



AMBITION+
DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q1'14 Earnings presentation

بنك أبوظبي التجاري

ADCB



Disclaimer

THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES. IT IS SOLELY FOR USE AS AN INVESTOR PRESENTATION AND IS PROVIDED AS INFORMATION ONLY. THIS PRESENTATION DOES NOT CONTAIN ALL OF THE INFORMATION THAT IS MATERIAL TO AN INVESTOR. BY READING THE PRESENTATION SLIDES YOU AGREE TO BE BOUND AS FOLLOWS:

This presentation has been prepared by Abu Dhabi Commercial Bank PJSC (“**ADCB**”), is furnished on a confidential basis and only for discussion purposes, may be amended and supplemented and may not be relied upon for the purposes of entering into any transaction. The information contained herein has been obtained from sources believed to be reliable but ADCB does not represent or warrant that it is accurate and complete. The views reflected herein are those of ADCB and are subject to change without notice. All projections, valuations and statistical analyses are provided to assist the recipient in the evaluation of the matters described herein. They may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results and to the extent that they are based on historical information, they should not be relied upon as an accurate prediction of future performance.

No action has been taken or will be taken that would permit a public offering of any securities in any jurisdiction in which action for that purpose is required. No offers, sales, resales or delivery of any securities or distribution of any offering material relating to any such securities may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations.

This presentation does not constitute an offer or an agreement, or a solicitation of an offer or an agreement, to enter into any transaction (including for the provision of any services). No assurance is given that any such transaction can or will be arranged or agreed. Before entering into any transaction, you should consider the suitability of the transaction to your particular circumstances and independently review (with your professional advisers as necessary) the specific financial risks as well as the legal, regulatory, credit, tax and accounting consequences.

This presentation may include forward-looking statements that reflect ADCB's intentions, beliefs or current expectations. Forward-looking statements involve all matters that are not historical by using the words "may", "will", "would", "should", "expect", "intend", "estimate", "anticipate", "believe" and similar expressions or their negatives. Such statements are made on the basis of assumptions and expectations that ADCB currently believes are reasonable, but could prove to be wrong.

This presentation is for the recipient's use only. This presentation is not for distribution to retail clients. In particular, neither this presentation nor any copy hereof may be sent or taken or distributed in the United States, Australia, Canada or Japan or to any U.S. person (as such term is defined in Regulation S under the U.S. Securities Act 1933, as amended (the “**Securities Act**”)), except pursuant to an exemption from the registration requirements of the Securities Act. If this presentation has been received in error it must be returned immediately to ADCB. Accordingly, this presentation is being provided only to persons that are (i) "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act or (ii) not "U.S. persons" within the meaning of Regulation S under the Securities Act. By accepting the delivery of this presentation, the recipient warrants and acknowledges that it falls within the category of persons under clause (i) or (ii). No representation can be made as to the availability of the exemption provided by Rule 144 for re-sales of any securities offered by or guaranteed by ADCB. No securities offered by or guaranteed by ADCB have been recommended by, or approved by, the United States Securities and Exchange Commission (the “**SEC**”) or any other United States federal or state securities commission or regulatory authority, nor has any such commission or regulatory authority passed upon the accuracy or adequacy of this presentation.

This document does not disclose all the risks and other significant issues related to an investment in any securities/transaction. Prior to transacting, potential investors should ensure that they fully understand the terms of any securities/transaction and any applicable risks. This document is not a prospectus for any securities. Investors should only subscribe for any securities on the basis of information in the relevant prospectus and term sheet, and not on the basis of any information provided herein.

This presentation is being communicated only to (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as “**relevant persons**”). This presentation is communicated only to relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this presentation relates is available only to relevant persons and will be engaged in only with relevant persons.

By accepting this document you will be taken to have represented, warranted and undertaken that (i) you are a relevant person (as defined above); (ii) you have read and agree to comply with the contents of this notice; and (iii) you will treat and safeguard as strictly private and confidential all such information and take all reasonable steps to preserve such confidentiality.

Q1'14 highlights

Balance sheet highlights:

- ▶ Total assets grew 2% over 2013, mainly on account of higher acceptances
- ▶ Stable net loans and customer deposits
- ▶ Yet CASA¹ deposits increased by AED 8.6 bn over 2013, contributing 46% of total customer deposits, compared to 39% as at 31 December 2013
- ▶ Lower CAR and Tier I ratio due to higher risk weighted assets and dividend payout in Q1'14

AED mn	March'14	Dec'13	Change %
Net loans	132,197	131,649	0
Investment securities	21,836	20,855	5
Total assets	186,103	183,143	2
Customer deposits	115,704	115,428	0
Borrowings	24,941	23,786	5
Shareholders' equity*	23,636	24,177	(2)
Ratios (%)			Change bps
CAR (Capital adequacy ratio)	20.15	21.21	(106)
Tier I ratio	15.57	16.62	(105)
LTD (Loan to deposit ratio)	114.25	114.05	20

Income statement highlights:

- ▶ Q1'14 net profit at AED 1,103 mn, up 22% year on year and up 26% quarter on quarter
- ▶ Operating income at AED 1,901 mn, up 9% over Q1'13 and 8% over Q4'13
- ▶ Net interest income increased 10% year on year, on account of lower EIBOR and the Bank's improved funding profile
- ▶ Non- interest income increased 7% over Q1'13 and 24% over Q4'13 mainly on account of higher fee & commission income and higher trading income
- ▶ Improved credit quality, impairment allowance charges 46% lower year on year

AED mn	Q1'14	Q4'13	Q1'13	Q1'14 Change %	
				QoQ	YoY
Total net interest income ²	1,380	1,343	1,259	3	10
Non - interest income	520	420	485	24	7
Operating income	1,901	1,764	1,744	8	9
Operating expenses	(625)	(684)	(517)	(9)	21
Operating profit	1,276	1,079	1,227	18	4
Impairment allowances	(174)	(198)	(322)	(12)	(46)
Overseas income tax	1	(2)	(2)	(149)	(154)
Net profit	1,103	879	903	26	22

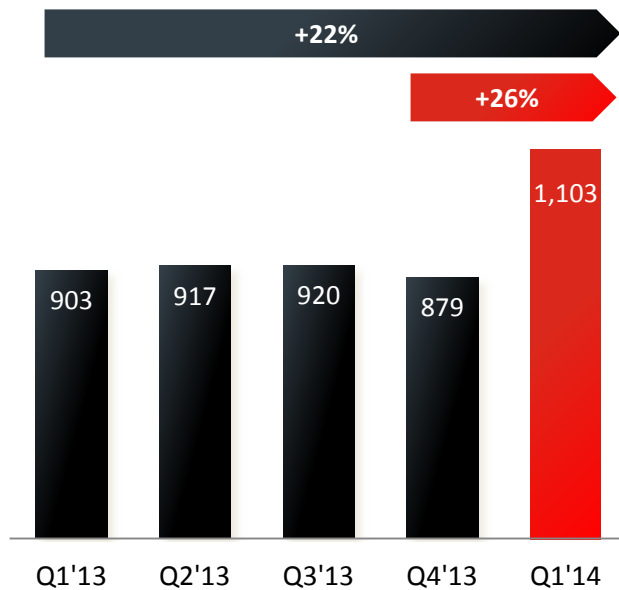
¹ Includes Islamic CASA (Current account deposits and savings deposits) ² Includes income from Islamic financing and Islamic profit distribution.

* Attributable to equity holders of the Bank

Performance indicators

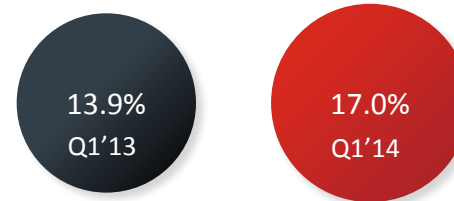
Sustainable profitability

Net profit
(AED mn)

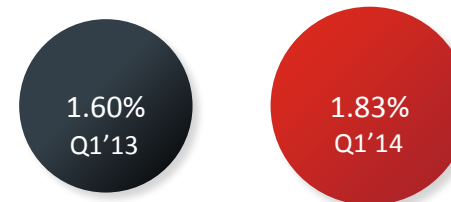


Strong performance indicators

Return on equity
(ROE %)*



Return on average assets
(ROAA %)*



Basic earnings per share
(EPS – AED)



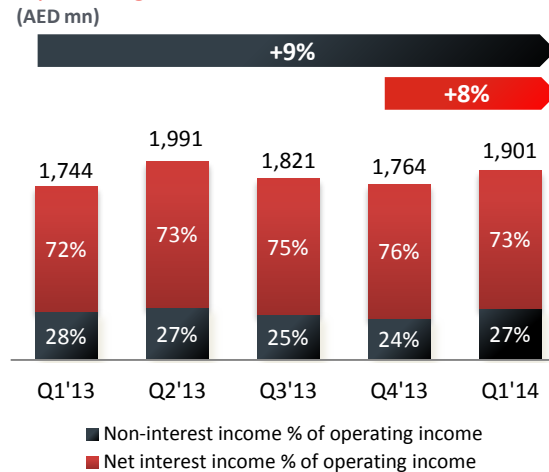
* For ROE/ROA calculations, net profit attributable to equity shareholders is considered, i.e., net profit after deducting minority interest and interest expense on Tier 1 capital notes

Operating performance

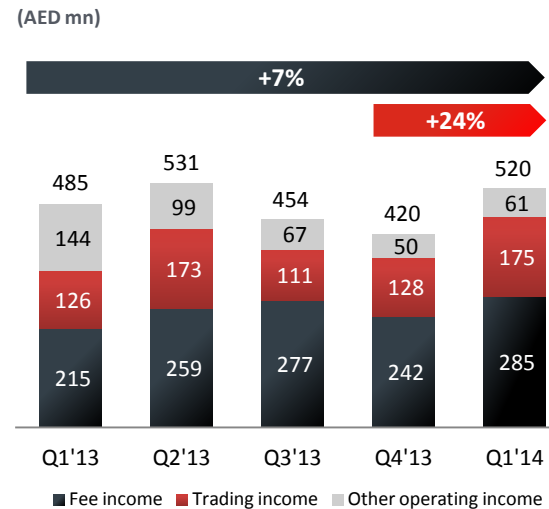
Highlights

- ▶ Diversified revenue stream, operating income up 9% over Q1'13, at AED 1,901 mn
- ▶ Total net interest income of AED 1,380 mn, 10% higher year on year, primarily driven by 33% reduction in interest expense at AED 360 mn, a record low for the Bank
- ▶ Cost of funds declined to 0.97% from 1.50% in Q1'13, net interest margin improved to 3.35% compared to 3.17% in Q1'13
- ▶ Non-interest income increased 7% over Q1'13. Excluding one-off gains arising from retirement of hedges in Q1'13, non-interest income increased 34% year on year
- ▶ Fees and commission up 33%, primarily attributable to higher corporate banking fees, up 48%
- ▶ Net trading income increased 39%, primarily due to higher gains from funds consolidation
- ▶ Non-interest income was 27% of total operating income (Q1'13: 28%)

Operating income (AED mn)

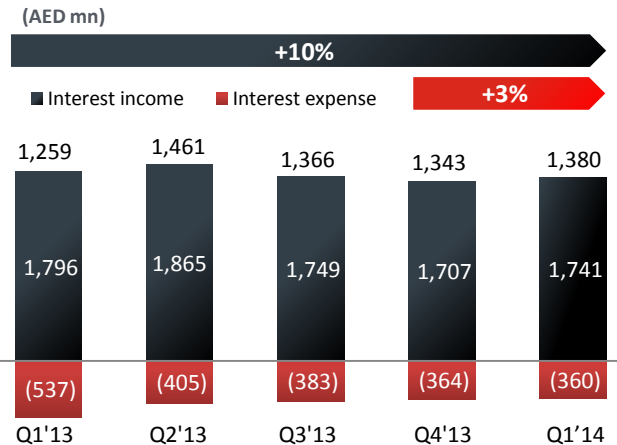


Non-interest income (AED mn)



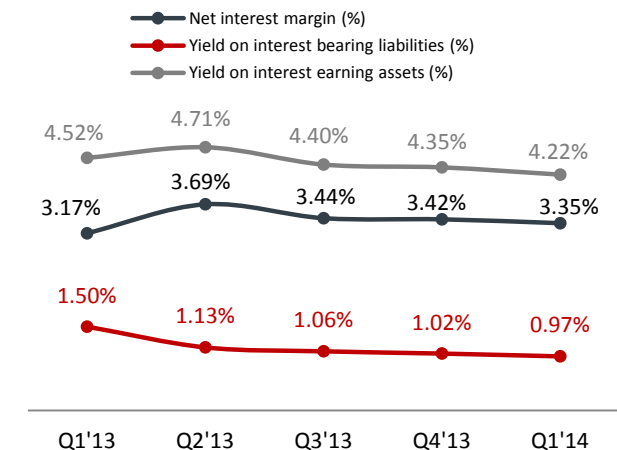
* Other operating income includes decrease in fair value of investment properties in Q4'12

Net interest income* (AED mn)



* Includes income from Islamic financing and Islamic profit distribution

Evolution of yields



Operating expenses

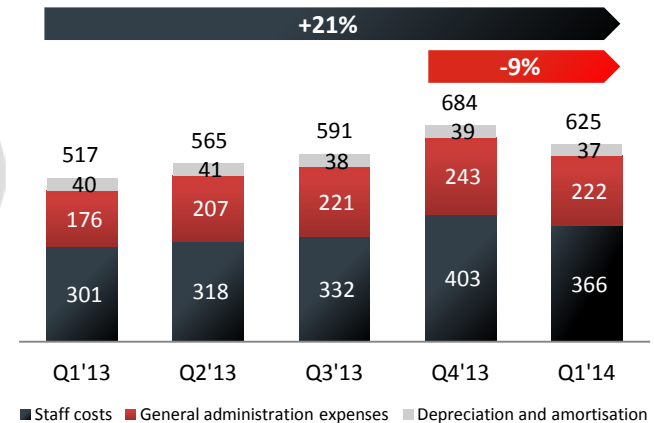
Highlights

- ▶ Operating expenses grew in line with operating income. Cost to income ratio was 32.9% compared to 29.7% in Q1'13 and 38.8% in Q4'13
- ▶ Operating expenses at AED 625 mn, increased 21% year on year, primarily driven by higher staff costs
- ▶ Yet the percentage contribution of staff costs in relation to total operating expenses remained stable at 58.5% compared to 58.2% in Q1'13
- ▶ Continue to manage expenses whilst investing in systems, people, processes and infrastructure to help increase revenues

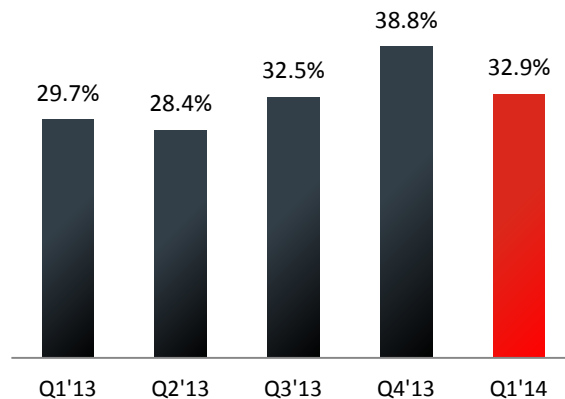
Cost to income ratio



Operating expenses (AED mn)



Quarterly cost to income ratio



Branch network

	2011	2012	2013	March'14
UAE – traditional branches	48	50	50	50
UAE – pay offices	4	4	3	3
India	2	2	2	2
Jersey	1	1	1	1
Total	55	57	56	56
ATMs	294	299	298	301

Composition of assets

Highlights

- ▶ Total assets at AED 186,103 mn, compared to AED 183,143 mn, up 2% mainly on account of higher acceptances
- ▶ Net loans and advances increased AED 548 mn over 2013 and comprised 71% of total assets
- ▶ Islamic financing assets at AED 10,417 mn, comprised 7.5% of gross loans
- ▶ Investment securities portfolio up 5% over 2013, at AED 21,836 mn
- ▶ 98% of the investment portfolio invested in bonds issued by government, corporates, public sector, banks and financial institutions

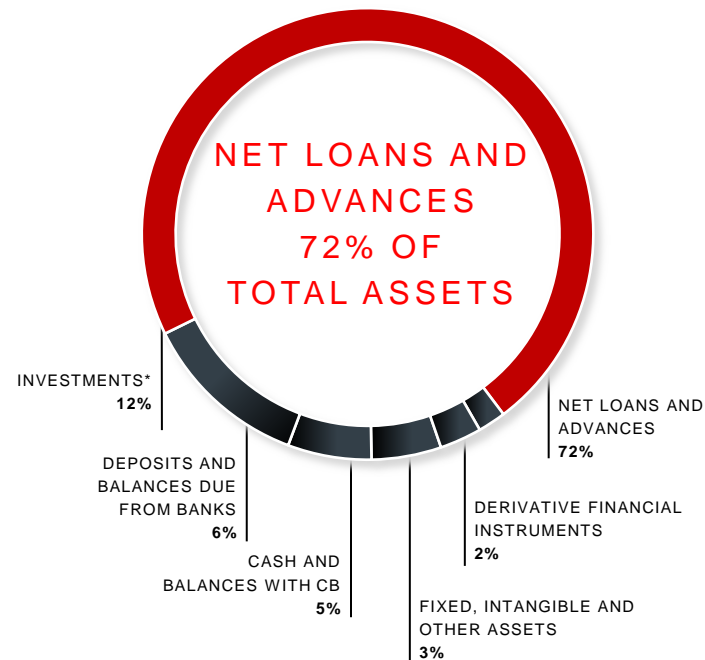
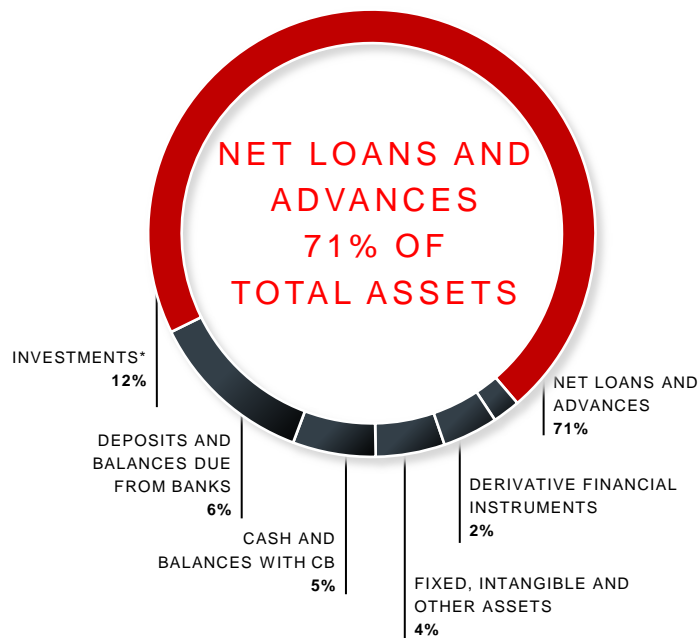
Composition of assets

March'14

Total assets = AED 186,103 mn

Dec'13

Total assets = AED 183,143 mn



Customer loans

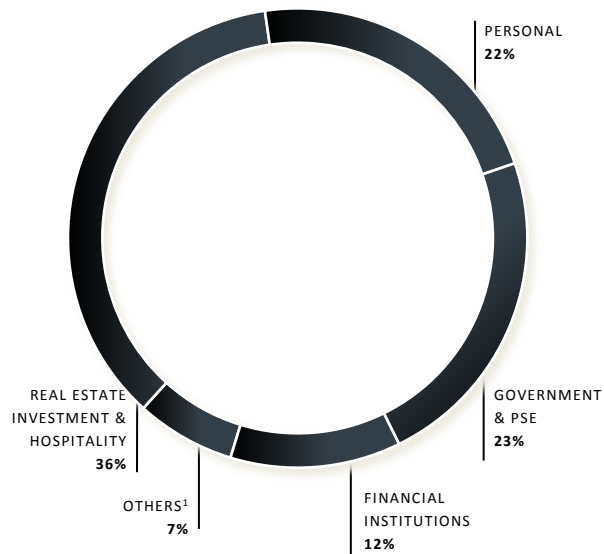
Highlights

- ▶ Gross loans were stable over 2013, at AED 139 bn
- ▶ Diversified loan portfolio, personal loans comprised 22% of total gross loans
- ▶ Strong domestic focus, with 93% of gross loans within UAE

Gross loans by industry

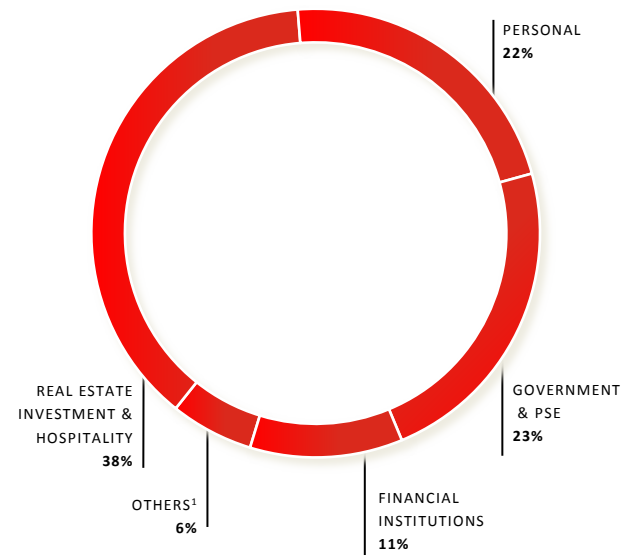
March'14

Gross loans = AED 138,814 mn



Dec'13

Gross loans = AED 138,539 mn



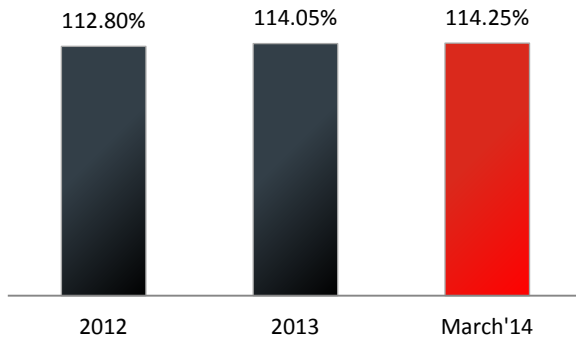
¹ Agriculture, energy, trading, transport, manufacturing, services and others

Customer loans

Highlights

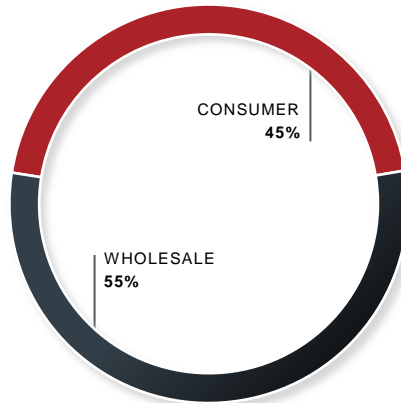
- ▶ Wholesale banking loans comprised 55% and consumer banking loans comprised 45% of total loans (net)
- ▶ Loan to deposit ratio was stable at 114.25%, compared to 114.05% as at 31 December 2013

Loan to deposit ratio

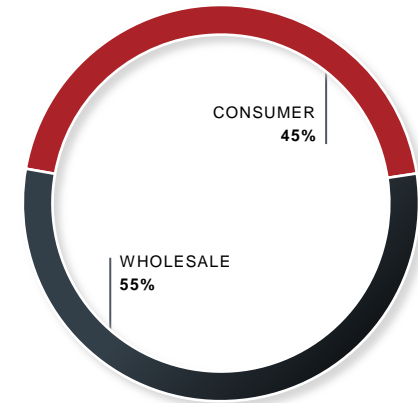


Evolution of net loans

March'14
Net loans = AED 132,197 mn



Dec'13
Net loans = AED 131,649 mn



Composition of liabilities

Highlights

- ▶ Total liabilities at AED 162,458 mn, compared to AED 158,321 mn, up 3% over 2013
- ▶ Total customer deposits increased by AED 276 mn over 2013
- ▶ Deposits from customers comprised 71% of total liabilities
- ▶ Diversified sources of deposits by counterparty, currency, tenor and instrument

Composition of liabilities

March'14

Total liabilities = AED 162,458 mn



Dec'13

Total liabilities = AED 158,321 mn



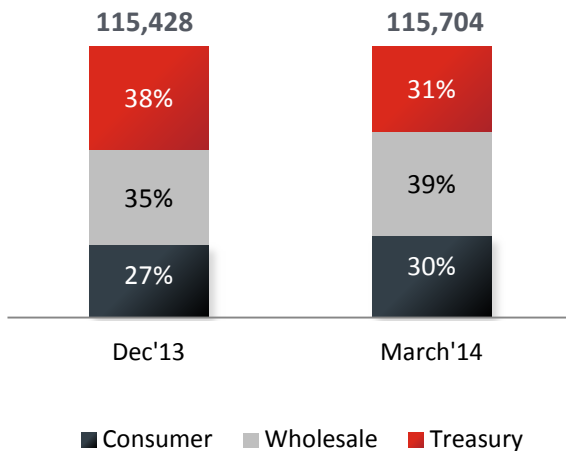
Customer deposits

Highlights

- ▶ Consumer Banking deposits comprised 30% and Wholesale Banking deposits comprised 39% of total customer deposits
- ▶ CASA customer deposits increased AED 8.6 bn over 2013, contributing 46% of total deposits (Dec'13: 39%)

Deposits

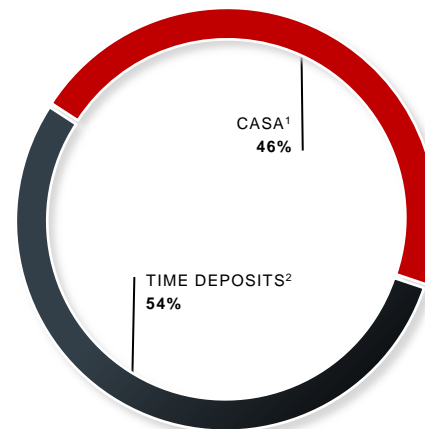
Evolution of deposits (AED mn)



customer deposits by type

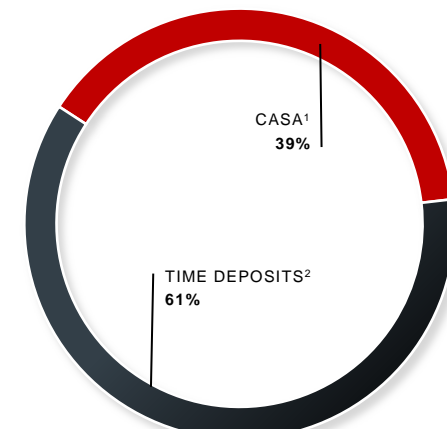
March'14

Customer deposits = AED 115,704 mn



Dec'13

Customer deposits = AED 115,428 mn



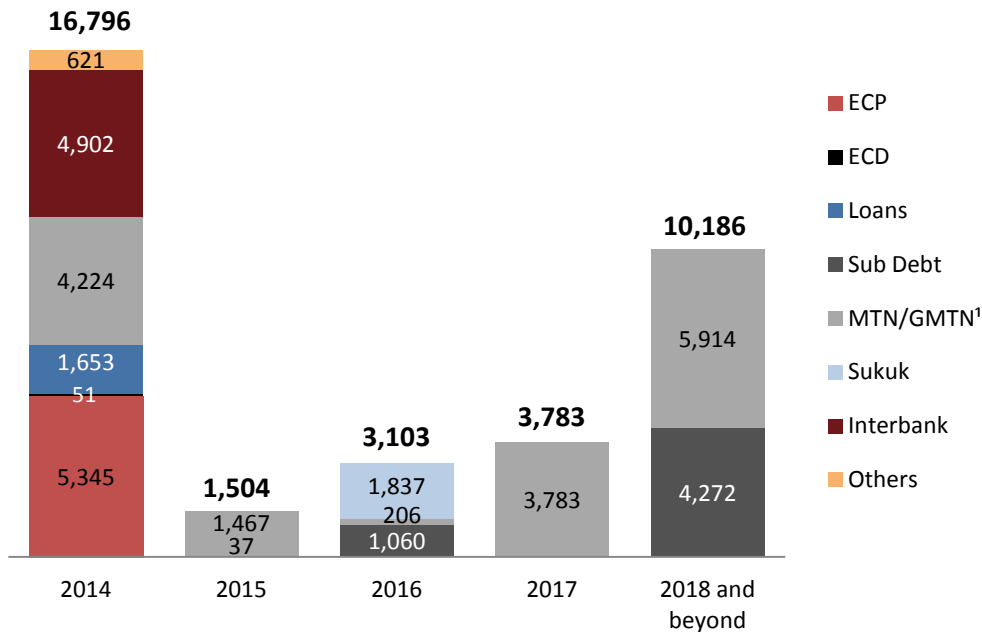
¹ CASA includes current account deposits, saving deposits and margin deposits

² Time deposits include long-term government deposits and Murabaha deposits

Wholesale funding and maturity profile

Maturity profile

As at 31 March 2014 (AED mn)



Wholesale funding split

As at 31 March 2014

Source of funds	AED mn
GMTN/EMTN	15,809
Sub Debt	5,255
Interbank	5,511
Euro Commercial Paper	5,382
Others (Repo)	621
Islamic Sukuk Notes	1,832
Bilateral loans	1,653
CD Issuances	51
Total	36,113

¹ Does not include fair value adjustment on short, medium and long term borrowings being hedged

Investment securities

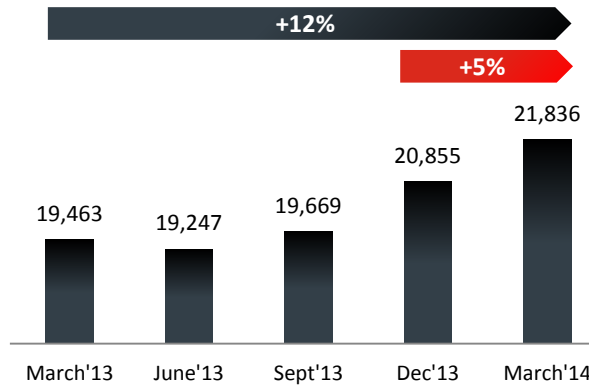
Highlights

- ▶ Investment portfolio at AED 21,836 mn, increased 5% over 2013, mainly attributable to increase in bonds issued by UAE based issuers
- ▶ 98% of the investment portfolio is invested in bonds issued by government corporates, public sector, banks and financial institutions
- ▶ Average life of the investment securities portfolio is 1.96 years
- ▶ 66% invested in the UAE and other GCC countries

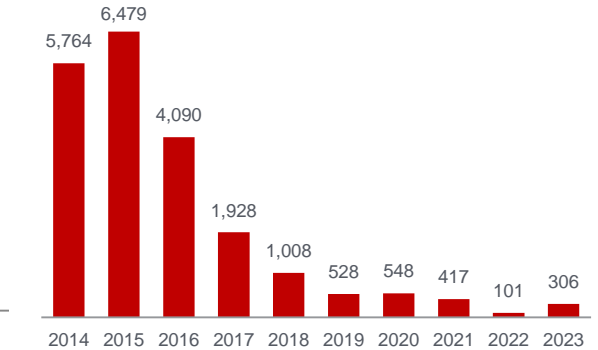
Portfolio Summary:

- ▶ 52% of Non Government available for sale investments are rated A3 or better
- ▶ 22% of the portfolio is invested in Government securities
- ▶ 11% is invested in local public sector bonds

Investment securities (AED mn)

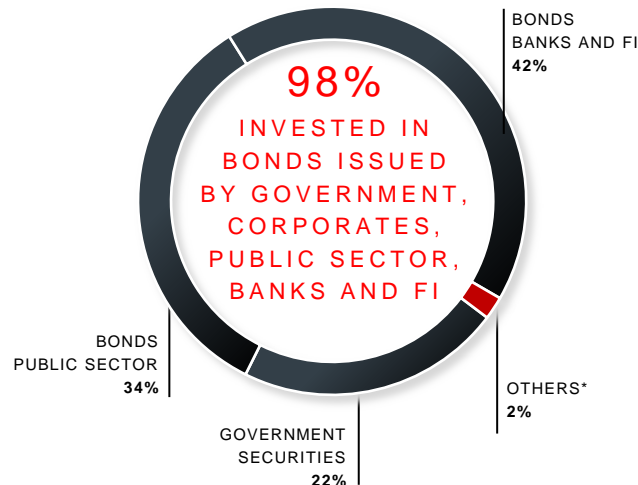


Maturity profile of investment securities portfolio (AED mn)

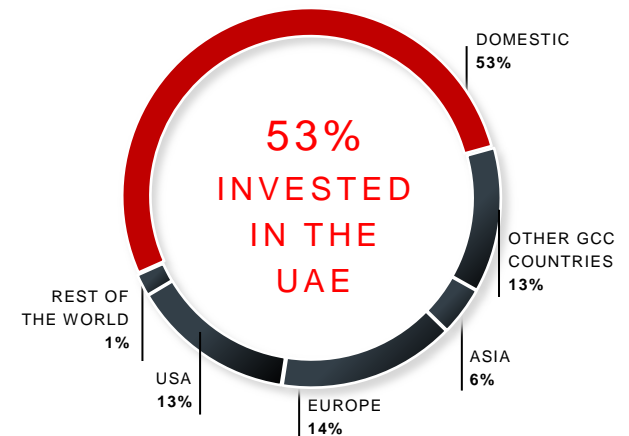


Investments

By issuer



By region



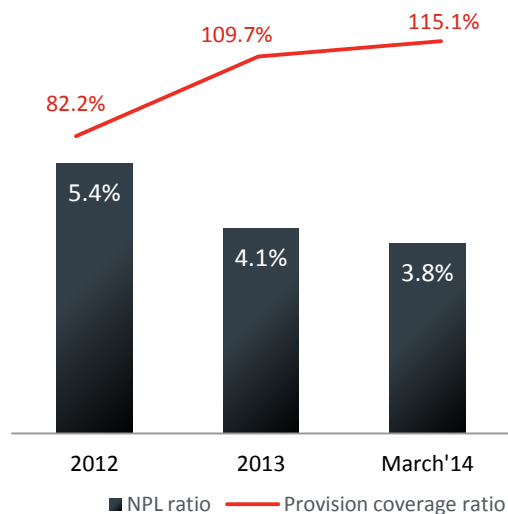
* Include Bonds-corporate, equity instruments and mutual funds

Asset quality

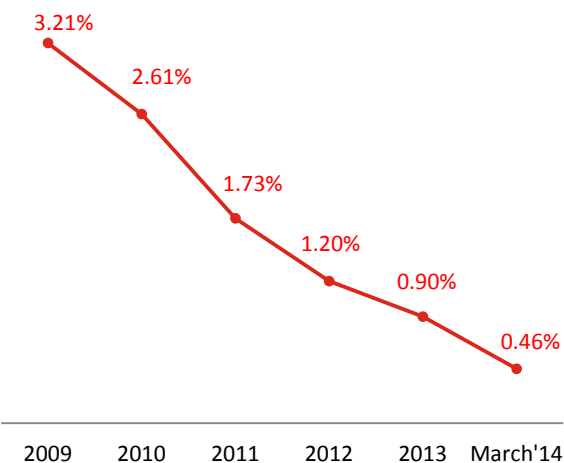
Highlights

- ▶ Non-performing loans ratio improved to 3.8% from 4.1% as at 31 December 2013
- ▶ Non-performing loans were at AED 5,249 mn compared to AED 5,722 mn as at 31 December 2013
- ▶ Provision coverage ratio improved to 115.1% from 109.7% as at 31 December 2013
- ▶ Collective impairment allowance balance was AED 2,753 mn and 1.99% of credit risk weighted assets and individual impairment allowance balance was AED 3,864 mn as at 31 March 2014
- ▶ Impairment allowance charges on loans and advances, net of recoveries amounted to AED 188 mn, 43% lower over Q1'13
- ▶ Cost of risk at record low at 46 bps compared to 90 bps in 2013

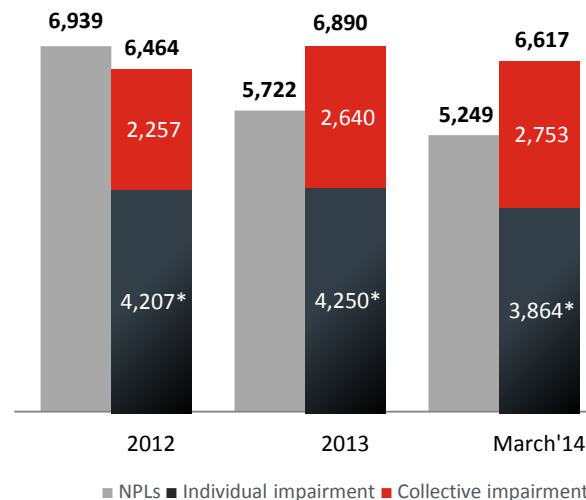
NPL and provision coverage ratios



Cost of risk¹



NPLs and impairment allowances



Dubai World exposure classified to performing status in 2011 as the client is performing in accordance with the new restructured terms

¹ Cost of risk: Total provisions including investments/average loans & advances and investments

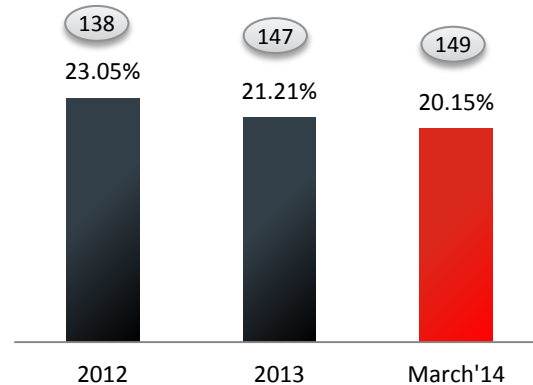
* Includes provision for Dubai World exposure

Capital and liquidity position

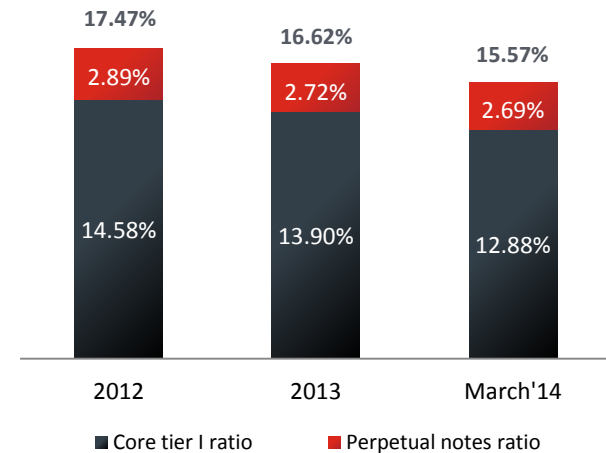
Highlights

- ▶ As at 31 March 2014, capital adequacy ratio was 20.15% and Tier I ratio was 15.57%
- ▶ Core Tier I was 12.88% as at 31 March 2014
- ▶ Lower CAR and Tier I were mainly on account of higher risk weighted assets and dividend pay out in Q1'14
- ▶ Net interbank lender of AED 8 bn as at 31 March 2014
- ▶ As at 31 March 2014, the Bank's liquidity ratio remained unchanged compared to 31 December 2013 at 22.8%

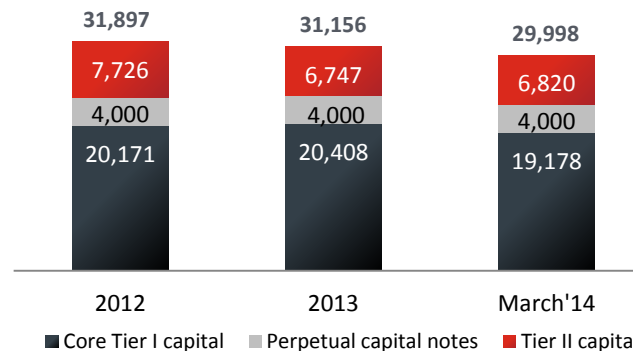
Capital adequacy ratio
Risk weighted assets (AED bn)



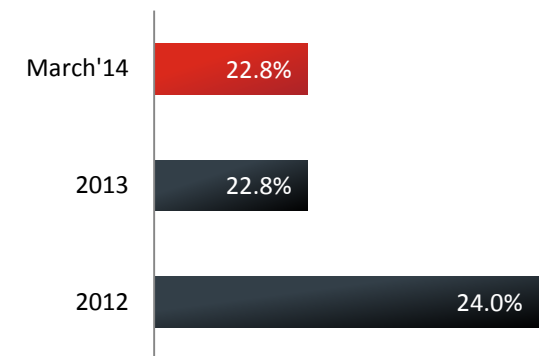
Tier I and core Tier I ratios



Capital base
(AED mn)



Liquidity ratio*



* Liquid assets include cash and balances with Central Banks, deposits and balances due from banks, trading securities, and liquid investments (liquidity ratio: liquid assets/total assets)

Summary

- ▶ Continue to follow a corporate strategy based on measured growth and discipline
- ▶ Stable balance sheet, yet operating income increased 9% and net profit increased 22% year on year
- ▶ CASA contribution increased significantly, contributing 46% of total deposits
- ▶ Improved funding profile, cost of funds at record low at 0.97%
- ▶ Significant growth in non-interest income, driven by higher fee & commission income and higher trading fee income
- ▶ Improved asset quality, cost of risk at 46 bps
- ▶ Capital position at industry leading levels

▶ **Appendix**

The Banker Middle East
Product Awards 2014;
“Best New SME Product”,
“Best SME Customer
Service” and “Best Trade
Finance Offering”

World Finance
Magazine Award 2014;
“Best Corporate
Governance in UAE”

Balance sheet

AED mn	March'14	Dec'13	Change %
Cash and balances with Central Banks	10,146	9,961	2
Deposits and balances due from banks	12,040	11,345	6
Trading securities	60	885	(93)
Derivative financial instruments	3,452	3,616	(5)
Investment securities	21,836	20,855	5
Loans and advances, net	132,197	131,649	0
Investment properties	561	561	0
Other assets	4,947	3,405	45
Property and equipment, net	808	805	0
Intangible assets	55	62	(11)
Total assets	186,103	183,143	2
Due to banks	5,511	4,291	28
Derivative financial instruments	3,919	3,966	(1)
Deposits from customers	115,704	115,428	0
Euro Commercial Paper	5,382	5,940	(9)
Borrowings	24,941	23,786	5
Other liabilities	7,000	4,911	43
Total liabilities	162,458	158,321	3
Total shareholders' equity	23,636	24,177	(2)
Non -controlling interests	9	645	(99)
Total liabilities and shareholders' equity	186,103	183,143	2

Income statement

AED mn	March'14	March'13	Change %
Interest income and income from Islamic financing	1,741	1,796	(3)
Interest expense and profit distribution	(360)	(537)	(33)
Net interest and Islamic financing income	1,380	1,259	10
Net fees and commission income	285	215	33
Net trading income	175	126	39
Other operating income	61	144	(58)
Non interest income	520	485	7
Operating income	1,901	1,744	9
Staff expenses	(366)	(301)	21
Other operating expenses	(222)	(176)	26
Depreciation	(30)	(32)	(5)
Amortisation of intangible assets	(7)	(8)	(14)
Operating expenses	(625)	(517)	21
Operating profit before impairment allowances & taxation	1,276	1,227	4
Impairment allowance on loans and advances	(289)	(389)	(26)
Recovery of loans	101	60	69
Net impairment recoveries on available for sale investments	14	8	75
Overseas income tax expense	1	(2)	(154)
Net profit	1,103	903	22
Attributed to:			0
Equity holders of the Parent	953	829	15
Non-controlling interests	151	73	105
Net Profit	1,103	903	22