

# The Difference Is...

AMBITION + DISCIPLINE



Abu Dhabi Commercial Bank PJSC

Q2/H1'16 Investor presentation

July 2016



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# Macro overview

Business overview

Our journey

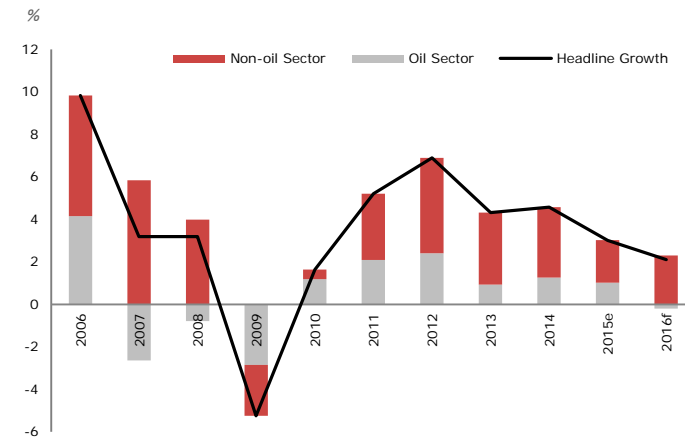
Financial highlights

Appendix

## UAE economic overview : Economic activity moderating Fiscal policy responses positive for medium term outlook

- ▶ UAE's economy is forecast to decelerate further in 2016. Economic challenges include the lower oil price, ongoing softening real estate prices in Dubai, weak global and regional demand and monetary tightening
- ▶ Expect headline real GDP growth to moderate to 2.1% in 2016 from 3% in 2015 and real non-oil GDP growth to decelerate to 2.3% from 3% in 2015
- ▶ We expect to see greater fiscal consolidation from Abu Dhabi in 2016, including lower current and capital expenditure than in 2015. Reforms include further reduction in utility subsidies (Jan 2016) and the introduction of a 3% tax on rents (Apr 2016) both of which are positive from a fiscal perspective
- ▶ Dubai announced an expansionary budget for 2016, with a focus on investment spending. UAE project awards rose by 15.1% q-o-q in Q1'16, though is still down -14.8% y-o-y
- ▶ Key service sectors (tourism, transportation, logistics, etc.) are continuing to see growth, albeit decelerating. PMI data reflects the softening in non-oil activity in 2016
- ▶ UAE annual average inflation to moderate with lower fuel prices in 2016, though Abu Dhabi subsidy reforms and limited wage increases impacting cost of living
- ▶ Diverse economic base and strong FX reserves support the economic outlook
- ▶ Real non-oil GDP growth should start to strengthen from 2017 onwards as the pace of investment is likely to accelerate ahead of Dubai Expo 2020
- ▶ Support from the removal of sanctions on Iran likely to be medium term, limited impact so far

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

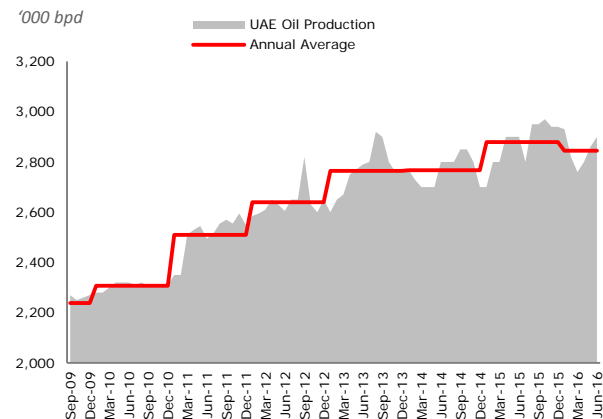


Source: UAE National Bureau of Statistics, ADCB estimates

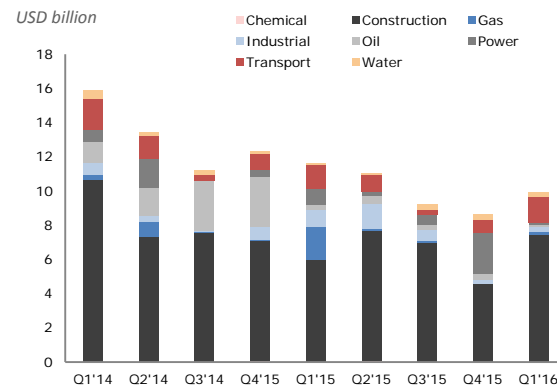
UAE's average oil production marginally lower in 2016, will impact headline real GDP growth

Total UAE project awards are down on a yearly basis, but progress continues with core projects

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

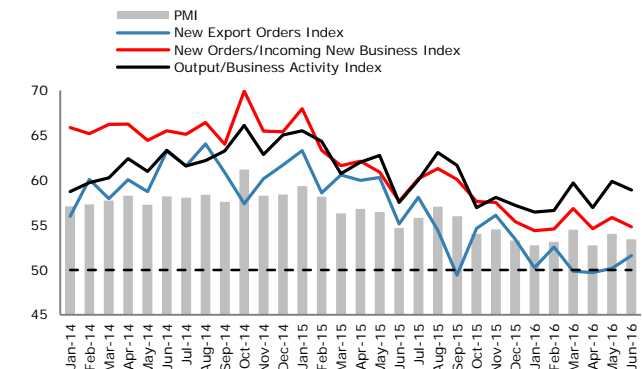


Source: Bloomberg



Source: MEED Projects, ADCB

Index; reading above 50 indicates an expansion



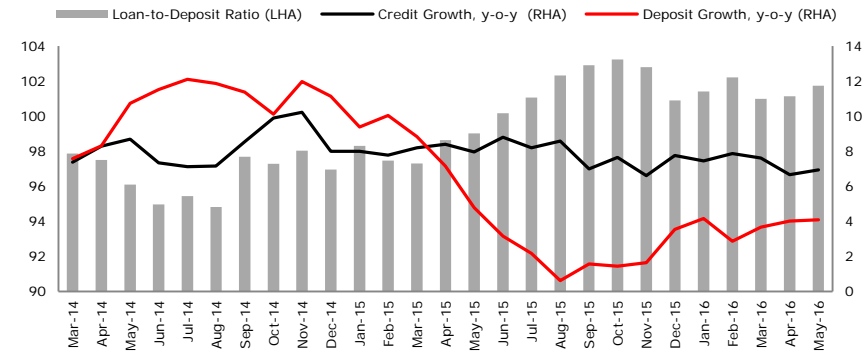
Source: Market Economics PMI: Purchasing Managers Index

## UAE banks overview : Liquidity tightening Credit growth continues to outstrip deposit growth

- ▶ UAE Banking sector is ranked largest in the GCC in terms of assets, comprises 23 local banks with 863 branches and 26 foreign banks with 85 branches
- ▶ YoY credit growth (6.9% in May 2016) outstripping deposit growth (4.1%)
- ▶ Government and GRE combined are net creditors from the banking sector in 2016 YTD, with a pickup in GRE borrowing and lower deposits in the banking system compared to end-2015
- ▶ Private sector credit growth stood at 6.3% YoY in May 2016, down from 8.5% YoY in December 2015. Both retail and corporate credit growth have been decelerating in 2016 in YoY terms
- ▶ Interbank lending rates continue to rise, especially the six month, as banking sector liquidity tightens. However, the pace of increase has moderated in 2016 compared to end-2015, partly due to the expectation of a more gradual rate hiking cycle in the US
- ▶ Banking sector is strongly capitalised, with a CAR of 18.0% and Tier I of 16.3% as at 31 March 2016

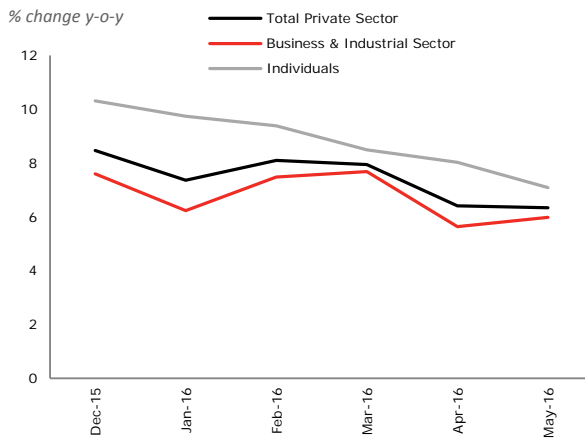
### Banking sector liquidity tightening as credit growth outstrips deposit growth, albeit by a smaller margin

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



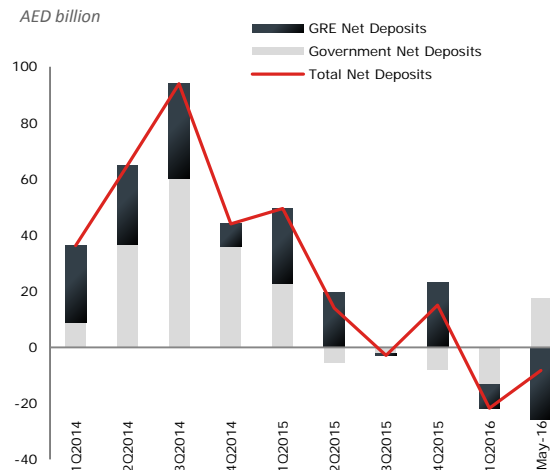
Source: Central Bank of UAE

### Private sector credit growth decelerates in 2016, with both corporate and retail moderating



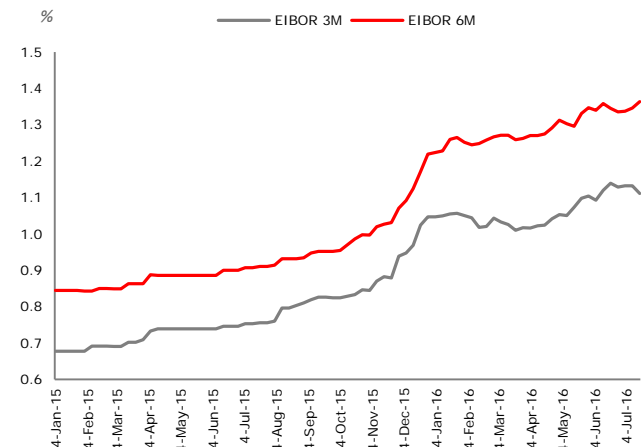
Source: Central Bank of UAE

### GRE net creditors from the banking sector in 2016; Government deposits rise in Q2



Source: Central Bank of UAE

### UAE Interbank rates continue to rise with tighter banking sector liquidity, though the pace of increase has moderated



Source: Bloomberg

Macro overview

# Business overview

Our journey

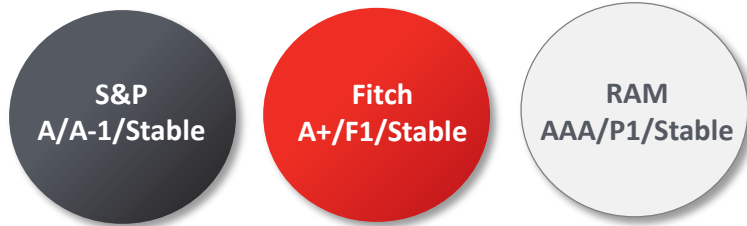
Financial highlights

Appendix

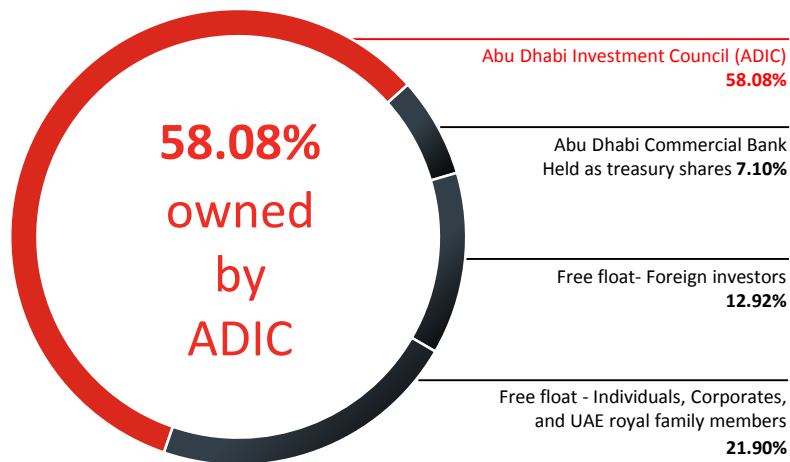
ADCB overview

ADCB franchise	June'16	2015
Market cap excluding treasury shares (AED billion)	31	34
Branch network (UAE) <sup>1</sup>	48	49
Overseas branches <sup>2</sup>	3	3
Market share of loans, net (%) *	10.8	10.6
Market share of deposits (%)*	9.9	9.8

Ratings



Ownership structure (30 June 2016)



<sup>1</sup> Excludes pay offices

<sup>2</sup> Two branches in India and one branch in Jersey

\* As of May, June data not available

## Core strengths (As at 30 June 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 sharply lower oil price and economic activity softening in H1'16
- ▶ Government remains focused on driving economic diversification. New attractions and theme parks important to drive tourism growth
- ▶ Dubai project awards increasing in 2016 and officials suggest Abu Dhabi is looking to revive spending on delayed projects in 2017
- ▶ The Government (Abu Dhabi Investment Council) owns 58.08% 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 and Banco Santander
- ▶ Continue to grow our balance sheet in a granular and prudent manner in our core geography and core businesses, net loans to customers increased 13% year on year
- ▶ Delivered ROAE of 17% in H1'16
- ▶ In July, 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 18.40%, Tier I capital ratio of 15.07%
- ▶ Despite tightening liquidity, total customer deposits grew 13% year on year and CASA deposits comprised 44.5% of total deposits
- ▶ Net lender of AED 21 billion in the interbank markets
- ▶ Strong risk management culture, maintaining a rigorous control framework, NPL ratio of 2.7% and provision coverage ratio of 132.9%
- ▶ 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 and Banco Santander to allow clients who require services in the region to access capabilities provided by ADCB



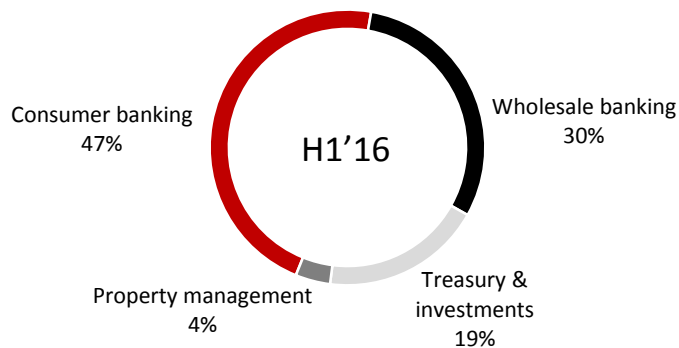
- ▶ Treasury business and investment portfolio provides interest rate, commodities and foreign exchange services
- ▶ Covers money market, FX, interest rates, currency, commodity derivatives and asset & liability management



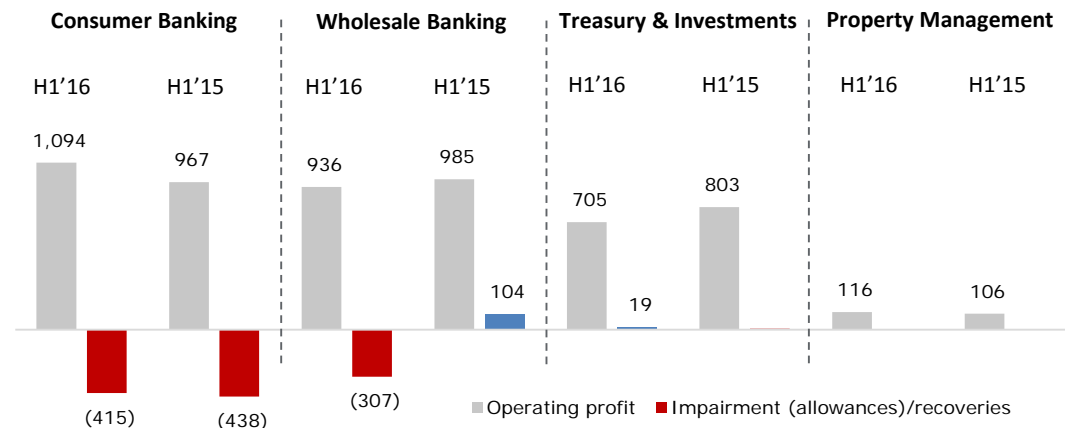
- ▶ Includes real estate and property management activities
- ▶ Comprises real estate, property management and engineering services through subsidiaries Abu Dhabi Commercial Proprieties and Abu Dhabi Commercial Engineering Services
- ▶ Management of investment properties and ADCB rental income

Percentage contribution to operating income

Total operating income = AED 4,255 million



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



The Difference Is: 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

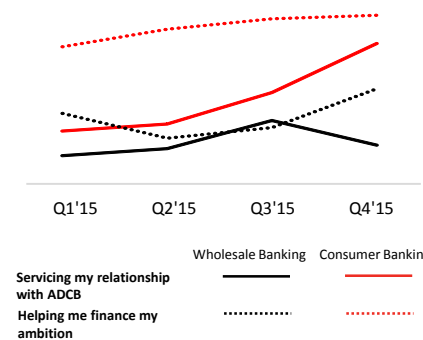
(30 June 2016)

## 44.5%

CASA deposits/total deposits

(30 June 2016)

**Net promoter score (NPS)\***



## 0.79%

Cost of risk

(30 June 2016)

## 8.8

years

Average time span of Executive management

\* 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.

## Recognised as a regional leader in corporate governance

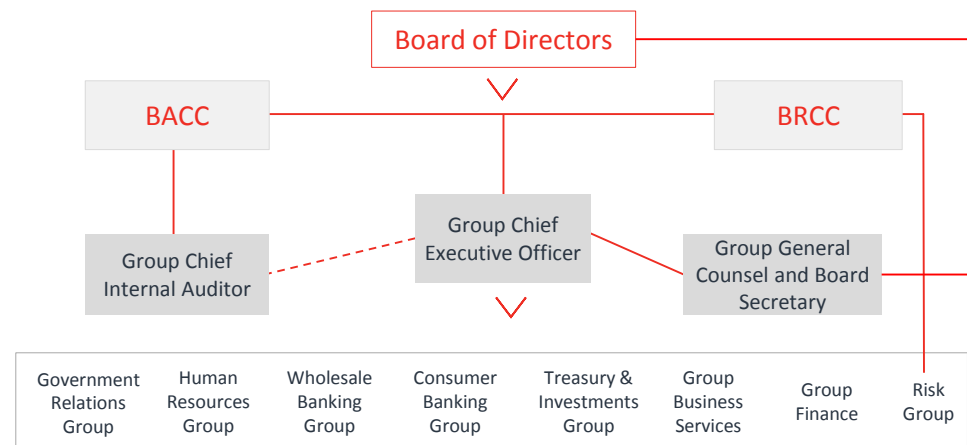
### Highlights

- ▶ Maintain high standards in Corporate Governance, winning “Best Corporate Governance in UAE” from World Finance Magazine in 2015 and for the second time in three years, the Hawakamah Bank Corporate Governance Award in 2014
- ▶ 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

### Corporate governance structure



### Structure and composition



## Effective risk management is fundamental to our core strategy

### 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 from 37.04% of gross loans in 2014 to 35.26% in 2015
- Provision coverage remains strong
- Average portfolio quality has remained stable, notwithstanding a negative trend in credit conditions
- LCR is well above BCBS (Basel Committee on Banking Supervision) standard requirements at this time
- Concentration reduction by name and sector
- ▶ 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

### Three lines of defence

#### First line

ADCB's business units including all business areas and functions are accountable for owning and managing the risks which exist in their area within a defined risk appetite framework

Treasury  
Wholesale banking  
Consumer banking  
Property management

#### Second line

Independent monitoring and control functions are accountable for owning and developing the risk and control frameworks. The second line of defense is independent from the business and accountable for overseeing and challenging the first line of defense on the effective management of its risks

Credit  
Risk  
Compliance

#### Third line

Group Internal Audit and External Audit provide independent assurance on the appropriateness of the design and operational effectiveness of risk management and internal control processes that mitigate ADCB's key risks

Internal audit  
External audit

### Principal risks

<b>Credit Risk</b>	Managing concentrations, growth of granular businesses and improvement in average portfolio quality. Effective pricing tools to price risk appropriately
<b>Market Risk</b>	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
<b>Liquidity &amp; Funding Risk</b>	Diversified funding through retail and wholesale operations. Strive to maintain sticky deposits. Treasury Department ensures access to diverse sources of funding
<b>Capital Risk</b>	Manage via techniques based on guidelines developed by the Basel Committee and CB of the UAE. Prepare ICAAP document annually (capital planning)
<b>Operational Risk</b>	Using top risk analysis and risk and control assessment (RCA) process to monitor and manage operational risk
<b>Regulatory Risk</b>	Member of UAE Banks Federation and actively try to influence regulations. Regulatory compliance is closely monitored by the Risk and Audit areas
<b>Information Security Risk</b>	Information –risk heat map against cyber threats is continually updated. Regular security testing and effective security controls
<b>Reputational Risk</b>	Set policy and provide guidance to avoid reputational risk relating to business engagements and lending clients in sensitive industry sectors

The Difference is customer centricity











2015 highlights

- ▶ Net Promoter Scores (NPS)<sup>1</sup> continued to rise throughout 2015, retained #1 position among our peers across Wholesale, mid corporate, treasury and private accounts segments<sup>2</sup>
- ▶ 60,800 customers spoken to for feedback
- ▶ In 2015, 13.8 million payments were processed with a value of AED 1.4 trillion, an increase of 46% year on year, with 92% straight through processing (STP) for electronic payments
- ▶ Continue to invest in technology to better serve our customers: 55% of our retail customer base registered for online banking and 29% registered for our banking app
- ▶ 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

<sup>1</sup> 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

<sup>2</sup> Source: 2015 survey conducted by independent third party research agencies for ADCB customers

UAE top 10 most intimate brands 2015

Rank	Brands	Quotient
#1		75
#2		70
#3		68
#4		61
#5		58
#6		55
#7		54*
#8		54*
#9		52
#10		51

\*Scores that appear tied are the result of rounding four decimal point Quotient scores to their nearest whole number.

Source: MBLM Brand Intimacy 2015 Report  
<http://mblm.com/brandintimacy>

Our Grow Digital Program is delivering innovative solutions to drive superior customer experience

- ▶ Invested AED 300 million in Digital Innovation and continue to do so through ongoing commitment to “Grow Digital”

### Digital Tooling and Platforms



- Flexcube v12: Digital Service Oriented Architecture
- Property Management Solution
- Enhanced Development Platform

### Digital Web Developments



- Online Account Opening
- ADCB Private
- Personal Financial Management
- ‘Life in the UAE’
- SME Portal

### Digital Mobile Developments



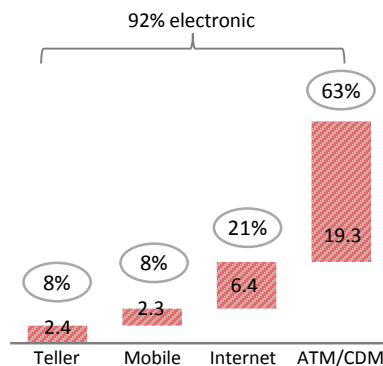
- Mobile Account Opening
- ADCB Private
- Pro-Cash ‘On the Move’
- ADCB Securities Trading
- Digital Financial Center

- ▶ Launched Digital Innovation Lab in August 2014, developed new products and services in collaboration with our Business Partners

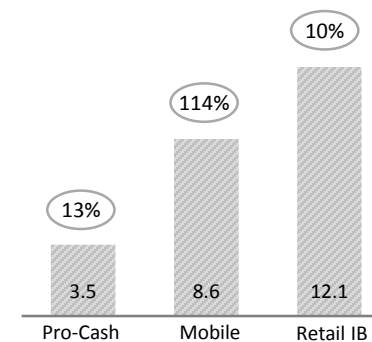
- ▶ 92% of ADCB customer transactions are via electronic channels

- ▶ With Mobile, our customers ‘take ADCB with them everywhere they go’

2015 ADCB Customer Transactions in millions and as a % of total transactions



2015 log-ins in millions and YOY growth in %



Macro overview

Business overview

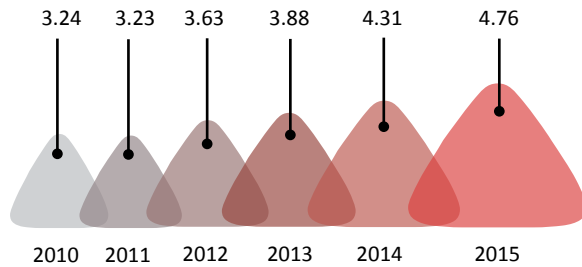
**Our journey**

Financial highlights

Appendix

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

Book value per share (AED)

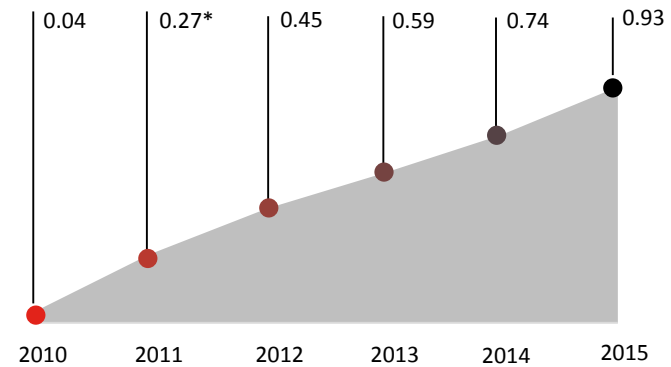


Total shareholder return (%)

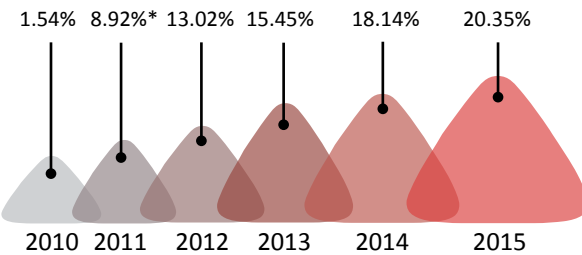
	ADCB	ADX	ADBF
1 Year	6%	0%	-17%
3 Year	150%	86%	71%
5 Year	290%	96%	117%

Source: Bloomberg: ADCB, ADX: Abu Dhabi Exchange, ADBF: Banking Index  
As at 31 December 2015

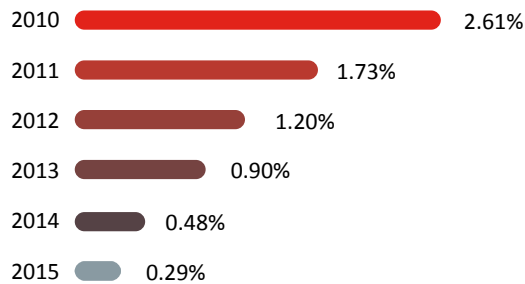
Basic earnings per share (AED)



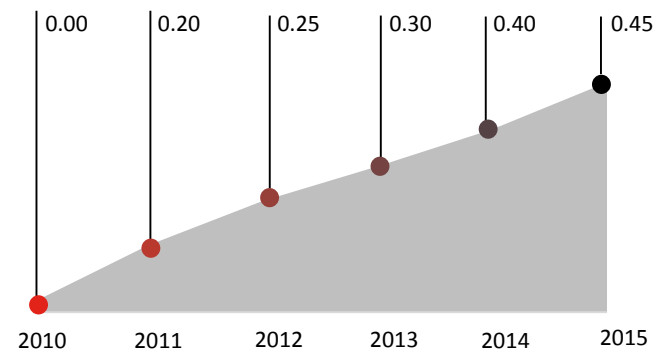
Return on average equity (%)



Cost of risk (%)



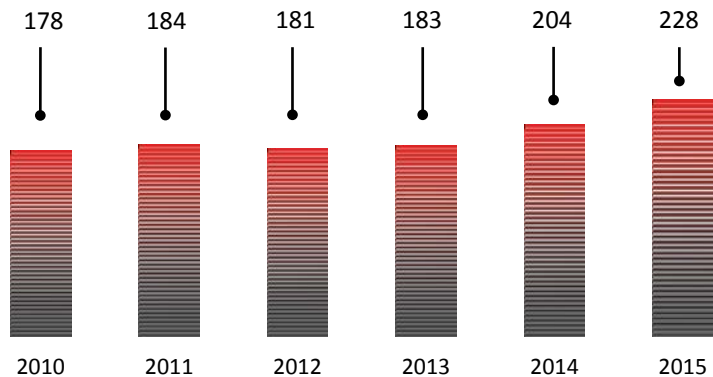
Dividend per share (AED)



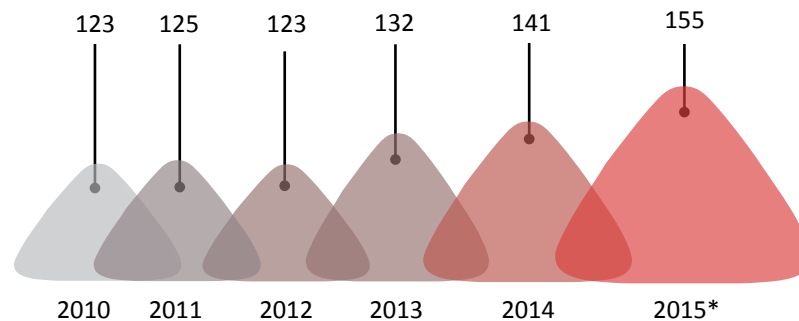
\* Normalised to reflect sale of investment in associate

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

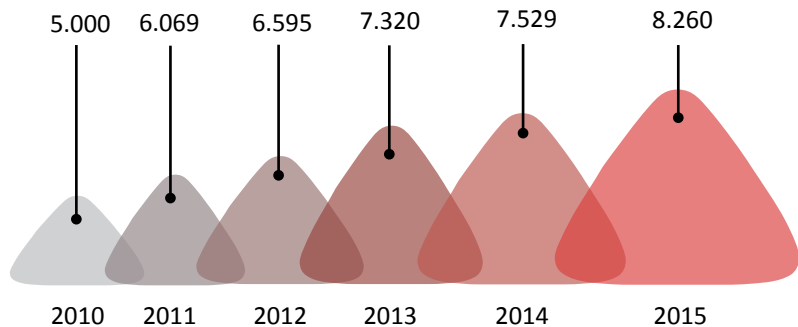
Total assets (AED billion)



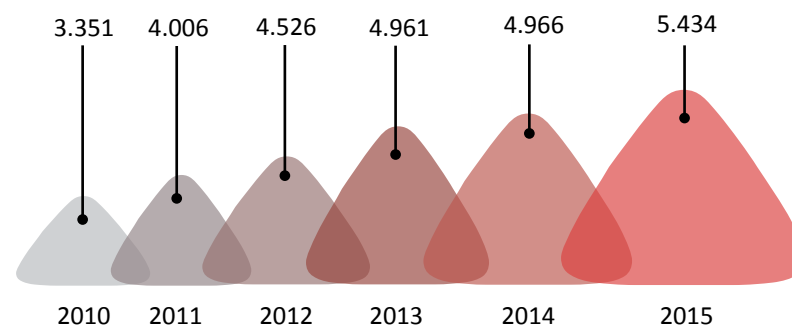
Net loans and advances (AED billion)



Operating income (AED billion)



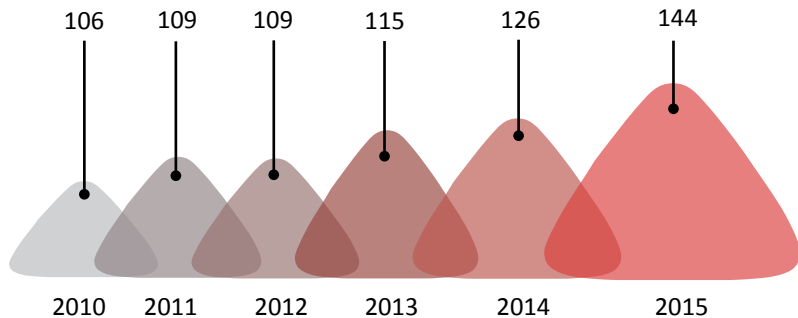
Operating profit (AED billion)



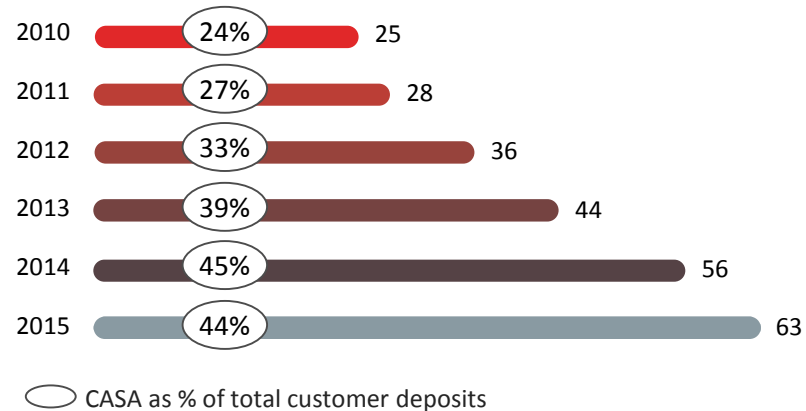
\*In June 2016, loans and advances to banks have been reclassified to "Deposits and balances due from banks, net" to better reflect the underlying nature of the business of the borrowers. Accordingly, net loans in 2015 were reclassified to conform to current period's presentation

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

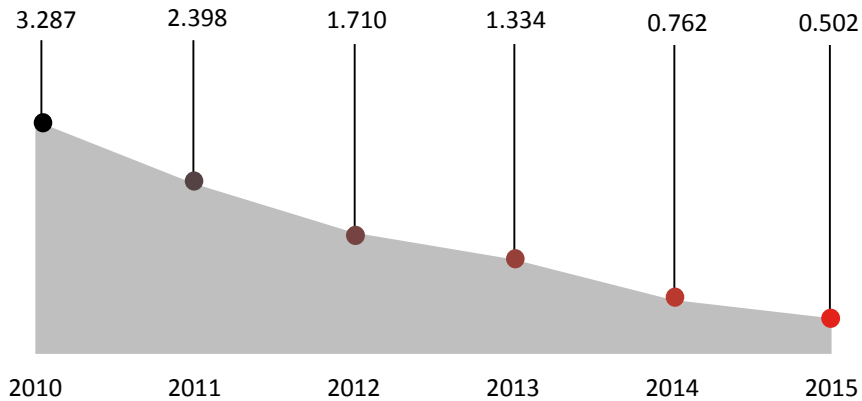
Customer deposits (AED billion)



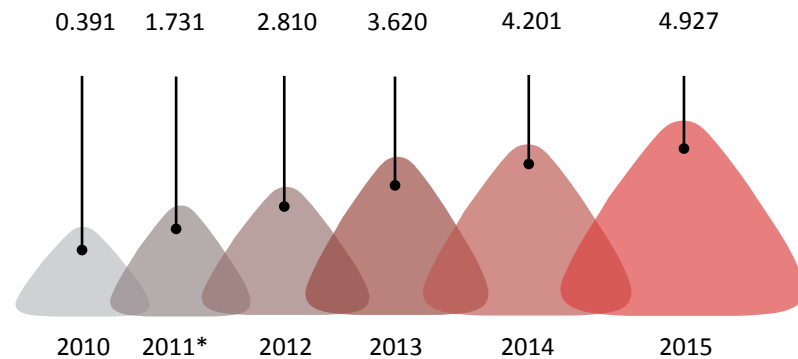
CASA deposits (AED billion)



Impairment allowance charge (AED billion)



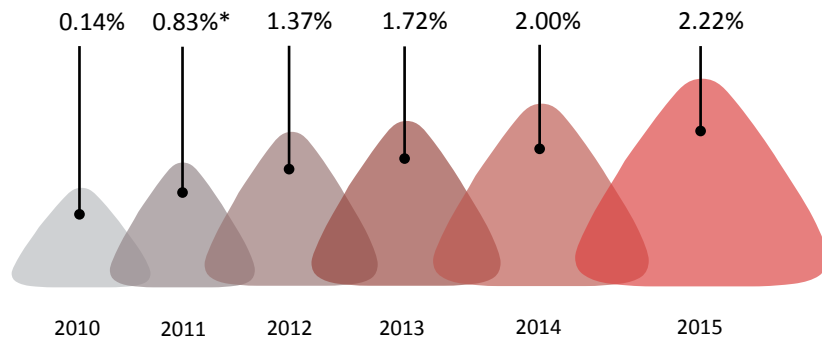
Net profit (AED billion)



\* Normalised to reflect sale of investment in associate

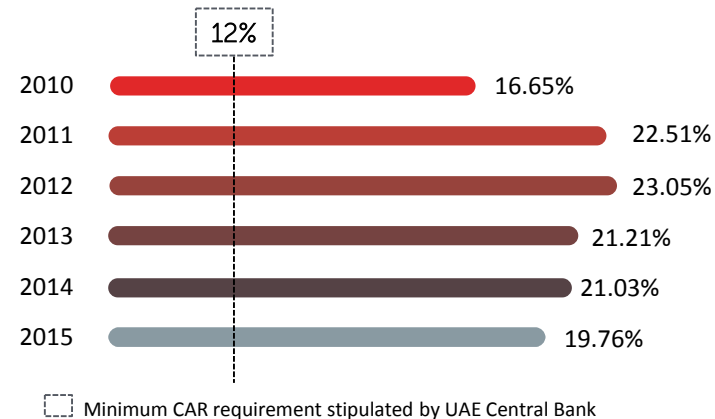
Our journey: Disciplined cost management resulting in cost to income ratio within our target range

Return on average assets (%)

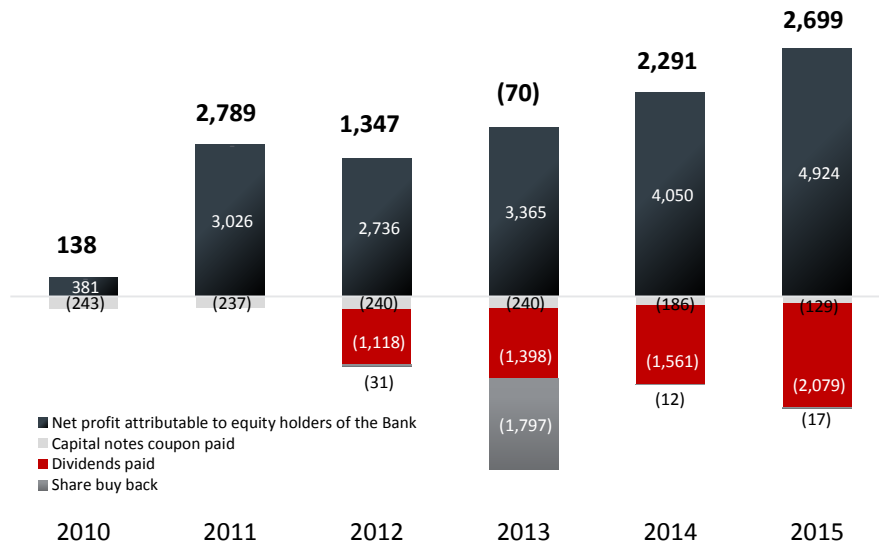


\* Normalised to reflect sale of investment in associate

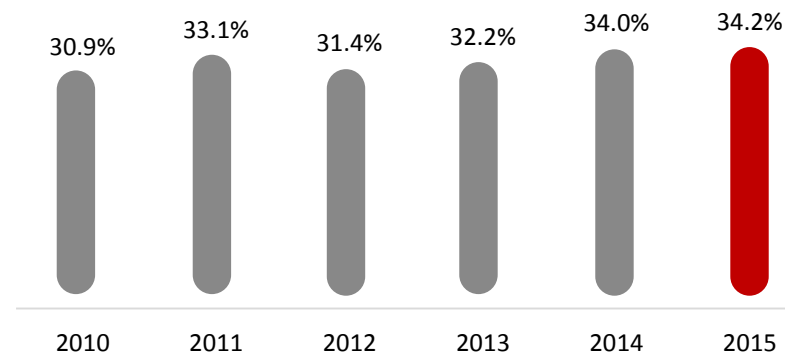
Capital adequacy ratio (%)



Capital generation (AED million)



Cost to income ratio (%)



Macro overview

Business overview

Our journey

**Financial highlights**

Appendix

## Balance sheet highlights

Strong balance sheet driven by strategically targeted growth opportunities

### Highlights (30 June 2016)

- ▶ Total assets grew 13% year on year and 5% year to date to AED 241 billion
- ▶ Net loans and advances to customers increased 13% year on year and 6% year-to-date to AED 155 billion, growing faster than system wide loan growth of 3.2% until May\*
- ▶ In a tight liquidity environment, deposits from customers increased 13% year on year and 4% year to date to AED 149 billion, compared to system wide customer deposit growth of 2.3% until May\*
- ▶ A strong deposit gathering franchise coupled with a leading cash management product offering resulted in low cost current and savings account (CASA) deposits increasing by 5% to AED 66 billion over 31 December 2015 and comprising 44.5% of total deposits (Dec'15: 44.1%)
- ▶ Investment securities increased 18% year to date to AED 25 billion, mainly driven by an increase in UAE government bonds
- ▶ Loan to deposit ratio from customers was 103.9% and advances to stable resources were 89.4% as at 30 June 2016
- ▶ As at 30 June 2016, capital adequacy and tier I ratios were 18.40% and 15.07% respectively. The decline in CAR was mainly on account of balance sheet growth. Total equity strengthened by AED 1.8 billion year on year to AED 28.5 billion as at 30 June 2016

Balance sheet highlights (AED million)	June'16	Dec'15	June'15	Change%	
				YTD	YoY
Loans and advances to customers, net <sup>1</sup>	<b>154,853</b>	146,250	137,322	6	13
Investment securities	<b>24,680</b>	20,864	23,155	18	7
Total assets	<b>240,752</b>	228,267	212,181	5	13
Deposits from customers	<b>149,055</b>	143,526	131,643	4	13
Borrowings	<b>32,690</b>	33,472	32,897	(2)	(1)
Total equity	<b>28,531</b>	28,733	26,775	(1)	7
<b>Ratios (%)</b>	<b>June'16</b>	<b>Dec'15</b>	<b>June'15</b>	<b>bps</b>	<b>bps</b>
CAR (Capital adequacy ratio)	<b>18.40</b>	19.76	19.80	(136)	(140)
Tier I ratio	<b>15.07</b>	16.29	16.10	(122)	(103)
Advances to stable resources	<b>89.4</b>	88.2	88.1	120	130

Figures may not add up due to rounding differences

<sup>1</sup> During the period, 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, comparative amounts pertaining to previous years were reclassified to conform to current period's presentation

\* Latest data available from the UAE Central Bank up to May 2016

## Income statement highlights

### Resilient performance despite challenging market conditions

#### Operating performance (30 June 2016)

##### Half year comparison: H1'16 vs. H1'15

- ▶ Net profit of AED 2,147 million was 15% lower year on year, primarily on account of higher funding costs and an increase in impairment charges
- ▶ Total net interest income of AED 3,099 million was 3% lower which was partially offset by higher non-interest income of AED 1,155 million, up 10% over H1'15. Interest expense for H1'16 was AED 1,129 million compared to AED 729 million in H1'15, impacted by higher funding costs, reflective of current market conditions
- ▶ Operating income of AED 4,255 million was 1% higher year on year. H1'15 benefited from significant recoveries and interest in suspense reversals which were not repeated in H1'16

Income statement highlights (AED mn)	Half yearly trend			Quarterly trend				
	H1'16	H1'15	Change% YoY	Q2'16	Q1'16	Q2'15	Q2'16 Change% QoQ YoY	
Total net interest and Islamic financing income	3,099	3,184	(3)	1,526	1,573	1,543	(3)	(1)
Non - interest income	1,155	1,050	10	617	539	498	14	24
Operating income	4,255	4,234	1	2,143	2,112	2,041	1	5
Operating expenses	(1,404)	(1,372)	2	(666)	(738)	(672)	(10)	(1)
Operating profit before impairment allowances	2,851	2,862	0	1,477	1,374	1,370	8	8
Impairment allowances	(703)	(325)	116	(351)	(352)	(84)	0	318
Share in profit/(loss) of associate	4	(0)	NA	2	2	(0)	NM	NA
Profit before taxation	2,151	2,537	(15)	1,128	1,023	1,286	10	(12)
Overseas income tax expense	(5)	(4)	7	(2)	(2)	(2)	NM	NM
Net profit for the period	2,147	2,532	(15)	1,126	1,021	1,283	10	(12)
Net profit attributable to equity shareholders	2,145	2,531	(15)	1,125	1,020	1,283	10	(12)

Figures may not add up due to rounding differences

##### Quarter on quarter comparison: Q2'16 vs. Q1'16

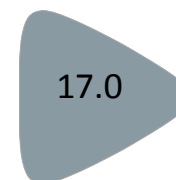
- ▶ Net profit of AED 1,126 million, up 10% quarter on quarter
- ▶ Operating income of AED 2,143 million, up 1% impacted by higher funding costs, while non-interest income of AED 617 million was up 14%, primarily driven by higher fees and trading income
- ▶ Operating profit before impairment allowances of AED 1,477 million, up 8% quarter on quarter benefiting from a tightly managed cost base

#### Key indicators (H1'16)

Earnings per share  
(EPS – AED)



Return on average equity  
(ROAE %)\*



Return on average assets  
(ROAA %)\*

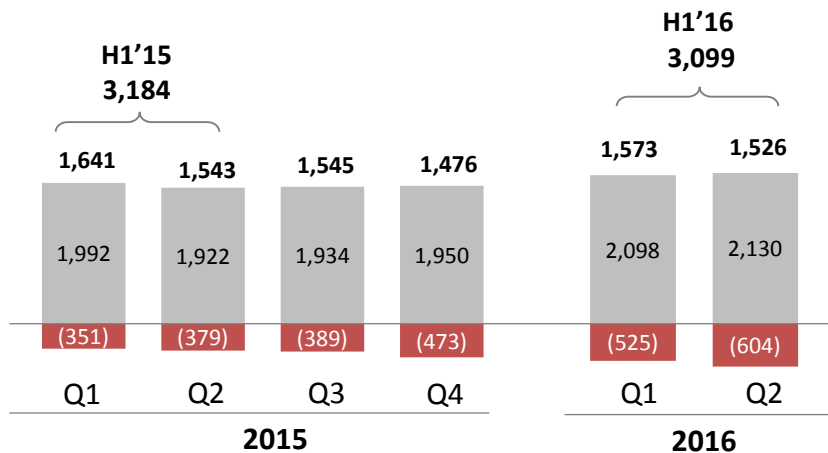


\*Annualised, for ROE/ROA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and coupon on Tier 1 capital notes

Increase in cost of funds reflective of current market conditions

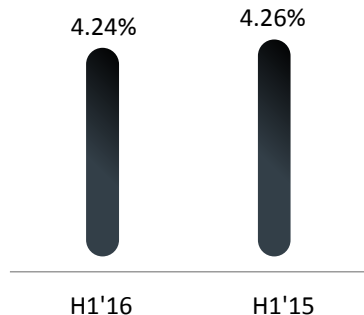
Net interest and Islamic financing income (AED million)

■ Interest income ■ Interest expense

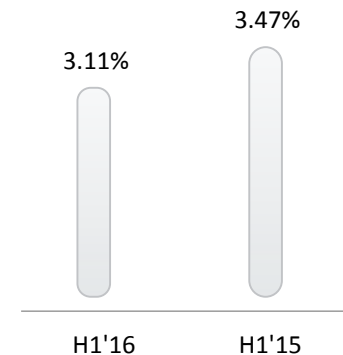


Evolution of NIMs & yields

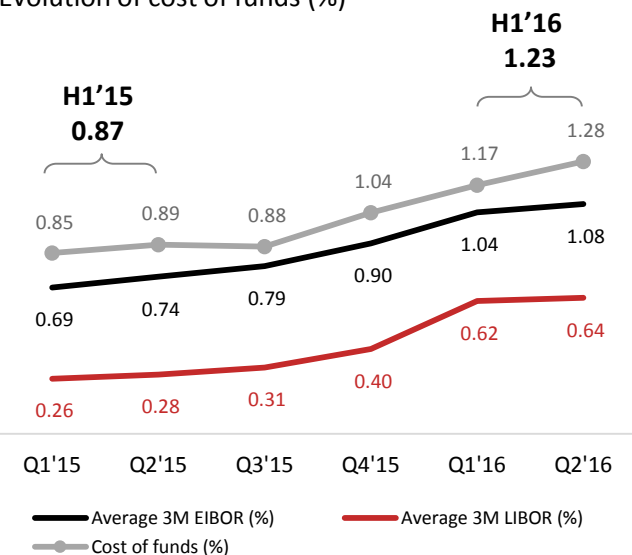
Yield on interest earning assets



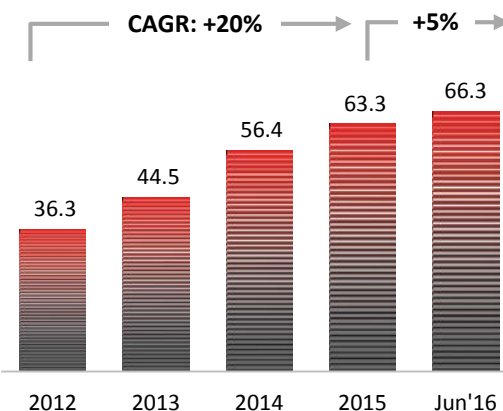
Net interest margin



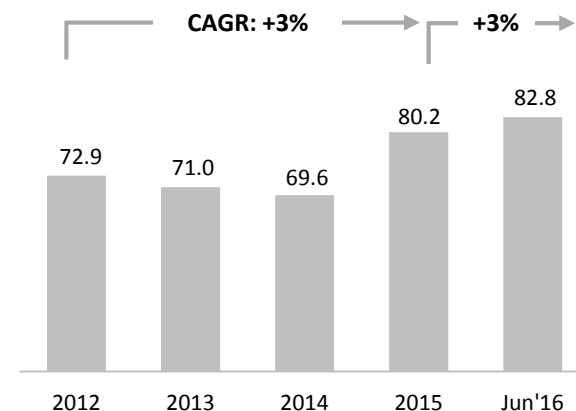
Evolution of cost of funds (%)



CASA deposits (AED billion)

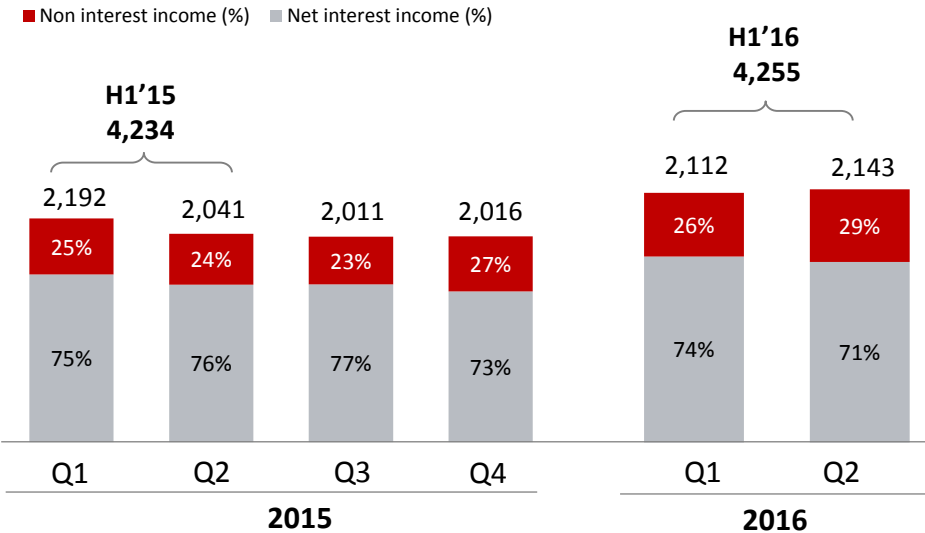


Time deposits (AED billion)

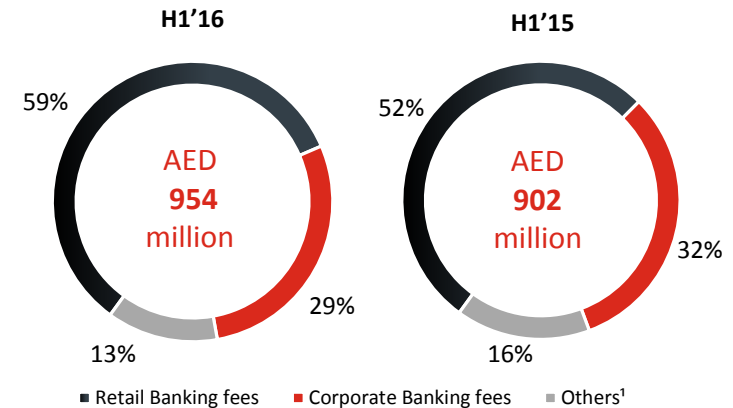


Relentless focus on diversifying revenues,  
higher non-interest income contribution

Operating income (AED million)

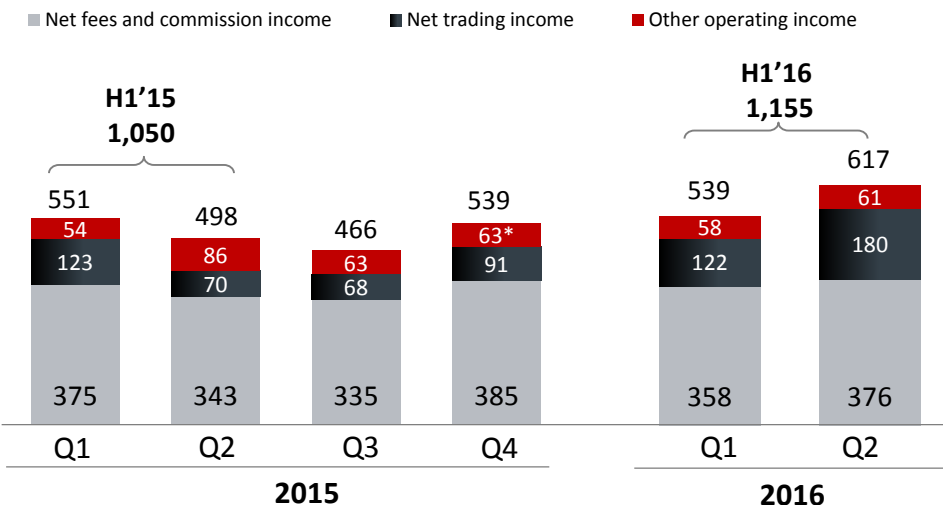


Gross fee income breakdown (AED million)



<sup>1</sup> Others include brokerage, fees from trust and other fiduciary activities and other fees

Non-interest income (AED million)



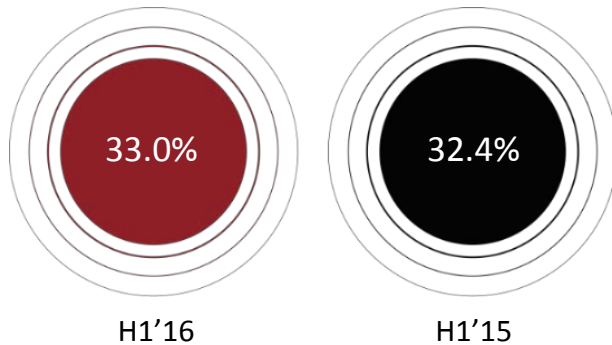
\* Other income includes revaluation of investment properties in Q4'15

Highlights

- ▶ Non-interest income accounted for 27% of operating income in H1'16, compared to 25% in H1'15. Increase in non-interest income was mainly on account of higher fee & commission income and higher trading income
- ▶ Gross retail banking fees of AED 558 million in H1'16 (excluding brokerage) increased 18% year on year, driven by higher loan volumes and credit card spend
- ▶ Gross corporate banking fees were 5% lower year on year, mainly on account of lower deal specific wholesale banking fees
- ▶ Trading income of AED 302 million in H1'16 was up 57% year on year

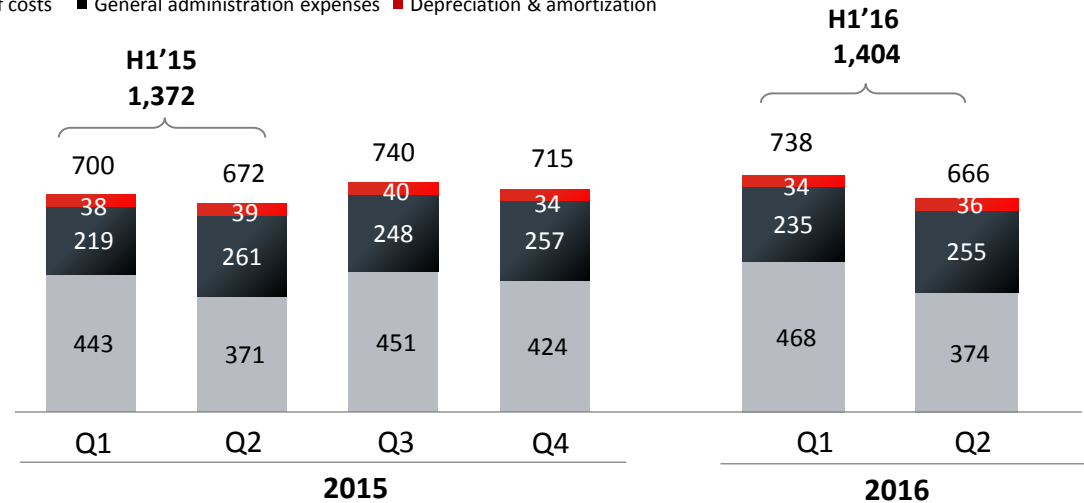
Disciplined cost management,  
Cost to income ratio remains within our target range

Cost to income ratio  
within our target range



Operating expenses (AED million)

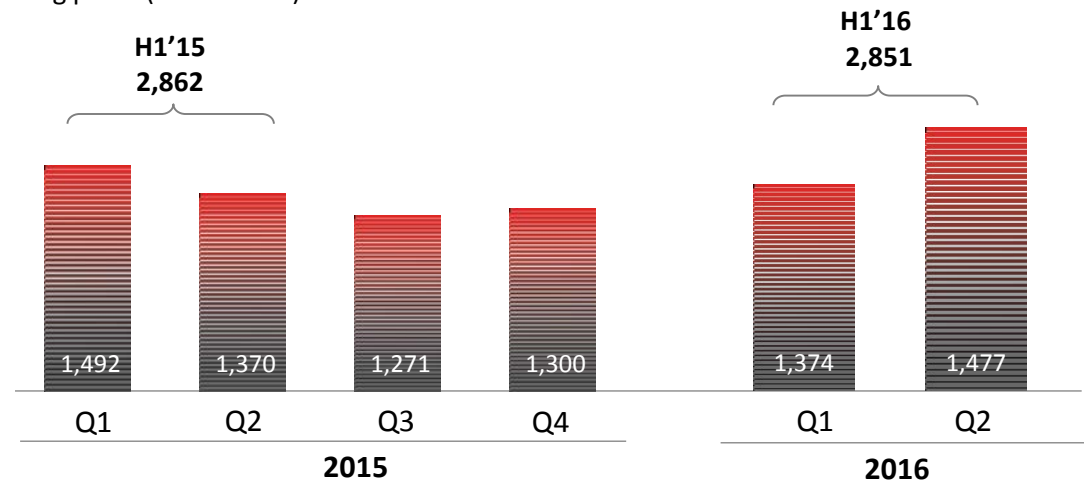
■ Staff costs ■ General administration expenses ■ Depreciation & amortization



Highlights

- ▶ Operating profit before impairment allowances for H1'16 was stable over H1'15 at AED 2,851 million
- ▶ Operating expenses for Q2'16 decreased by 10% to AED 666 million compared to AED 738 million in Q1'16, resulting in an improved cost to income ratio of 31.1% in Q2'16 compared to 34.9% in Q1'16, an improvement of 380 basis points
- ▶ Operating expenses for H1'16 was AED 1,404 million, an increase of 2% over H1'15. Cost to income ratio of 33.0% for the first half of 2016 was within our target range

Operating profit (AED million)



## Loan book remains well diversified and focused in our core geography

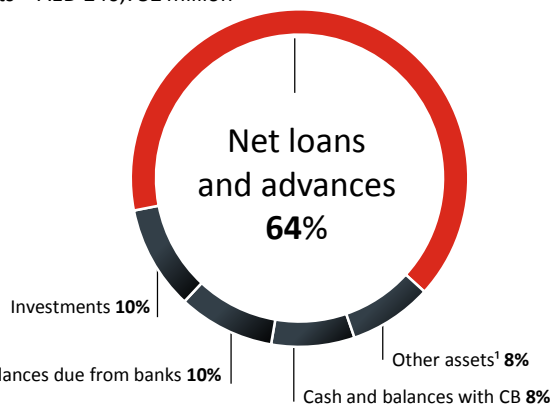
### Highlights

- ▶ Net loans to customers increased 13% year on year and 6% year to date to AED 154,853 million, comprising 64% of total assets (Dec'15: 64%)
- ▶ Consumer Banking loans (net) were up 8% year on year and 3% year to date, while Wholesale Banking loans (net) were up 17% and 8% year to date
- ▶ Consumer Banking loans comprised 45% and Wholesale Banking loans comprised 55% of total loans (net)
- ▶ 94% of loans (gross) 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 30 June 2016
- ▶ Personal loans comprised 25% of total gross loans (Dec'15: 26%)
- ▶ Islamic Banking continued to be a key driver of growth, with net Islamic financing assets up 25% year on year and 12% year to date to AED 16,054 million as at 30 June 2016

### Composition of assets

June'16

Total assets = AED 240,752 million

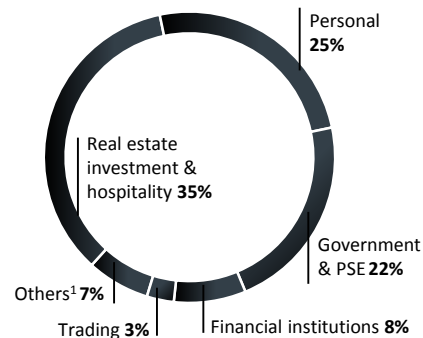


<sup>1</sup> Other assets include derivative financial instruments, investments in associate, investment properties, property and equipment (net), intangible assets

### Gross loans by economic sector

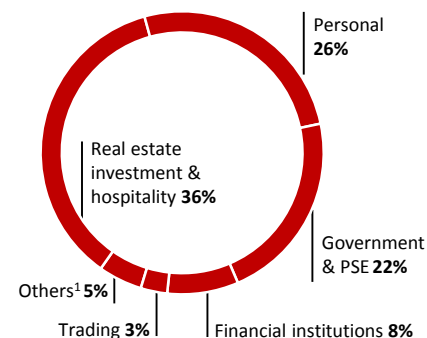
June'16

Gross loans = AED 160,771 million



Dec'15

Gross loans = AED 152,426 million

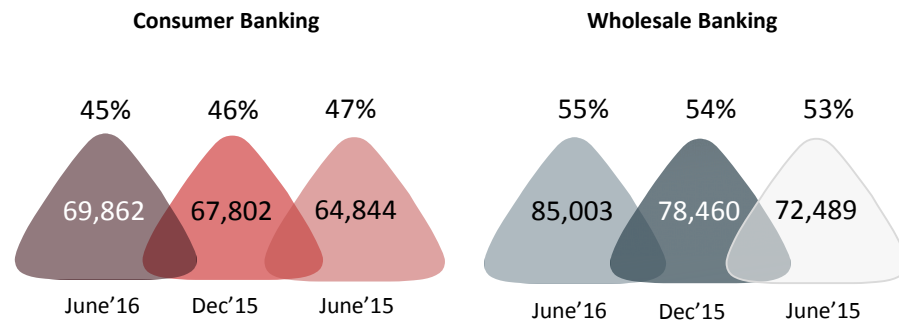


<sup>1</sup> Others include agriculture, energy, transport, manufacturing and services

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

June'16

Net loans = AED 154,853 million



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

## Customer deposits continue to increase with growing CASA contribution

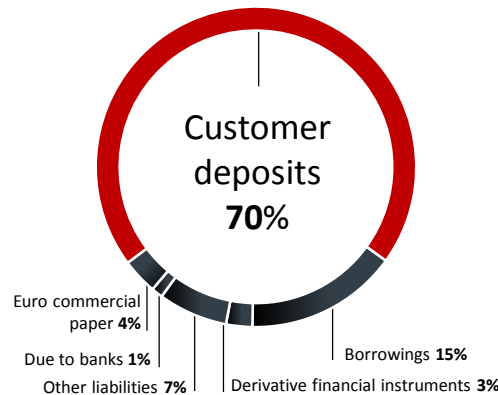
### Highlights

- ▶ Customer deposits increased 13% year on year and 4% year to date to AED 149,055 million, comprising 70% of total liabilities (Dec'15:72%)
- ▶ Our strong cash management platform continues to be key enabler for ongoing CASA growth, CASA deposits comprised 44.5% of total customer deposits, compared to 44.1% as at 31 December 2015
- ▶ As at 30 June 2016, CASA balances were AED 66.3 billion, reflecting a growth of AED 3 billion (+5%) and time deposits were at AED 82.8 billion, reflecting an increase of AED 2.5 billion (+3%) over 31 December 2015
- ▶ Consumer Banking deposits were up 18% year on year and 11% year to date, while Wholesale Banking deposits were up 28% and 7% year to date
- ▶ Consumer Banking deposits comprised 32%, Wholesale Banking deposits comprised 42% and Treasury comprised 26% of total customer deposits
- ▶ Wholesale funding including Euro Commercial Paper accounted for 19% of total liabilities, providing a stable, long-term and reliable source of funding
- ▶ Total Islamic deposits increased 19% year on year and 16% year to date to AED 11,904 million as at 30 June 2016

### Composition of liabilities

June'16

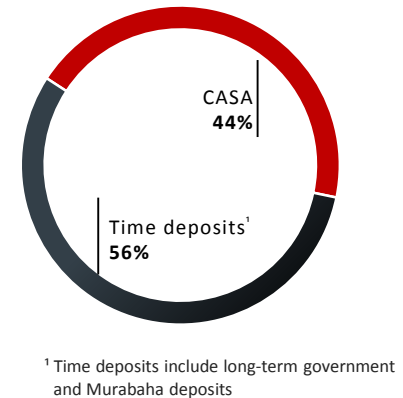
Total liabilities = AED 212,221 million



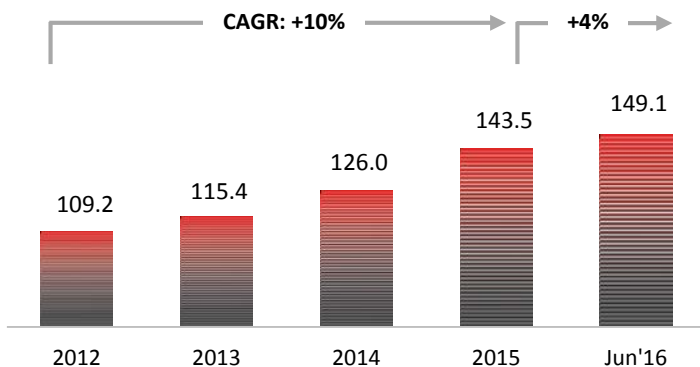
### Customer deposit breakdown

June'16

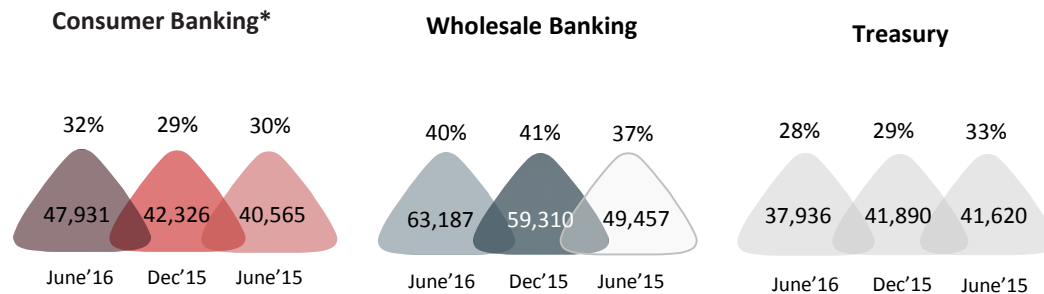
Customer deposits = AED 149,055 million



### Customer deposits (AED billion)



### Contribution to total deposits by business segment (AED million)



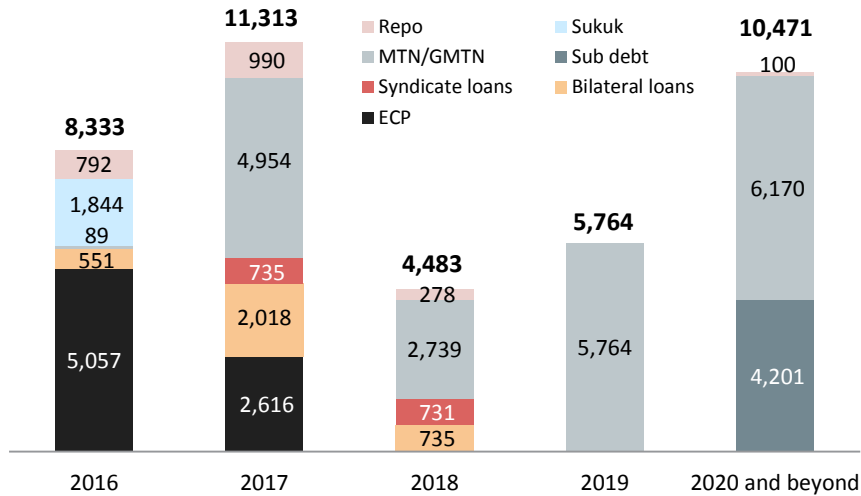
\* Consumer banking includes retail and high net worth individuals and their businesses

## Wholesale funding and maturity profile

Diversified sources of funding by markets, tenors, currencies and products

### Maturity profile

As at 30 June 2016 (AED million)

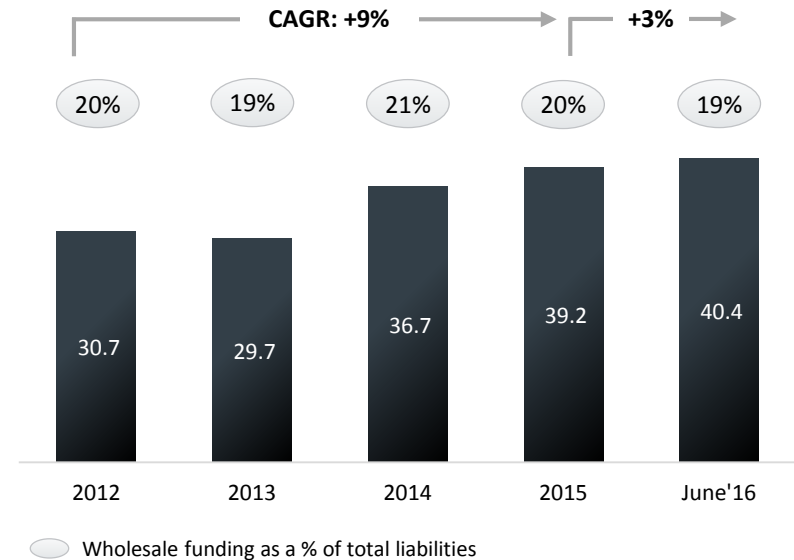


### Wholesale funding split

As at 30 June 2016

Source of funds	AED million
GMTN/EMTN	19,716
Subordinated debt	4,201
Euro commercial paper	7,673
Borrowings through repurchase agreements	2,160
Islamic sukuk notes	1,844
Bilateral loans	3,303
Syndication loan	1,466
Certificate of deposit issued	-
<b>Total</b>	<b>40,363</b>

Wholesale funding including Euro commercial paper (AED billion)



Net lender of

**AED 21 bn\***

in the interbank markets

As at 30 June 2016

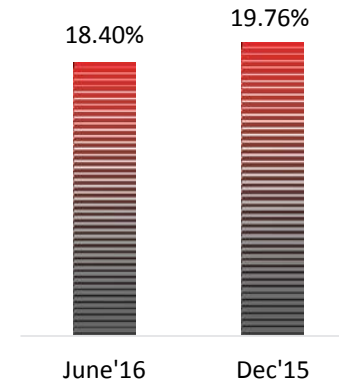
\* Includes AED 5 billion of certificate of deposits with central banks and AED 1 billion of reverse repo placements with Banks as at 30 June 2016

## Capital and liquidity position continue to be at industry leading levels

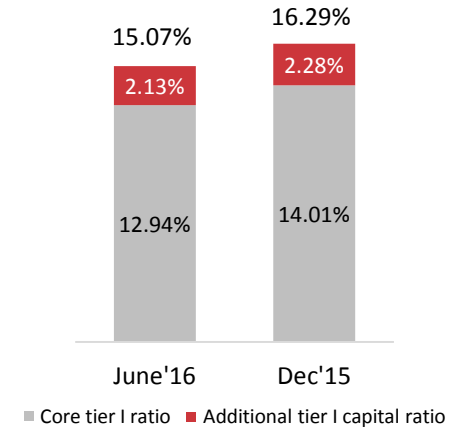
### Highlights

- ▶ As at 30 June 2016, the Bank's capital adequacy ratio (Basel II) was 18.40% and Tier I ratio was 15.07% compared to 19.76% and 16.29% respectively, as at 31 December 2015.
- ▶ As at 30 June 2016, core Tier I ratio was 12.94%, and total risk weighted assets were AED 187 billion
- ▶ Decline in CAR was mainly on account of balance sheet growth. The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and Tier I minimum requirement is 8%
- ▶ Continued focus on maintaining a diversified funding base, while liquidity remains a top priority. As at 30 June 2016, the Bank's liquidity ratio was 24.9%, loan to deposit ratio from customers was 103.9%, investment portfolio increased 18% over December '15 to AED 25 billion and the Bank continued to be a net lender of AED 21 billion in the interbank markets

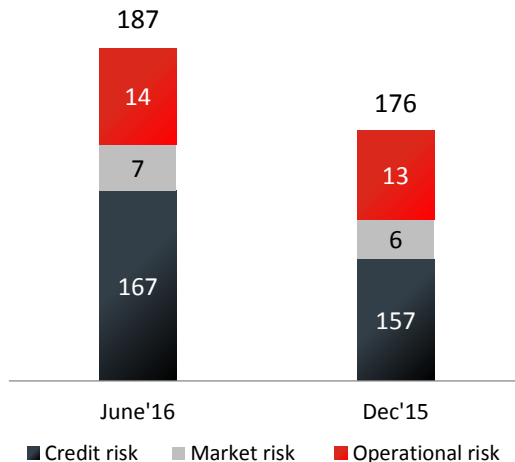
### Capital adequacy ratio



### Tier I and core tier I ratios

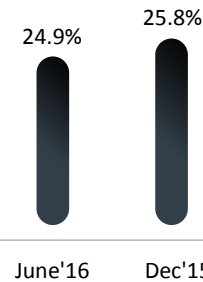


### Risk weighted assets (AED billion)

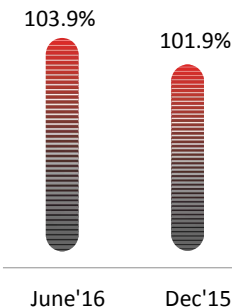


### Strong liquidity

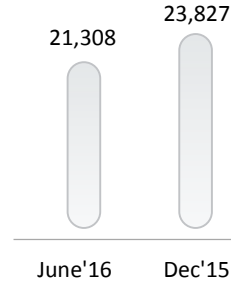
#### Liquidity ratio\*



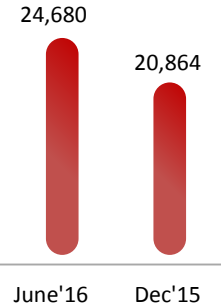
#### Loan to deposit ratio from customers



#### Net interbank lending (AED million)



#### Investment securities (AED million)



Liquid 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 - 98% of total portfolio invested in bonds

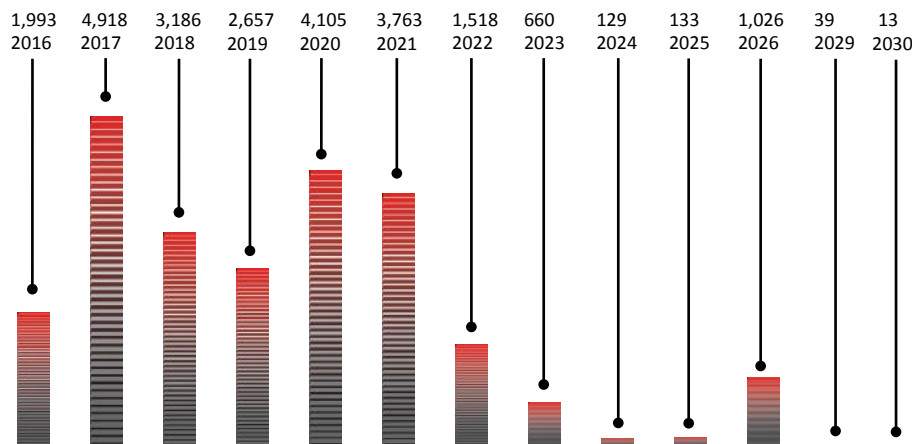
### Highlights

- ▶ Investment securities portfolio increased to AED 24,680 million as at 30 June 2016
- ▶ 98% of the total portfolio was invested in bonds issued by government, corporate, public sector, banks and financial institutions
- ▶ Average life of the investment securities portfolio is 3.4 years
- ▶ 64% invested in the UAE and other GCC countries

### Portfolio summary:

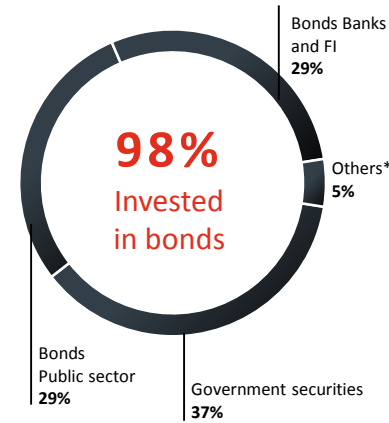
- ▶ 37% of the portfolio is invested in Government securities
- ▶ Non Government Bond Portfolio – 63% of total portfolio
  - Rated A- or better: 57%
  - Rated Investment grade (i.e. BBB+ to BBB-): 30%
  - Rated below IG (BB+ and below including unrated): 13%
- ▶ 10% is invested in local public sector bonds which are rated below A

### Maturity profile of investment securities portfolio (AED million)

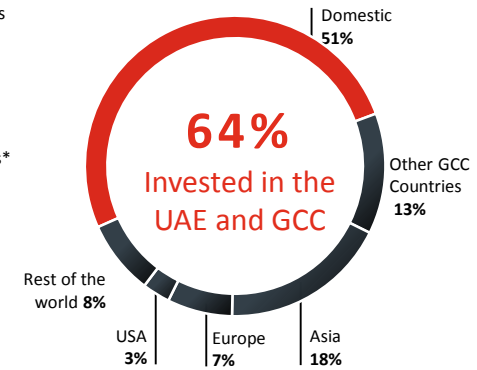


### Investments

#### By issuer



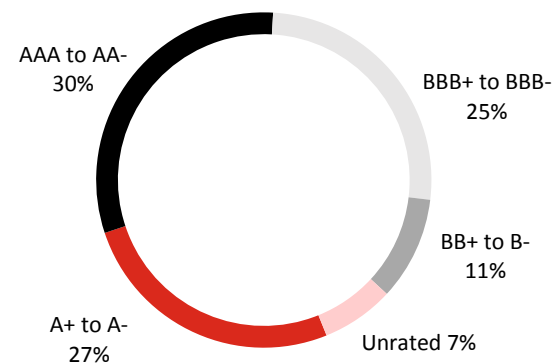
#### By region



\* Include corporate bonds, equity instruments and mutual funds

Total bond portfolio = AED 24,141 million

Credit ratings as at 30 June 2016 (Standard & Poor's)

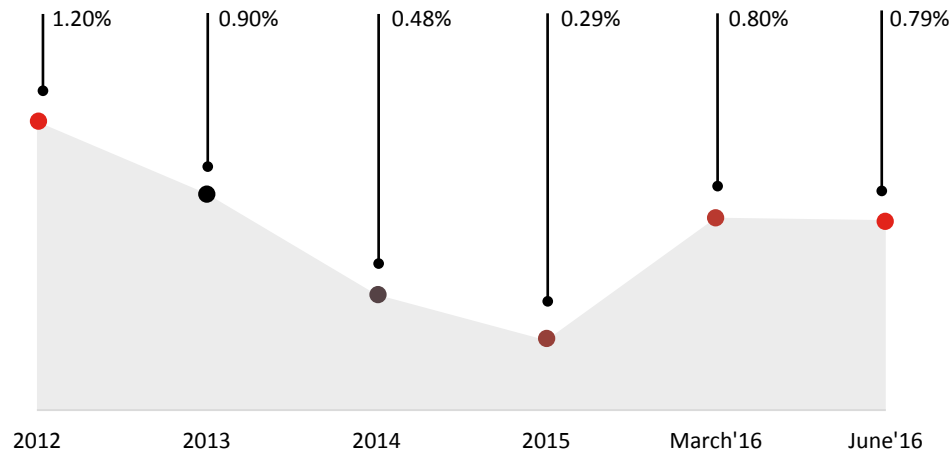


## Asset quality - committed to maintaining a disciplined risk profile

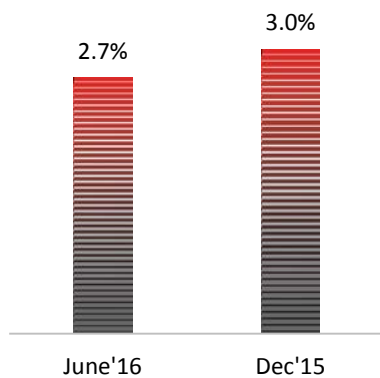
### Highlights

- ▶ As at 30 June 2016, non-performing loans (NPL) and provision coverage ratios were 2.7% and 132.9% respectively, compared to 3.0% and 128.5% as at 31 December 2015
- ▶ Non-performing loans were AED 4,472 million compared to AED 4,834 million as at 31 December 2015. Cost of risk was 79 bps compared to 80 bps for March '16
- ▶ Total loan impairment charges, net of recoveries amounted to AED 722 million for the first half of 2016, which included collective impairment charges of AED 312 million to account for the increase in the loan book and reflecting our prudent risk management approach to challenging market conditions
- ▶ Collective impairment allowance balance was AED 3,281 million and 1.96% of credit risk weighted assets and individual impairment allowance balance was AED 2,761 million as at 30 June 2016

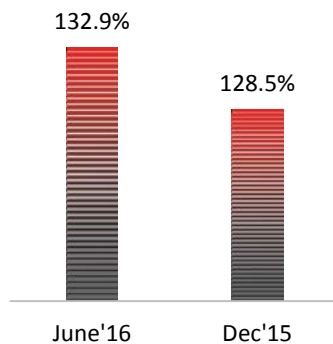
### Cost of risk



Non-performing loan ratio

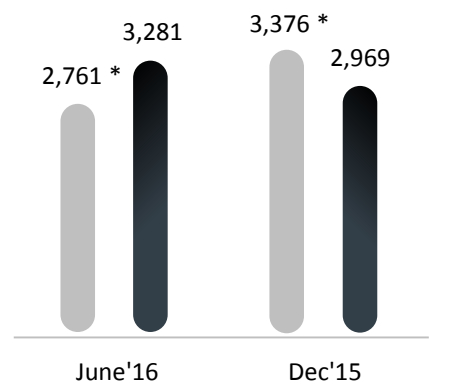


Provision coverage ratio<sup>1</sup>



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

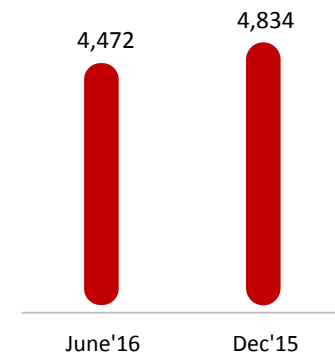
Impairment allowances (AED million)  
(Includes impairment allowances to banks)



■ Individual impairment ■ Collective impairment

\* Includes provision for Dubai World exposure

Non-performing loans  
(AED million)



- ▶ Our focus on the UAE market remains a key strategic pillar and a differentiator for ADCB
- ▶ Net profit of AED 2.147 billion in H1'16 with ROAE of 17.0%, Q2'16 net profit of AED 1.126 billion, up 10% quarter on quarter
- ▶ Diversified revenue stream, with increased non-interest income contribution
- ▶ Cost to income ratio of 33% for the first half of 2016, within our target range
- ▶ Net loans to customers increased 13%, while customer deposits increased 13% year on year, well above the system wide growth until May
- ▶ CASA deposits increased 5% year to date and comprised 44.5% of total customer deposits as at 30 June 2016
- ▶ NPL and provision coverage ratios improved to 2.7% and 132.9% respectively as at 30 June 2016, compared to 3.0% and 128.5% as at 31 December 2015
- ▶ Liquidity remains a top priority, while capital position remains robust with CAR and tier I ratios of 18.40% and 15.07% respectively

Macro overview

Business overview

Our journey

Financial highlights

**Appendix**

## 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

"ADCB is well funded by customer deposits due to its strong franchise...The Bank's liquidity position is supported by a good stock of highly liquid assets and a very diverse funding mix."

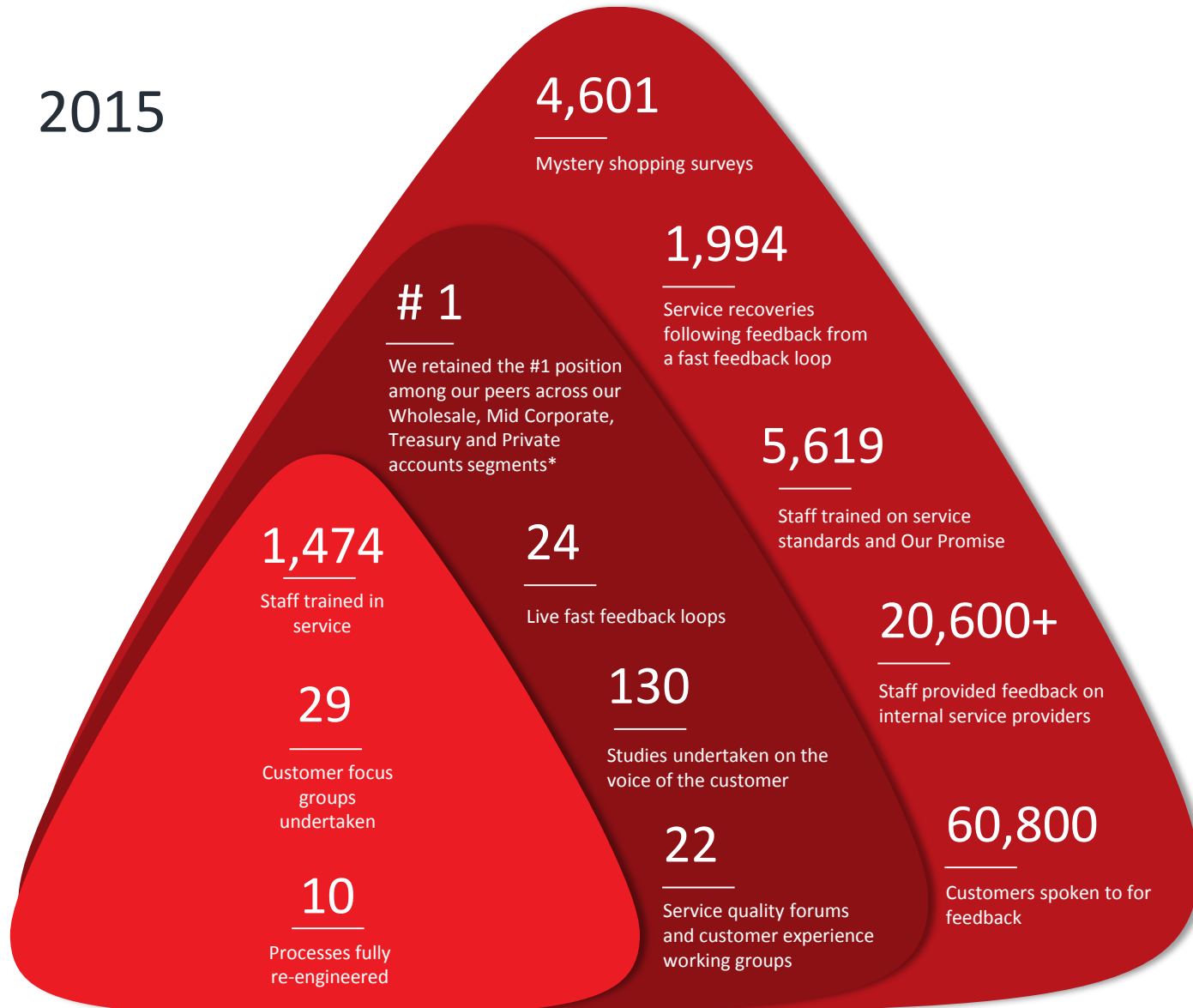
"Capital ratios have improved significantly over the last four years due to a series of capital strengthening measures, including higher retained earnings."

Extracts from latest reports issued by Standard & Poor's (18 July 2016) and Fitch Ratings (17 August 2015) 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

2015



\* Source: 2015 survey conducted by independent third-party research agencies for ADCB customers

## Awards

### H1'16 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 Bank for Cash management in the UAE"

Global Finance

"Best Retail Bank in the UAE"

Asian Banker

"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

"Islamic Banker of the Year"

The Asset Triple A Islamic Finance Awards

"The Asian Banker CEO Leadership Achievement Award for the UAE"

Asian Banker

### 2015 awards

"UAE Trade Finance Firm of the Year"

Finance Monthly's Global Awards

"Best Human Capital Development Initiative" to Islamic Banking Academy

Global Islamic Finance Awards, London

"Sharia Lawyer of the Year" Kamran Sherwani, Head of Sharia Advisory

Global Islamic Finance Awards, London

"Best Islamic Retail Bank in UAE and Islamic Bank of the Year in UAE"

The Asset- Hong Kong

"Best Trade Finance Offering"

Banker Middle East

"Best Customer Service - Corporate Banking"

Banker Middle East

"Best Trade Finance Bank in UAE"

Global Finance

"Best Supply Chain Finance Provider Award- Middle East"

Global Finance

"Business Leader of the Year" Ala'a Eraiqat, CEO of ADCB Group

Gulf Business Industry Awards 2015

"Best Fund over 3 years, Equity, UAE" for Al Nokhitha Fund

Thomson Reuters Lipper Fund Awards 2015

"Best Brand Building Initiative in the Middle East Award"

The Asian Banker

"Best local Bank in UAE"

GTR MENA's Leaders in Trade Awards

"UAE Domestic Trade Finance Bank of the Year"

Asian Banking and Finance's Wholesale Banking Awards

"Best Bank for Cash Management in the Middle East"

Global Finance

"Best Affinity Credit Card in the Middle East & Asia/Oceania 2015"

Annual Freddie Awards

"Bank of the Year"

Gulf Business Industry Awards 2015

"Best Corporate Governance Award 2015"

World Finance

"Best for Cash Management in the UAE"

Euromoney Award

"Best Trade Finance Provider in the UAE"

Euromoney Award

"Best Cash Management"

Banker Middle East

"Daman Award for Corporate Health and Wellness Initiative"

Daman Corporate Health Awards

"SME Banking Innovation Award"

Enterprise Agility Awards 2015

"Best Islamic Banking Window in UAE"

International Finance Magazine, London

"Most Innovative Product (Salam Personal Finance)"

International Finance Magazine, London

"Trade Finance - Overall quality of service in Middle East"

Euromoney Award

"Trade Finance - Overall quality of service Global – 2<sup>nd</sup> place"

Euromoney Award

"Best Trade Finance Bank in MENA"

GTR Leaders in Trade Awards

"Best Islamic Trade Finance Bank" and "Best Trade Finance Bank in UAE"

GTR Leaders in Trade Awards

## Balance sheet

AED million	June'16	Dec'15	Change%
Cash and balances with Central Banks	17,698	20,180	(12)
Deposits and balances due from banks, net	22,323	22,382	(0)
Reverse-repo placements	1,014	4,256	(76)
Investment securities	24,909	20,926	19
Loans and advances, net	154,853	146,250	6
Other assets*	19,955	14,272	40
<b>Total assets</b>	<b>240,752</b>	<b>228,267</b>	<b>5</b>
Due to banks	2,478	1,692	46
Deposits from customers	149,055	143,526	4
Euro commercial paper	7,673	5,700	35
Borrowings	32,690	33,472	(2)
Other liabilities **	20,325	15,144	34
<b>Total liabilities</b>	<b>212,221</b>	<b>199,534</b>	<b>6</b>
Total shareholders' equity	28,529	28,728	(1)
Non -controlling interests	2	5	(65)
<b>Total liabilities and shareholders' equity</b>	<b>240,752</b>	<b>228,267</b>	<b>5</b>

Note: #Deposits and balances due from banks include AED 4.4 bn of loans to banks that were earlier reported under loans and advances net.

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

\*\*Other liabilities include derivative financial instruments.

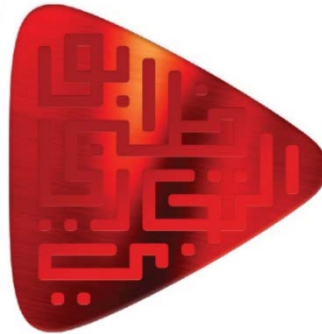
## Income statement

AED million	3 months ended June 30			6 months ended June 30		
	2016	2015	Change %	2016	2015	Change %
Interest income and income from Islamic financing	2,130	1,922	11	4,228	3,913	8
Interest expense and profit distribution	(604)	(379)	60	(1,129)	(729)	55
<b>Total net interest and Islamic financing income</b>	<b>1,526</b>	<b>1,543</b>	<b>(1)</b>	<b>3,099</b>	<b>3,184</b>	<b>(3)</b>
Net fees and commission income	376	343	10	734	718	2
Net trading income	180	70	158	302	193	57
Other operating income	61	86	(29)	120	140	(14)
Non interest income	617	498	24	1,155	1,050	10
<b>Operating income</b>	<b>2,143</b>	<b>2,041</b>	<b>5</b>	<b>4,255</b>	<b>4,234</b>	<b>1</b>
Operating expenses	(666)	(672)	(1)	(1,404)	(1,372)	2
<b>Operating profit before impairment allowances</b>	<b>1,477</b>	<b>1,370</b>	<b>8</b>	<b>2,851</b>	<b>2,862</b>	<b>(0)</b>
Impairment allowances	(351)	(84)	318	(703)	(325)	116
Share in profit/(loss) of associate	2	(0)	NA	4	(0)	NA
<b>Profit before taxation</b>	<b>1,128</b>	<b>1,286</b>	<b>(12)</b>	<b>2,151</b>	<b>2,537</b>	<b>(15)</b>
Overseas income tax expense	(2)	(2)	(4)	(5)	(4)	7
<b>Net profit for the period</b>	<b>1,126</b>	<b>1,283</b>	<b>(12)</b>	<b>2,147</b>	<b>2,532</b>	<b>(15)</b>
<b>Net profit attributable to equity shareholders</b>	<b>1,125</b>	<b>1,283</b>	<b>(12)</b>	<b>2,145</b>	<b>2,531</b>	<b>(15)</b>

# The Difference Is...

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AMBITION + DISCIPLINE



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