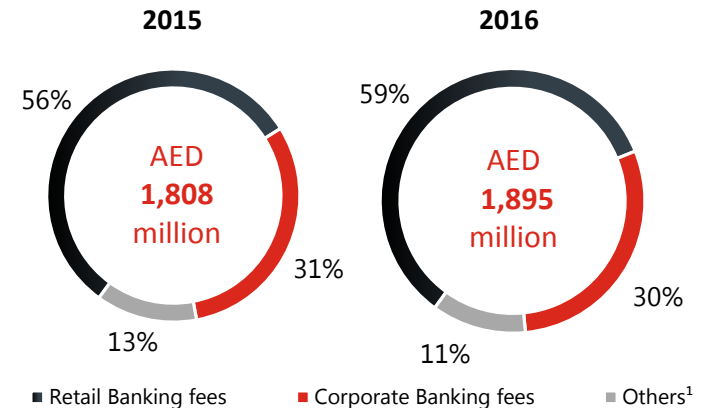
Continued focus on diversifying revenues, non-interest income +12% year on year

Operating income (AED million)

■ Non interest income (%) ■ Net interest income (%)



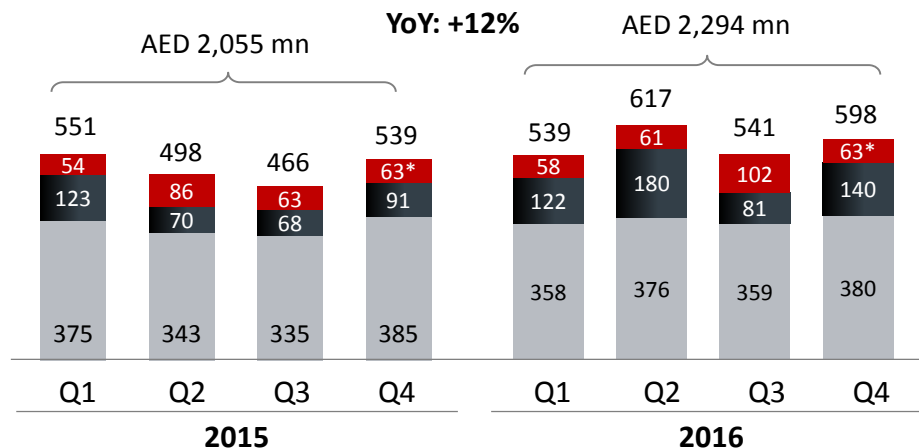
Gross fee income breakdown (AED million)



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

Non-interest income (AED million)

■ Net fees and commission income ■ Net trading income ■ Other operating income



Highlights

- ▶ Non-interest income of AED 2,294 million was up 12% over the previous year and accounted for 27% of operating income in 2016 compared to 25% in 2015
- ▶ Increase in non-interest income was mainly on account of higher trading income and higher fee & commission income. Net trading income of AED 522 million was up 48% year on year, mainly due to higher FX and derivative income
- ▶ Net fee and commission income of AED 1,472 million was up 2% over 2015 primarily on account of higher retail banking fees
- ▶ Gross retail banking fees of AED 1,116 million (excluding brokerage) were up 10% year on year, driven by higher loan volumes and credit card spend. Gross corporate banking fees of AED 560 million were flat year on year

* Other income includes revaluation of investment properties in Q4'15 and Q4'16

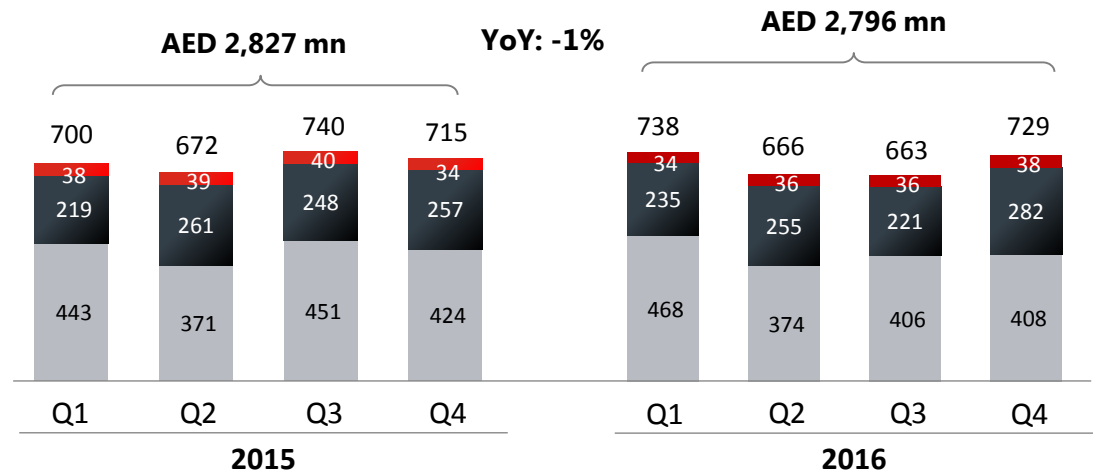
Improved cost to income ratio of 32.9%, whilst continuing to grow revenues

Highlights

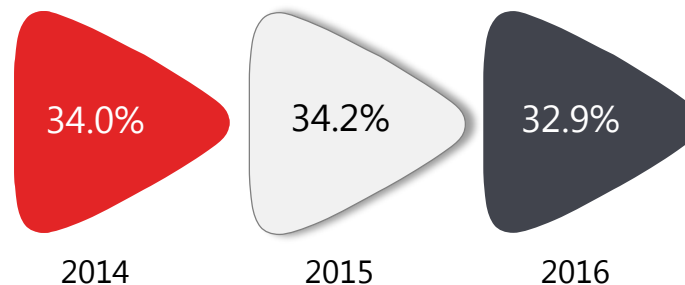
- ▶ Operating expenses of AED 2,796 million were 1% lower year on year
- ▶ The ongoing bankwide cost management initiatives and higher revenues resulted in an improved cost to income ratio of 32.9% compared to 34.2% in 2015
- ▶ This improvement was achieved whilst we continued to make prudent investments in our businesses, systems and infrastructure, including an upgrade of our core banking system and a set of digital initiatives to enhance our offerings and customer service

Operating expenses (AED million)

■ Staff costs ■ General administration expenses ■ Depreciation & amortisation



Cost to income ratio (%)



Net loans to customers +8%, Islamic financing assets +30% YoY

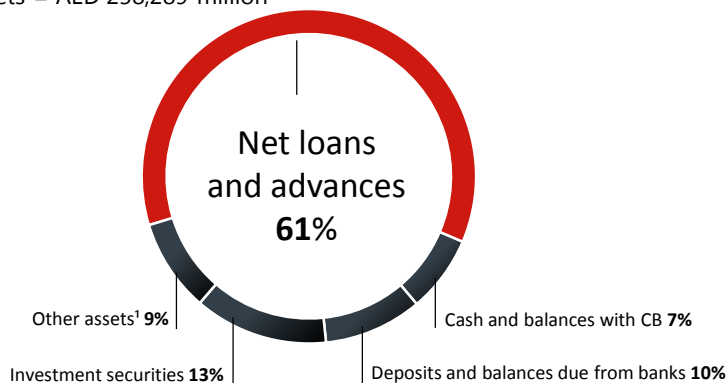
Highlights

- ▶ Net loans to customers increased 8% year on year to AED 158,458 million, comprising 61% of total assets (2015: 64%)
- ▶ Consumer Banking loans increased 5%, while Wholesale Banking loans increased 11% year on year. Loans to banks decreased 52% year on year to AED 3.6 billion
- ▶ Consumer Banking loans comprised 45% and Wholesale Banking loans comprised 55% of total loans
- ▶ 94% of loans were within the UAE in line with the Bank's UAE centric strategy
- ▶ 57% of loans (gross) were in Abu Dhabi, 30% were in Dubai and 7% in other Emirates as at 31 December 2016
- ▶ Personal loans comprised 25% of gross loans (2015: 26%)
- ▶ Islamic Banking continued to be a key driver of growth, with net Islamic financing assets up 30% year on year at AED 18,499 million as at 31 December 2016

Composition of assets

2016

Total assets = AED 258,289 million

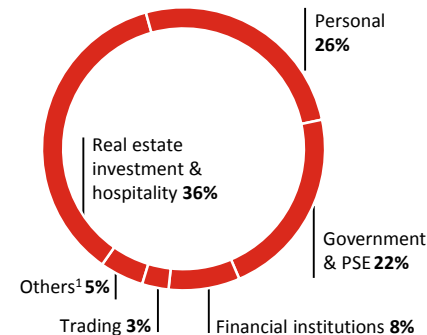


¹ Other assets include derivative financial instruments, investments in associate, investment properties, property and equipment (net), intangible assets and reverse repo placements

Gross loans by economic sector

2015

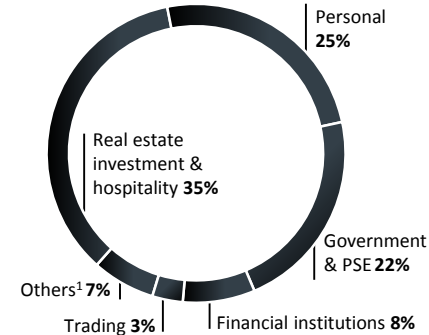
Gross loans = AED 152,426 million



¹ Others include agriculture, energy, transport, manufacturing and services

2016

Gross loans = AED 164,400 million

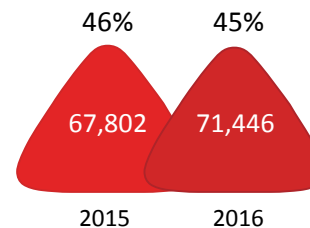


Contribution to net loans and advance to customers by business segment (AED million)

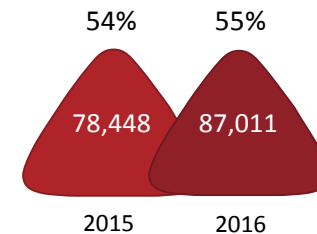
2016

Net loans = AED 158,458 million

Consumer Banking



Wholesale Banking



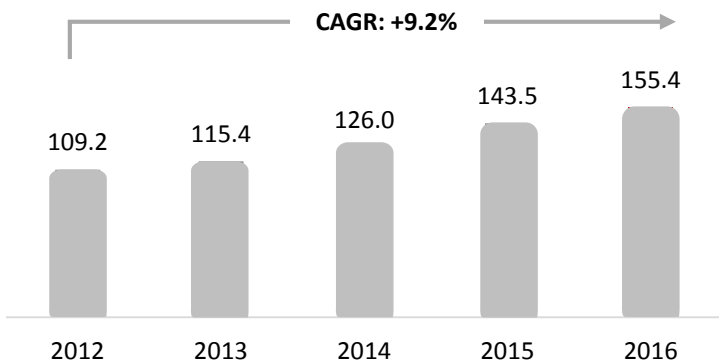
Consumer banking includes retail and high net worth individuals and their businesses

Customer deposits +8% YoY, total Islamic deposits +17% YoY

Highlights

- ▶ Customer deposits increased 8% year on year to AED 155,442 million, comprised 68% of total liabilities (2015:72%)
- ▶ CASA deposits comprised 42% of total customer deposits
- ▶ As at 31 December 2016, CASA balances were AED 64,975 million, up 3%, while time deposits of AED 90,467 million were up 13% year on year
- ▶ Consumer Banking deposits were up 18%, while Wholesale Banking deposits were up 12% year on year
- ▶ Consumer Banking deposits comprised 32%, Wholesale Banking deposits comprised 43% and Treasury comprised 25% of total customer deposits
- ▶ Total Islamic deposits increased 17% year on year to AED 11,987 million as at 31 December 2016

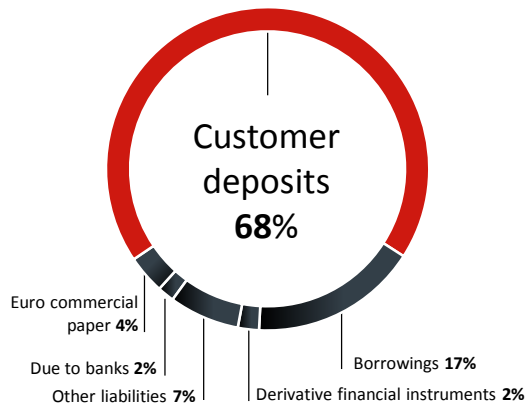
Customer deposits (AED billion)



Composition of liabilities

2016

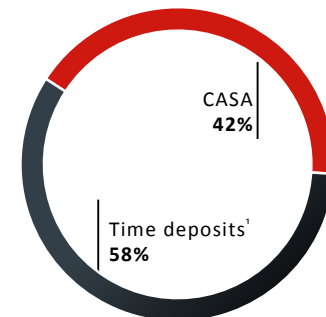
Total liabilities = AED 227,938 million



Customer deposit breakdown

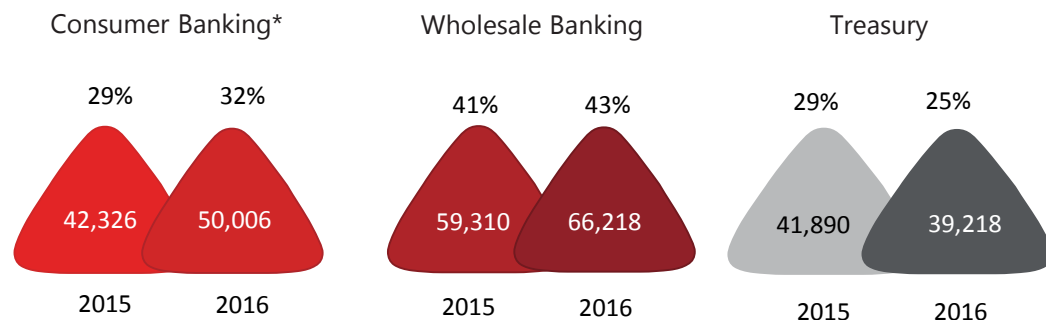
2016

Customer deposits = AED 155,442 million



¹ Time deposits include long-term government and Murabaha deposits

Contribution to total deposits by business segment (AED million)

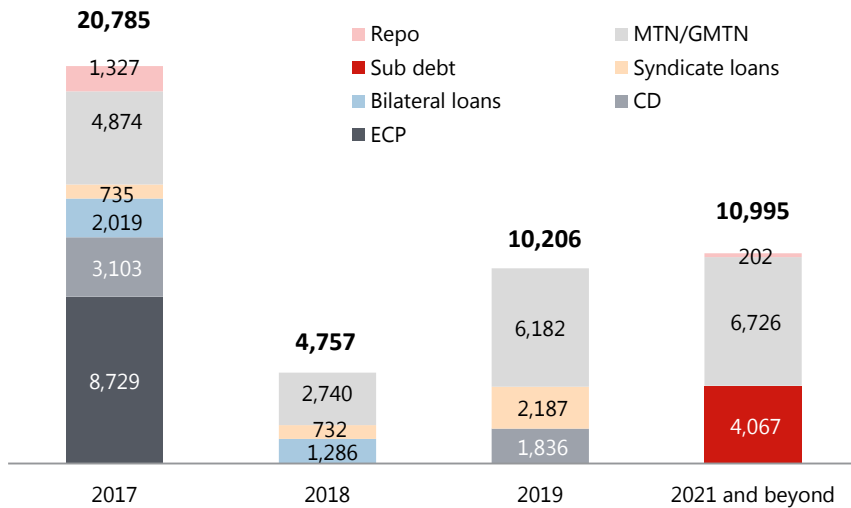


* Consumer banking includes retail and high net worth individuals and their businesses

Wholesale funding and maturity profile Diversified sources of funding by markets, tenors, currencies and products

Maturity profile

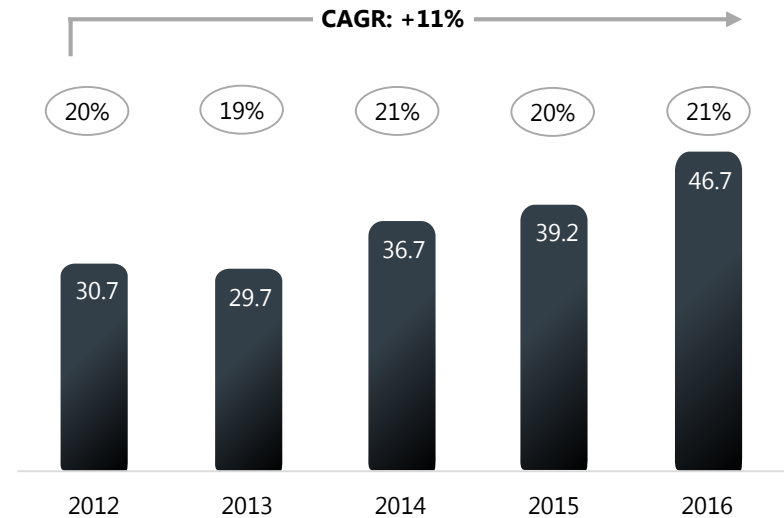
As at 31 December 2016 (AED million)



Wholesale funding split as at 31 December 2016

Source of funds	AED million
GMTN/EMTN	20,521
Subordinated debt	4,067
Euro Commercial paper	8,729
Borrowings through repurchase agreements	1,529
Bilateral loans	3,304
Syndication loan	3,654
Certificate of Deposits	4,939
Total	46,743

Wholesale funding including Euro commercial paper (AED billion)



○ Wholesale funding as a % of total liabilities

Wholesale funding including Euro Commercial Paper accounted for 21% of total liabilities, providing a stable, long-term and reliable source of funding

Net lender of
AED 22 bn*
in the interbank markets
(As at 31 December 2016)

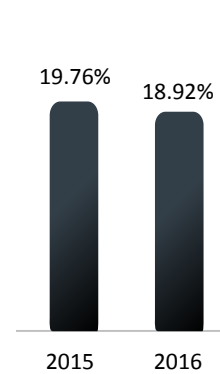
* Includes AED 5 billion of certificate of deposits with central banks

Robust capital ratios and high liquidity levels maintained, CAR of 18.92% and LCR of 129%

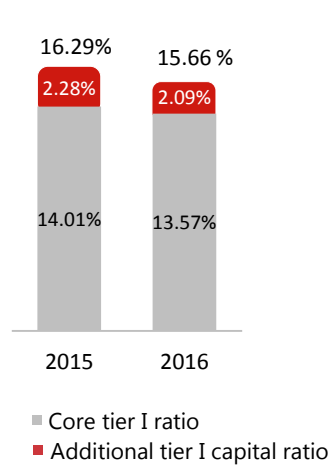
Highlights

- ▶ As at 31 December 2016, the Bank's capital adequacy ratio (Basel II) and Tier I ratios were 18.92% and 15.66% respectively, while core Tier I ratio was 13.57%, and total risk weighted assets were at AED 191 billion
- ▶ Decline in CAR was mainly on account of balance sheet growth and change in asset mix. The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and Tier I minimum requirement is 8%
- ▶ In a tight liquidity environment, the Bank was able to maintain its loan to deposit ratio of 101.9%, and improved its liquidity ratio to 29.2% from 25.8% in 2015
- ▶ Liquidity coverage ratio (LCR) at the end of 2016 stood at 129%, compared to a minimum ratio of 70% prescribed by UAE Central Bank. ADCB was amongst the first banks approved by the Central Bank to publish the LCR ratio

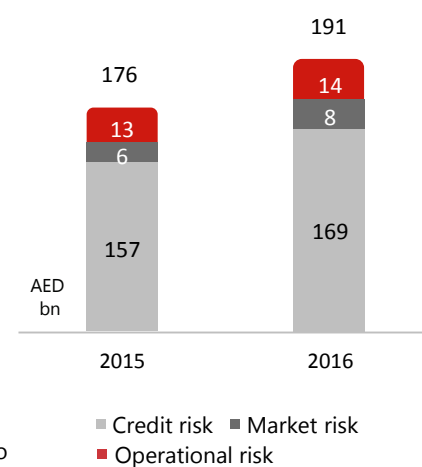
Capital adequacy ratio



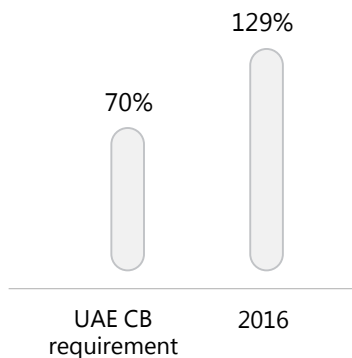
Tier I and core tier I ratios



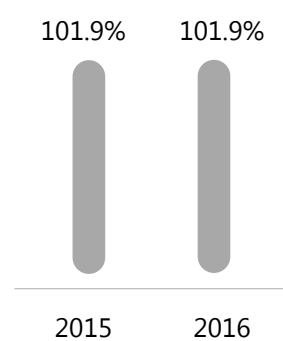
Risk weighted assets



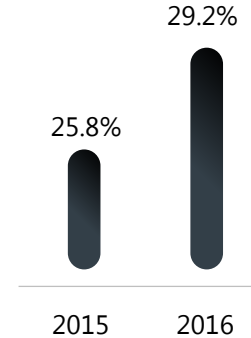
Liquidity coverage ratio



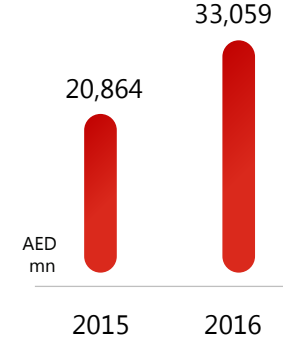
Loan to deposit ratio from customers



Liquidity ratio*



Investment securities



*Liquidity 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

Investment securities, 99% of total portfolio invested in bonds

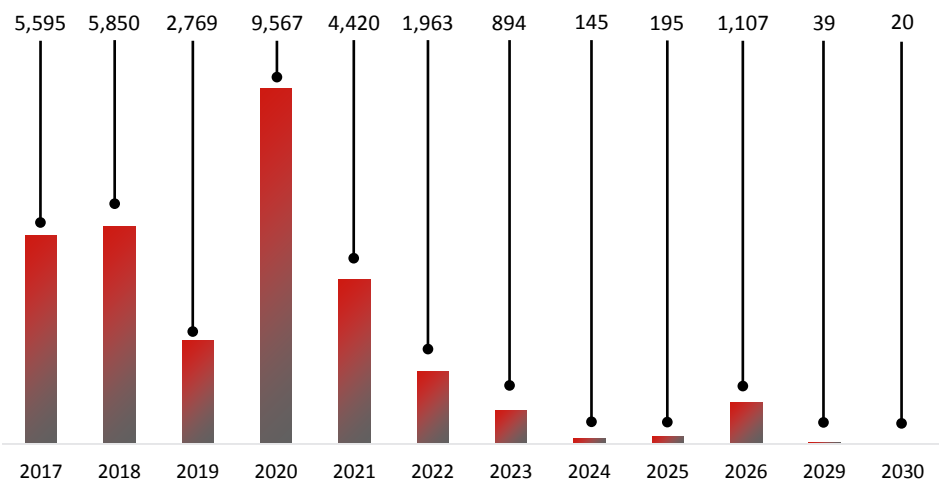
Highlights

- ▶ Investment securities increased to AED 33,059 million as at 31 December 2016, mainly attributable to increase in UAE government bonds.
- ▶ 99% of the total portfolio was invested in bonds issued by government, public sector, banks, financial institutions and corporate
- ▶ Average life of the investment securities portfolio is 3.3 years
- ▶ 76% invested in the UAE and other GCC countries

Portfolio summary:

- ▶ 53% of the portfolio is invested in Government securities
- ▶ Non Government Bond Portfolio – 47% of total portfolio
 - Rated A- or better: 58%
 - Rated Investment grade (i.e. BBB+ to BBB-): 34%
 - Rated below IG (BB+ and below including unrated): 8%

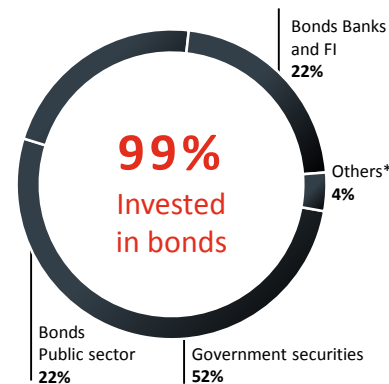
Maturity profile of investment securities portfolio (AED million)*



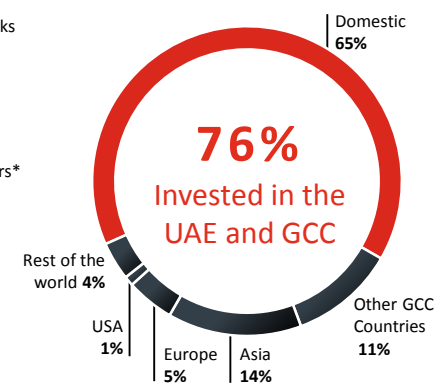
* Excluding investments in equity and funds

Investments

By issuer



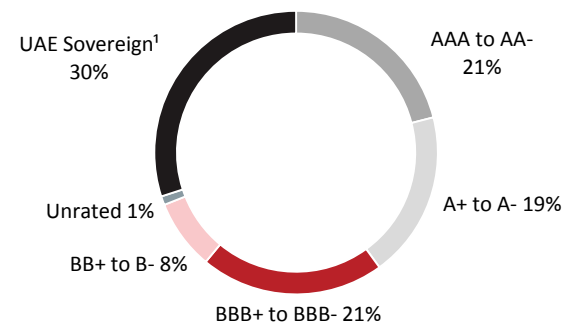
By region



* Include corporate bonds, equity instruments and mutual funds

Total bond portfolio = AED 32,564 million

Credit ratings as at 31 December 2016
(Standard & Poor's, or equivalent of Fitch or Moody's)



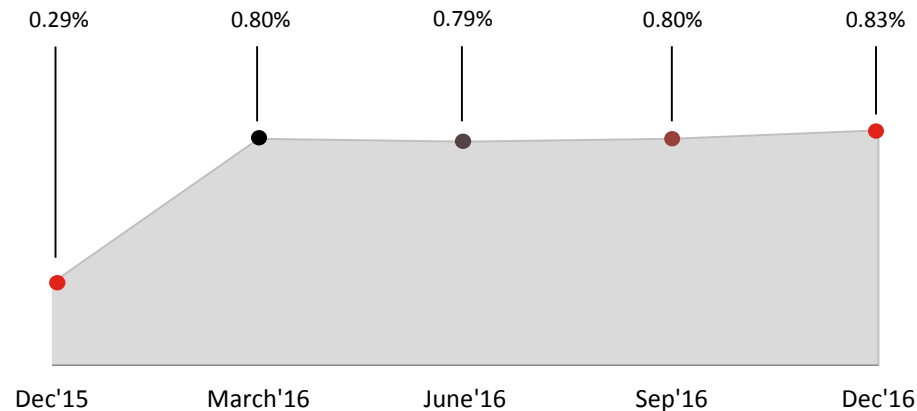
¹ UAE Sovereign internal rating range between grade 2-3 and map to external rating between AA to A

Healthy asset quality metrics

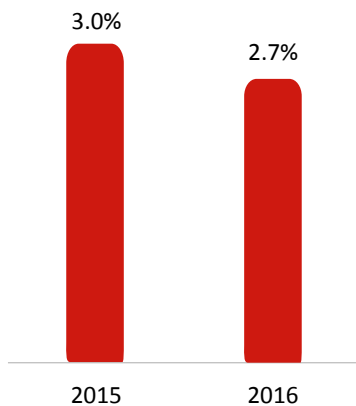
Highlights

- ▶ Non-performing loans (NPL) and provision coverage ratios were 2.7% and 129.9% respectively, compared to 3.0% and 128.5% as at 31 December 2015
- ▶ Non-performing loans were AED 4,600 million compared to AED 4,834 million as at 31 December 2015. Cost of risk was 0.83% compared to 0.29% in 2015, reflective of our prudent approach to challenging market conditions
- ▶ Total loan impairment charges, net of recoveries amounted to AED 1,552 million for 2016, which included collective impairment charges of AED 226 million
- ▶ Collective impairment allowance balance was AED 3,194 million and 1.89% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank. Individual impairment allowance balances were AED 2,851 million as at 31 December 2016

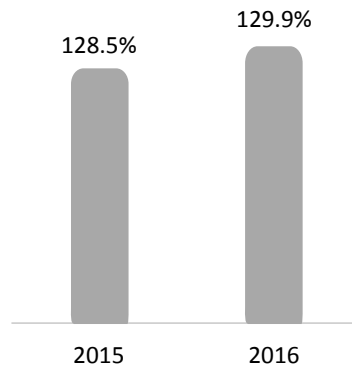
Cost of risk



Non-performing loan ratio

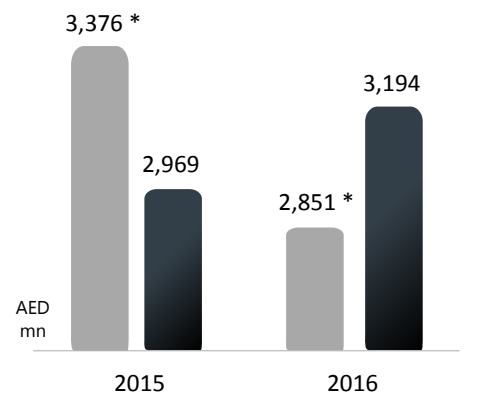


Provision coverage ratio¹



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

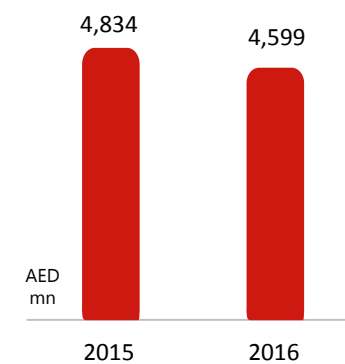
Impairment allowances (Includes impairment allowances to banks)



■ Individual impairment ■ Collective impairment

* Includes provision for Dubai World exposure

Non-performing loans



Summary

- ▶ Operating income of AED 8.495 billion was up 3% and operating profit before impairment allowances of AED 5.700 billion was up 5% over 2015
- ▶ Gross interest and Islamic financing income was up 12% over 2015 at AED 8.751 billion, while asset yields remained strong at 4.20%.
- ▶ Net interest income remained stable year on year, impacted by higher cost of funds
- ▶ Non-interest income of AED 2.294 billion was up 12% year on year and comprised 27% of operating income compared to 25% in 2015
- ▶ Cost to income ratio improved to 32.9% from 34.2% in 2015
- ▶ Net profit of AED 4.157 billion was 16% lower year on year due to higher cost of funds and higher cost of risk, while the Bank maintained a strong ROAE of 15.7% and ROAA of 1.65% in 2016
- ▶ Net loans and customer deposits grew 8% year on year, Consumer Banking loans were up 5% while Wholesale Banking loans were up 11%*
- ▶ CASA deposits comprised 42% of total customer deposits and increased 3% over 2015 to AED 65 billion
- ▶ Capital ratios remained robust, with a CAR of 18.92% and Tier I of 15.66%
- ▶ Healthy asset quality indicators, NPL and provision coverage ratios of 2.7% and 129.9% respectively

*Excludes loans to banks

Macro overview

Business overview

Our journey

Three year journey

Appendix

Rating agency views

S&P Global Ratings

"Abu Dhabi Commercial Bank (ADCB)'s business position has strengthened in recent years, and we have reassessed its stand-alone credit profile (SACP) to 'bbb+' from 'bbb'."

"Over recent years, the bank has demonstrated a track record of improving returns, coupled with more balanced earnings generation across different business segments. In our view, the management team's execution capabilities are well reflected in the bank's key financial and business metrics, which have improved substantially."

"The stable outlook on ADCB reflects our expectation that the bank's business and financial profiles will remain largely unchanged over the next two years, despite our expectation of a gradual weakening of operating conditions in the United Arab Emirates."

FitchRatings

"Capital ratios have improved significantly since 2010 due to a series of capital strengthening measures, including higher retained earnings."

"The VR reflects the bank's solid commercial franchise and improving financial metrics over the past three years, including reducing impaired loans, easing impairment changes, stable capitalization and reasonable funding and liquidity."

Extracts from latest reports issued by Standard & Poor's (18 July 2016) and Fitch Ratings (4 August 2016) 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

2016 Awards

"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

"Five Star Cash Manager"

Euromoney

"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

"Best Islamic Retail Bank in UAE"

The Asset Financial Magazine

"Islamic Banker of the Year"

The Asset Financial Magazine

"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

the "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

Balance sheet

AED million	2016	2015	Change %
Cash and balances with central banks	19,262	20,180	(5)
Deposits and balances due from banks, net#	24,664	22,382	10
Reverse-repo placements	1,525	4,256	(64)
Investment securities	33,478	20,926	60
Loans and advances to customers, net	158,458	146,250	8
Other assets*	20,903	14,272	46
Total assets	258,289	228,267	13
Due to banks	3,843	1,692	127
Deposits from customers	155,442	143,526	8
Euro commercial paper	8,729	5,700	53
Borrowings	38,015	33,472	14
Other liabilities**	21,910	15,144	45
Total liabilities	227,938	199,534	14
Total shareholders' equity	30,351	28,728	6
Non -controlling interests	0	5	NM
Total liabilities and shareholders' equity	258,289	228,267	13

Note: #Deposits and balances due from banks include AED 3.6 bn as at December 31, 2016 (AED 7.4 bn as at December 31, 2015) of loans to banks that were earlier reported under loans and advances to customers, net.

*Other assets include derivative financial instruments, investment in associate, investment properties, property and equipment (net), intangible assets.

**Other liabilities include derivative financial instruments.

Income statement

AED mn	Actual	Prior year	PY%
Interest income and income from Islamic financing	8,751	7,797	12
Interest expense and profit distribution	(2,550)	(1,591)	60
Net interest and Islamic financing income	6,201	6,206	(0)
Net fees and commission income	1,472	1,438	2
Net trading income	522	352	48
Revaluation of investment properties	16	0	NA
Other operating income	285	265	7
Non interest income	2,294	2,055	12
Operating income	8,495	8,260	3
Staff expenses	(1,657)	(1,689)	(2)
Other operating expenses	(994)	(986)	1
Depreciation	(145)	(135)	8
Amortisation of intangible assets		(17)	NM
Operating expenses	(2,796)	(2,827)	(1)
Operating profit before impairment allowances & taxation	5,700	5,434	5
Impairment allowances	(1,521)	(502)	203
Share in profit of associate	8	1	NM
Overseas income tax expense	(30)	(6)	NM
Net profit	4,157	4,927	(16)
Attributed to:			
Equity holders of the Parent	4,149	4,924	(16)
Non-controlling interests	8	3	NM
Net Profit	4,157	4,927	(16)

Leading Through

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