

# A Better Way

AMBITION + DISCIPLINE



Abu Dhabi Commercial Bank PJSC

Q1'15 Earnings presentation

بنك أبوظبي التجاري  
ADCB



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## Balance sheet highlights: Conservatively managed balance sheet, strong CASA (current & savings account) deposits contribution

As at 31 March 2015

	AED mn	March'15	Dec'14	Change %
▶ Total assets reached AED 207 bn, up 1% over 31 December 2014. Gross loans and advances increased by AED 502 mn to AED 147,842 mn as at 31 March 2015	Net loans	141,095	140,562	0%
▶ Total customer deposits increased 2% to AED 128,471 mn. CASA <sup>1</sup> deposits increased by AED 2.1 bn over December 2014, contributing 46% of total customer deposits	Investment securities	21,678	21,652	0%
▶ Advances to stable resources was 86.6% and loan to deposit ratio was 109.83% compared to 111.55% as at 31 December 2014	Total assets	206,886	204,019	1%
▶ Capital adequacy ratio was 19.49% compared to 21.03% as at 31 December 2014. The decline in CAR was mainly on account of dividend payments of AED 2.1 bn in Q1'15 and a change in asset mix	Deposits from customers	128,471	126,011	2%
▶ Investment securities portfolio totaled AED 21,678 mn, with 98% of the portfolio invested in available for sale investments in government securities and bonds	Borrowings	30,890	30,320	2%
	Shareholders' equity*	25,467	26,408	(4)
	<b>Ratios (%)</b>			<b>Change bps</b>
	CAR (Capital adequacy ratio)	19.49	21.03	(154)
	Tier I ratio	15.73	17.01	(128)
	LTD (Loan to deposit ratio)	109.83	111.55	(172)

<sup>1</sup> Includes Islamic CASA (Current account deposits and savings deposits)

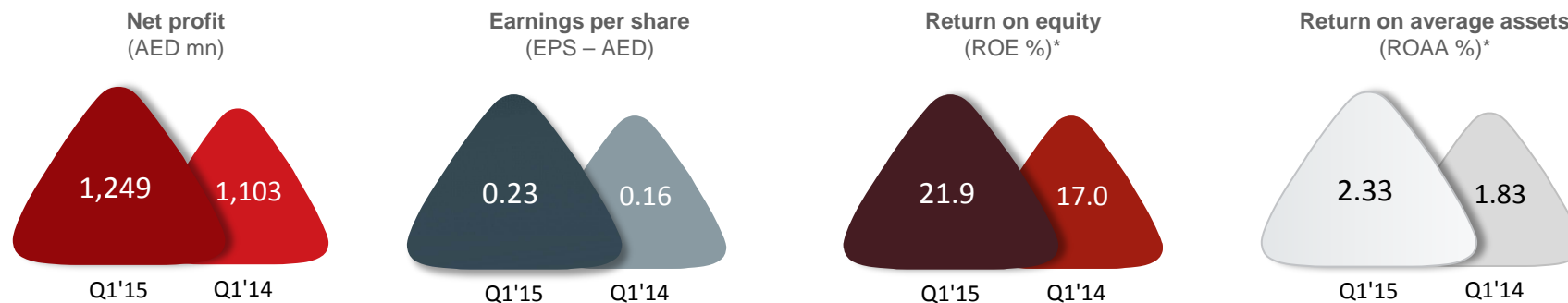
\* Attributable to equity holders of the Bank

# Income statement highlights: Strong top and bottom line growth, record return on equity and operating income for the quarter

- ▶ Net profit up 13% to AED 1,249 mn, net profit attributable to equity shareholders up 31% to AED 1,248 mn
- ▶ Record quarterly operating income, up 15% to AED 2,192 mn
- ▶ Record quarterly net interest income and non-interest income, up 19% and 6% respectively at AED 1,641 mn and AED 551 mn
- ▶ Record quarterly operating profit, up 17% to AED 1,492 mn
- ▶ Basic earnings per share were AED 0.23 compared to AED 0.16 in Q1'14, an increase of 44% year on year
- ▶ Return on equity of 21.9% compared to 17.0% for Q1'14

AED mn	Q1'15	Q4'14	Q1'14	QoQ change	YoY change
Total net interest income <sup>1</sup>	<b>1,641</b>	1,392	1,380	18%	<b>19%</b>
Non - interest income	<b>551</b>	493	520	12%	<b>6%</b>
Operating income	<b>2,192</b>	1,885	1,901	16%	<b>15%</b>
Operating expenses	<b>(700)</b>	(709)	(625)	-1%	<b>12%</b>
Operating profit	<b>1,492</b>	1,176	1,276	27%	<b>17%</b>
Impairment allowances	<b>(241)</b>	(154)	(174)	57%	<b>39%</b>
Overseas income tax	<b>(2)</b>	1	1	NA	<b>NA</b>
Net profit for the period	<b>1,249</b>	1,023	1,103	22%	<b>13%</b>
Net profit attributable to equity shareholders	<b>1,248</b>	1,022	953	22%	<b>31%</b>

## Key indicators



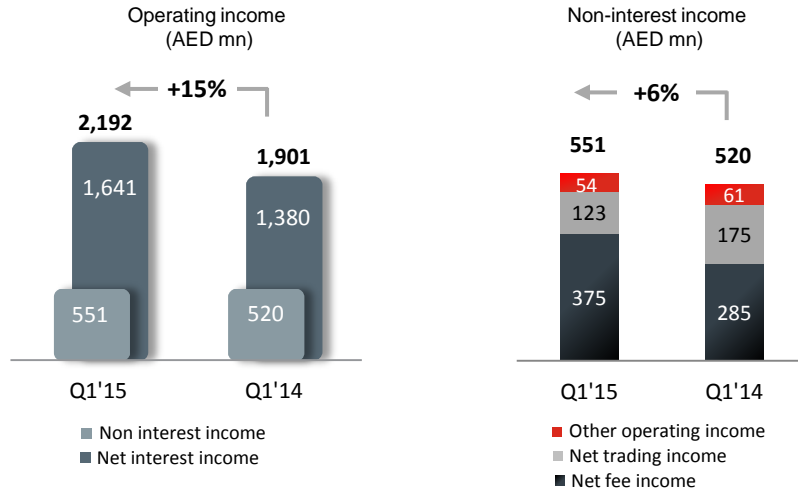
<sup>1</sup> Includes income from Islamic financing and Islamic profit distribution

\* 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

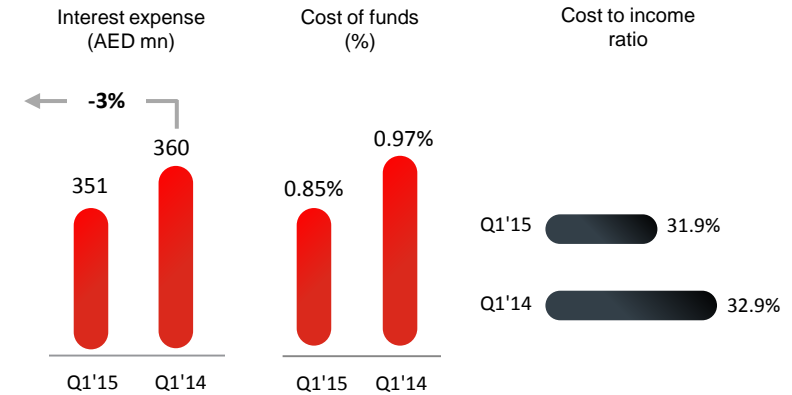
# Operating income, crossing the AED 2 bn mark in Q1'15

## Robust fee income growth, well managed cost base

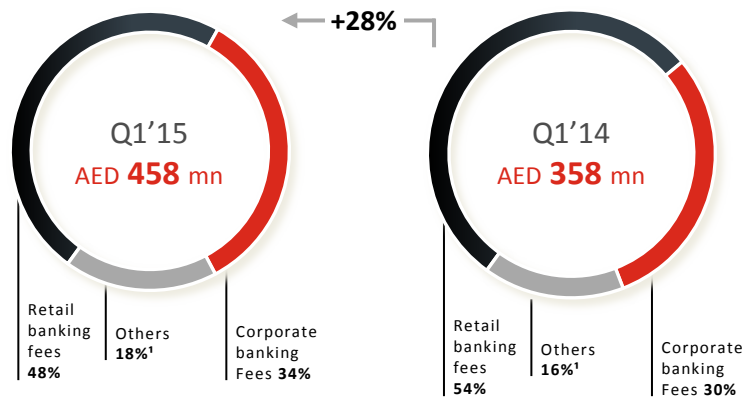
Record quarterly operating income supported by a healthy growth in both net interest income and non-interest income



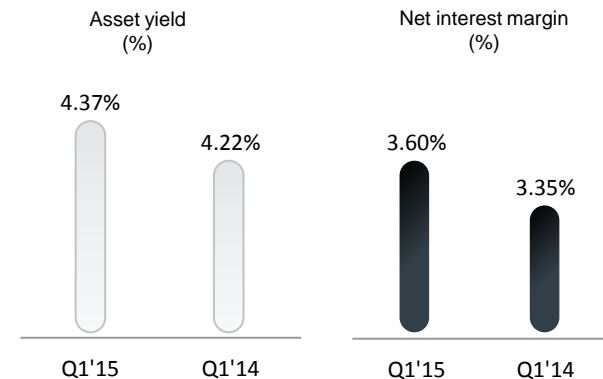
Lower interest expense and cost of funds supported by significant CASA growth. Improved top line momentum and proactive cost management resulted in lower C/I ratio in Q1'15



Continued focus on fee income generation, gross fee income up 28% year on year



Improved margins and asset yields for the quarter.



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

## Composition of total assets and loan book Remain UAE centric

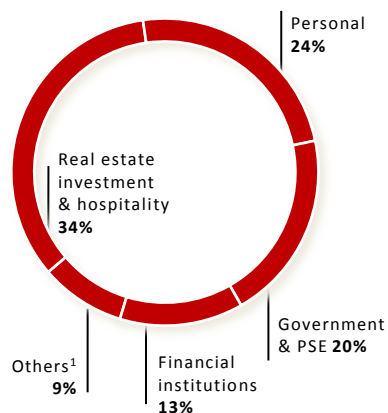
### Highlights

- ▶ Net loans and advances comprised 68% of total assets (Dec'14: 69%)
- ▶ Gross loans increased by AED 502 mn to AED 147,842 mn over 31 December 2014
- ▶ 90% of gross loans within UAE in line with the Bank's UAE centric strategy
- ▶ 56% of loan book (gross) in Abu Dhabi and 29% in Dubai
- ▶ Personal loans comprised 24% of total gross loans (Dec'14: 23%)
- ▶ Wholesale banking loans comprised 56% and consumer banking loans comprised 44% of total loans (net)

### Gross loans by industry

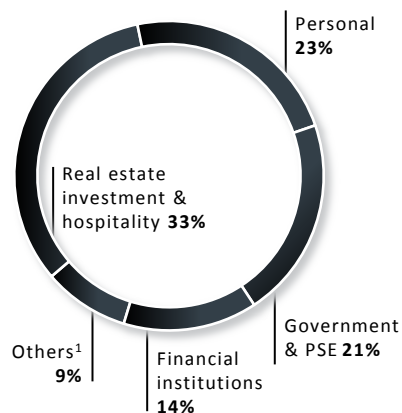
March'15

Gross loans = AED 147,842 mn



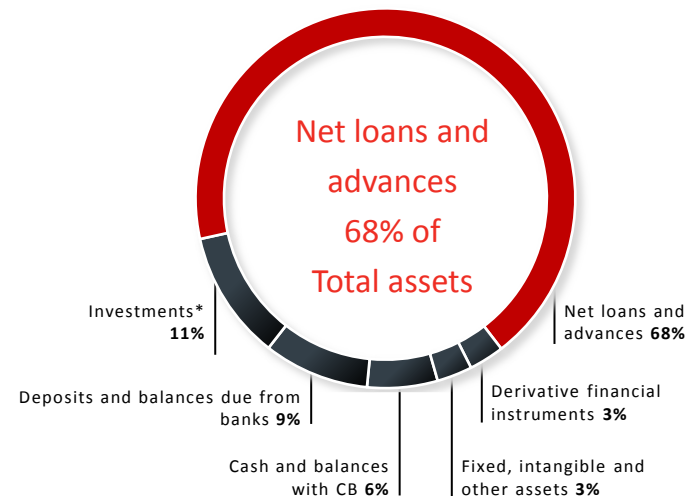
Dec'14

Gross loans = AED 147,340 mn



### Composition of assets

Total assets = AED 206,886 mn

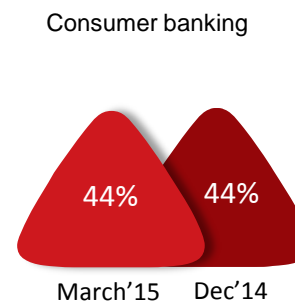


\* Investments include: investment securities, trading securities, investment properties and investments in associates

### % contribution to net loans and advances

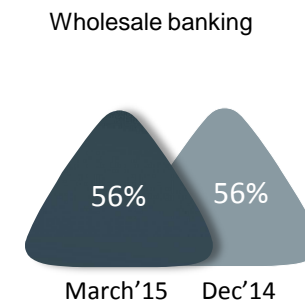
March'15

Net loans = AED 141,095 mn



Dec'14

Net loans = AED 140,562 mn



<sup>1</sup> Agriculture, energy, trading, transport, manufacturing, services and others

# Composition of total liabilities and customer deposits

## Significant CASA deposits contribution

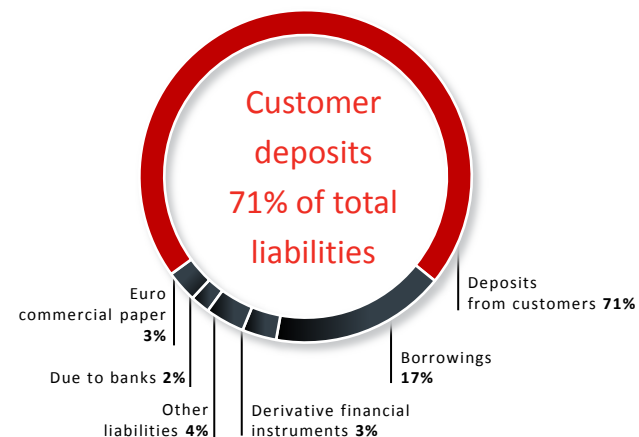
### Highlights

- ▶ Customer deposits comprised 71% of total liabilities (Dec'14: 71%)
- ▶ Customer deposits increased 2% to AED 128,471 mn over 31 December 2014.
- ▶ CASA customer deposits increased by AED 2.1 bn over 31 December 2014, accounting for 46% of total customer deposits
- ▶ Consumer Banking deposits comprised 30% and Wholesale Banking deposits comprised 37% of total customer deposits
- ▶ Total Islamic deposits grew 2% to AED 9,584 mn over 31 December 2014

### Composition of liabilities

March'15

Total liabilities = AED 181,407 mn



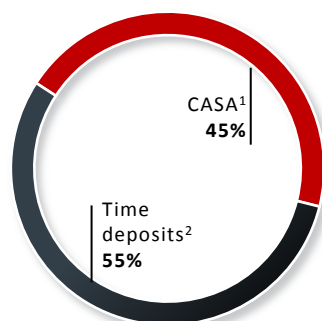
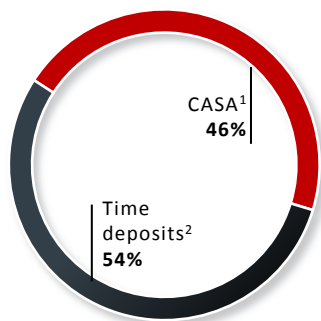
### % contribution to total deposits

March'15

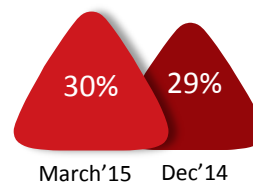
Customer deposits = AED 128,471 mn

Dec'14

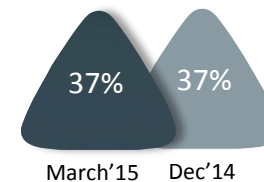
Customer deposits = AED 126,011 mn



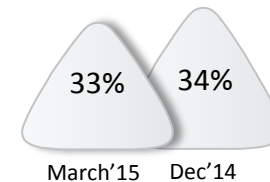
Consumer banking



Wholesale banking



Treasury



<sup>1</sup> CASA includes current account deposits, saving deposits and margin deposits

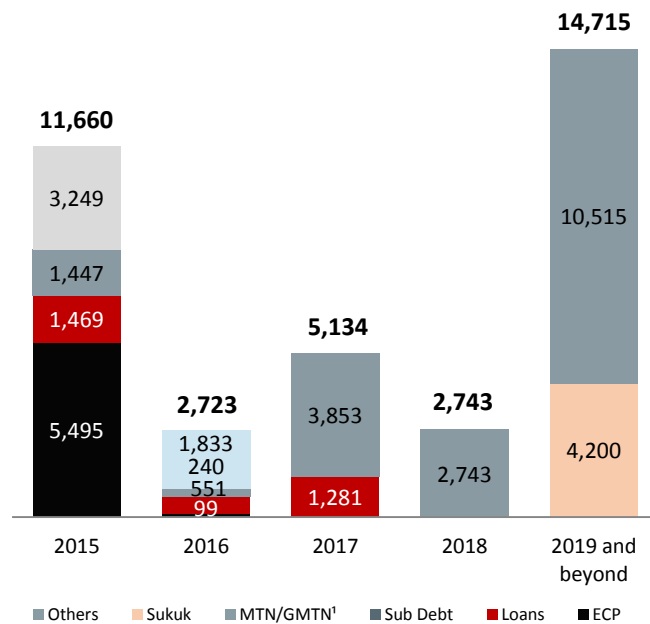
<sup>2</sup> Time deposits include long-term government deposits and Murabaha deposits

## Wholesale funding and maturity profile - stable funding and liquidity profile

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

### Maturity profile

As at 31 March 2015 (AED mn)



### Wholesale funding split

As at 31 March 2015

Source of funds	AED mn
GMTN/EMTN¹	18,800
Sub Debt	4,200
Euro Commercial paper	5,593
Others (Repo)	3,249
Islamic Sukuk Notes	1,833
Bilateral loans	3,301
<b>Total</b>	<b>36,976</b>

Net lender of

**AED 18 bn**

in the interbank markets

As at 31 March 2015

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



# Investment securities

## 98% of total portfolio invested in bonds

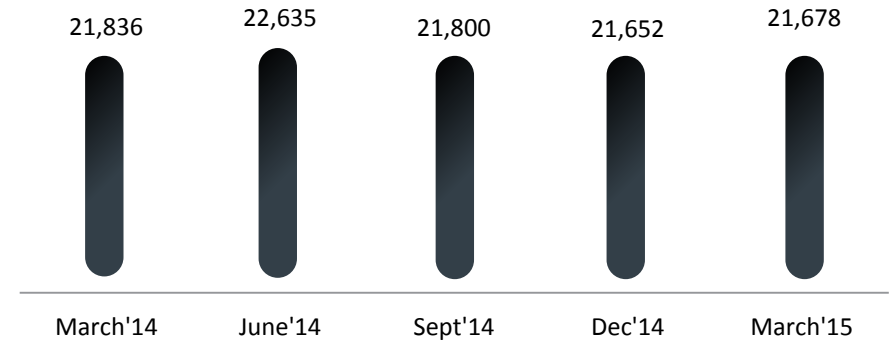
### Highlights

- ▶ Investment securities portfolio increased to AED 21,678 mn, providing further liquidity for the Bank
- ▶ 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 2.5 years
- ▶ 57% invested in the UAE and other GCC countries

### Portfolio Summary:

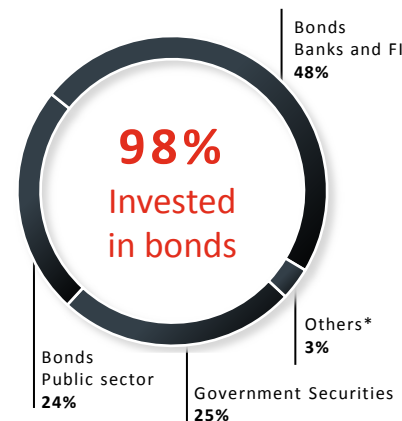
- ▶ Non Government portfolio – (75% of total) of which:
  - Rated A- or better: 49%
  - Rated Investment grade or better: 43%
  - Rated below IG (BBB- and unrated): 8%
- ▶ 25% of the portfolio is invested in Government securities
- ▶ 10% is invested in local public sector bonds which are rated below A-

### Investment securities (AED mn)

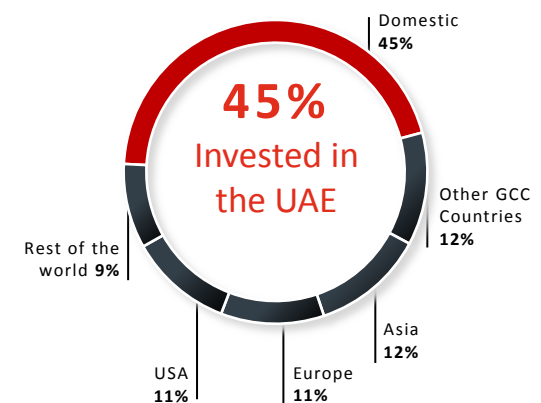


### Investments

#### By issuer

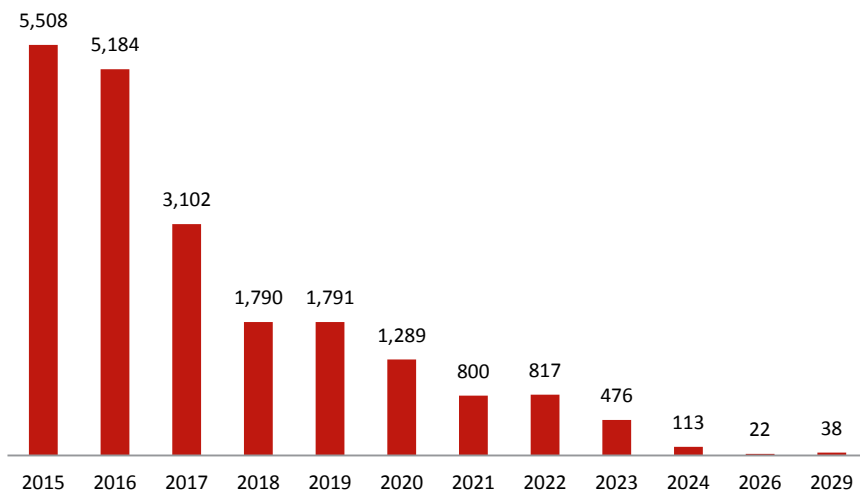


#### By region



\* Include corporate bonds, equity instruments and mutual funds

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

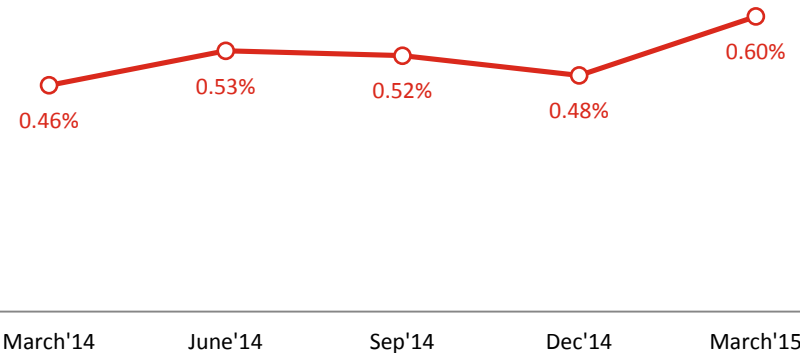


## Asset quality indicators remain healthy

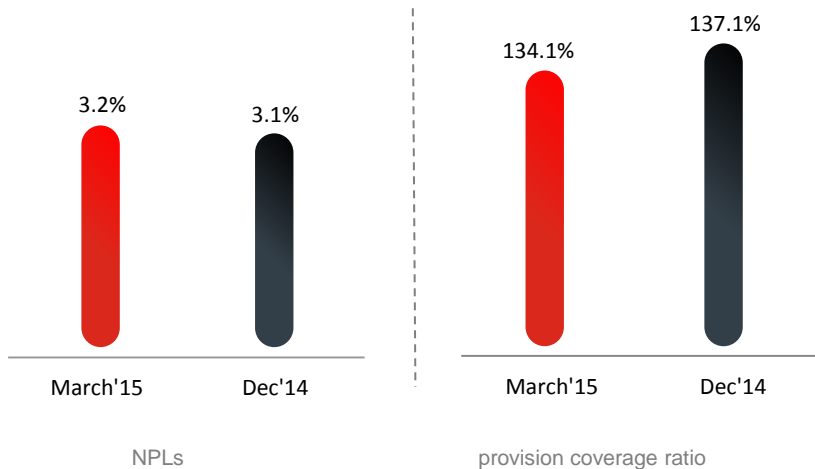
### Highlights

- ▶ Cost of risk for Q1'15 was 60 bps compared to 48 bps, mainly on account of lower recoveries during Q1'15
- ▶ As at 31 March 2015, NPL ratio was 3.2% and provision coverage ratio was 134.1%
- ▶ Non-performing loans were at AED 4,750 mn compared to AED 4,611 mn as at 31 December 2014
- ▶ Collective impairment allowance balance was AED 3,034 mn and 2.13% of credit risk weighted assets and individual impairment allowance balance was AED 3,713 mn as at 31 March 2015

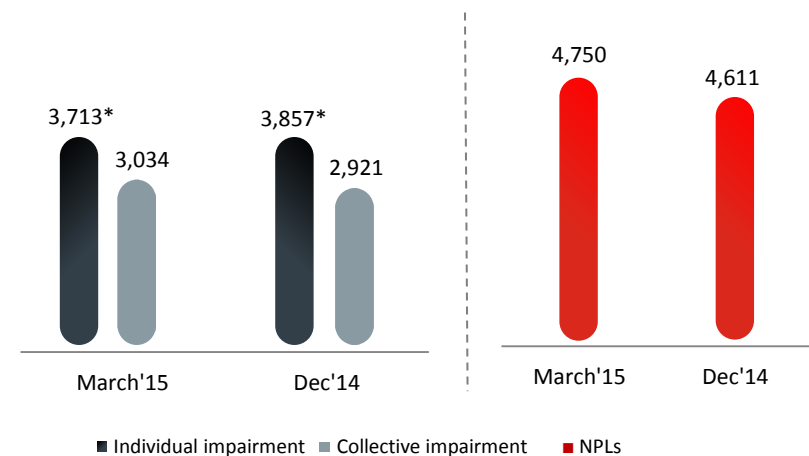
### Cost of risk<sup>1</sup>



### NPL and provision coverage ratios



### NPLs and impairment allowances (AED mn)



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

<sup>1</sup> Cost of risk: Total provisions charged (net of recoveries) including investments/average loans & advances and investments

\* Includes provision for Dubai World exposure

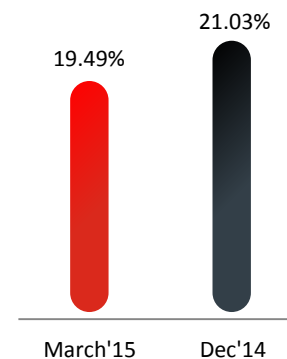
# Capital position

## CAR at industry leading levels

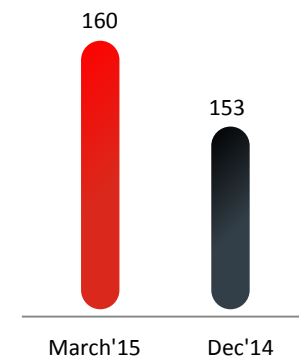
### Highlights

- ▶ As at 31 March 2015, the Bank's capital adequacy ratio was 19.49% compared to 21.03% as at 31 December 2014
- ▶ The decline in CAR was mainly on account of dividend payments of AED 2.1 bn in Q1'15 and a change in asset mix
- ▶ Tier I ratio was 15.73% compared to 17.01% as at 31 December 2014
- ▶ The capital adequacy ratio minimum requirement stipulated by the UAE Central Bank is 12% and Tier I minimum requirement is 8%
- ▶ The Bank's liquidity ratio improved to 25.2% compared to 22.9% as at 31 March 2014, while loan to deposit ratio improved from 111.55% as at 31 December 2014 to 109.83% as at 31 March 2015
- ▶ Net lender of AED 18bn in the interbank markets as at 31 March 2015

### Capital adequacy ratio

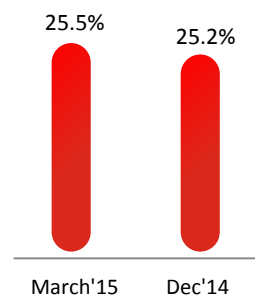


### Risk weighted assets (AED bn)

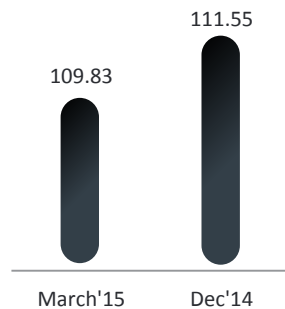


### Strong liquidity

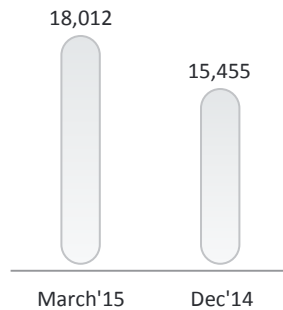
#### Liquidity ratio\*



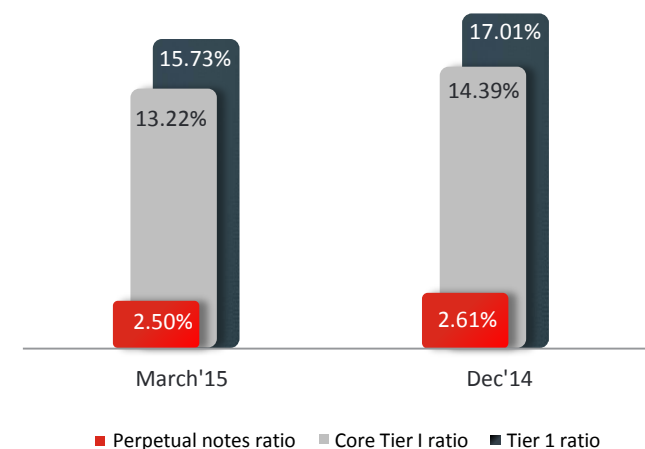
#### Loan to deposit ratio



#### Interbank lending (AED mn)



### Tier I and core Tier I ratios



\* 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

- ▶ “A Better Way: Ambition + Discipline”, continue to follow a corporate strategy based on measured growth and discipline
- ▶ Strong top and bottom line growth with a record return on equity 21.9% and record quarterly operating income of AED 2.192 bn, crossing the AED 2 bn mark for the first time
- ▶ Diversified revenue stream, with increased emphasis on fee income generation, net fee and commission income up 32% year on year
- ▶ Resilient balance sheet, with significant CASA deposits contribution, comprising 46% of total customer deposits
- ▶ Continued improvement in cost of funds at 85 bps and efficiently managed cost base with a cost to income ratio of 31.9% for the quarter
- ▶ Strong asset quality indicators, provision coverage of 134.1% and NPL ratio of 3.2%
- ▶ CAR of 19.49% which continues to be at industry leading levels

## Awards

### 2014 awards

“Hawkamah Bank Corporate Governance Award”

Institute for Corporate Governance

“Procurement Team of the Year — Middle East”

Chartered Institute of Purchasing and Supply Chain (CIPS)

“Nationalisation Initiative of the Year” (for the Tamooha initiative)

The Middle East HR Excellence Awards

“Best Trade Finance Offering”

The *Banker Middle East* Product Awards 2014

“Best New SME Product”

The *Banker Middle East* Product Awards 2014

“Best Deposit Product Business in Middle East”

*The Asian Banker* Magazine

“Best Domestic Cash Management Bank in the UAE”

*The Asian Banker* Magazine

“Best Retail Bank in the UAE”

*The Asian Banker* Awards

“Best Trade Bank in the Middle East and North Africa”

*Trade Finance* Magazine

“Best Overall Bank for Cash Management”

*Global Finance* Magazine

“Best Islamic Trade Finance Bank in the Middle East and North Africa”

*Trade Finance* Magazine

“Best Trade Finance Bank the UAE”

*Global Finance* Magazine

“Best Corporate Governance in UAE”

*World Finance* Magazine

“Best Corporate Bank” and “Best Transaction Bank”

The *Banker Middle East* Industry Awards

“UAE Domestic Cash Management Bank of the Year”

*Asian Banking & Finance* Magazine

“Best Cash Management Bank in the UAE”

*Euromoney* Award

“Best Islamic Banking Window in UAE”

The *International Finance* Magazine

“Best SME Customer Service”

The *Banker Middle East* Product Awards 2014

### Q1'15 awards

“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 Bank for Cash Management in the Middle East”

*Global Finance*

“Best Supply Chain Finance Provider Award- Middle East”

*Global Finance*

“Best Trade Finance Bank in UAE”

*Global Finance*

“Best Customer Service - Corporate Banking”

*Banker Middle East*

“Best Cash Management”

*Banker Middle East*

“Best Trade Finance Offering”

*Banker Middle East*

## Balance sheet

AED mn	March'15	Dec'14	Change %
Cash and balances with Central banks	12,997	15,092	(14)
Deposits and balances due from banks	18,708	16,019	17
Trading securities	272	200	36
Derivative financial instruments	5,225	4,289	22
Investment securities	21,678	21,652	0
Loans and advances, net	141,095	140,562	0
Investment in associate	196	196	0
Investment properties	616	616	0
Other assets	5,269	4,552	16
Property and equipment, net	800	806	(1)
Intangible assets	30	36	(16)
<b>Total assets</b>	<b>206,886</b>	<b>204,019</b>	<b>1</b>
Due to banks	3,471	4,089	(15)
Derivative financial instruments	6,062	5,000	21
Deposits from customers	128,471	126,011	2
Euro Commercial Paper	5,593	6,375	(12)
Borrowings	30,890	30,320	2
Other liabilities	6,920	5,805	19
<b>Total liabilities</b>	<b>181,407</b>	<b>177,601</b>	<b>2</b>
Total shareholders' equity	25,467	26,408	(4)
Non -controlling interests	11	10	11
<b>Total liabilities and equity</b>	<b>206,886</b>	<b>204,019</b>	<b>1</b>

## Income statement

AED mn	March'15	March'14	Change%
Interest income and income from Islamic financing	1,992	1,741	14
Interest expense and profit distribution	(351)	(360)	(3)
<b>Net interest and Islamic financing income</b>	<b>1,641</b>	<b>1,380</b>	<b>19</b>
Net fees and commission income	375	285	32
Net trading income	123	175	(30)
Other operating income	54	61	(12)
<b>Non interest income</b>	<b>551</b>	<b>520</b>	<b>6</b>
<b>Operating income</b>	<b>2,192</b>	<b>1,901</b>	<b>15</b>
Staff expenses	(443)	(366)	21
Other operating expenses	(219)	(222)	(1)
Depreciation	(32)	(30)	7
Amortisation of intangible assets	(6)	(7)	(17)
<b>Operating expenses</b>	<b>(700)</b>	<b>(625)</b>	<b>12</b>
<b>Operating profit before impairment allowances &amp; taxation</b>	<b>1,492</b>	<b>1,276</b>	<b>17</b>
Impairment allowance on loans and advances	(305)	(289)	6
Recovery of loans	64	101	(37)
Recoveries on written off available for sale investments	0	14	(100)
Overseas income tax expense	(2)	1	(262)
<b>Net profit</b>	<b>1,249</b>	<b>1,103</b>	<b>13</b>
<b>Attributed to:</b>			
<b>Equity holders of the Parent</b>	<b>1,248</b>	<b>953</b>	<b>31</b>
Non-controlling interests	1	150	(99)
<b>Net Profit</b>	<b>1,249</b>	<b>1,103</b>	<b>13</b>