



Leading Through

AMBITION + DISCIPLINE

Abu Dhabi Commercial Bank PJSC

Q2/H1'17 Earnings presentation

July 2017

بنك أبوظبي التجاري
ADCB



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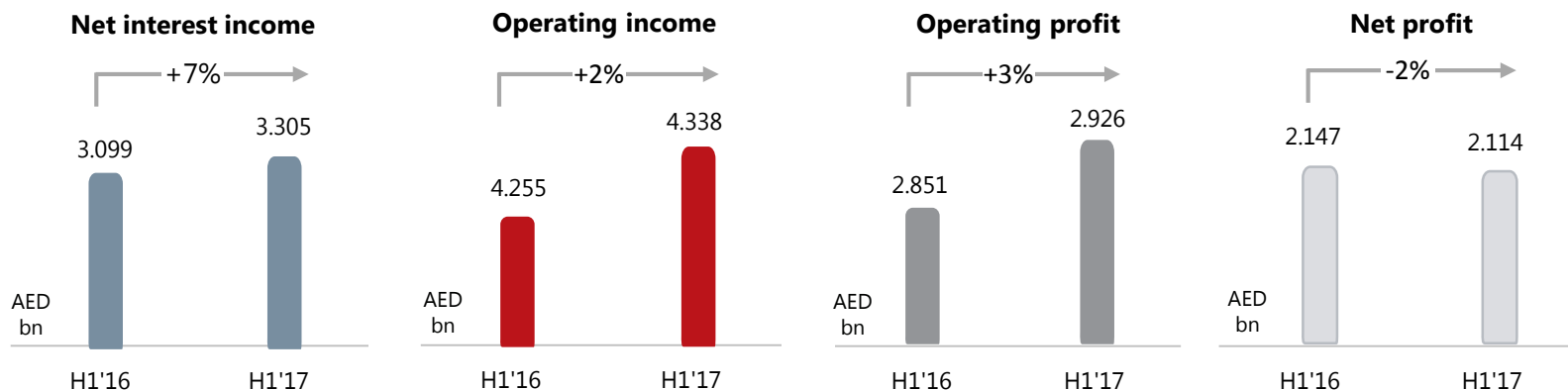
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■ Healthy top line growth, bottom line impacted by adverse market conditions



Net profit impacted by:

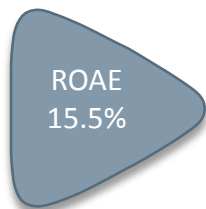
- Lower trading income on account of unrealised FX translation losses and higher impairment charges on account of significant one-off releases recorded in H1'16

■ Despite this backdrop, balance sheet growth remained strong

- Total assets at AED 259 billion +8% YoY, loans to customers +6% YoY, customer deposits +9% YoY, CASA 44% of total customer deposits

■ Maintain a conservative approach to risk management

- NPL and provision coverage ratios of 2.8 % and 123.8% respectively



Solid returns and disciplined cost management



Robust capital structure and liquidity profile



Q2/H1'17 Financial performance – key indicators

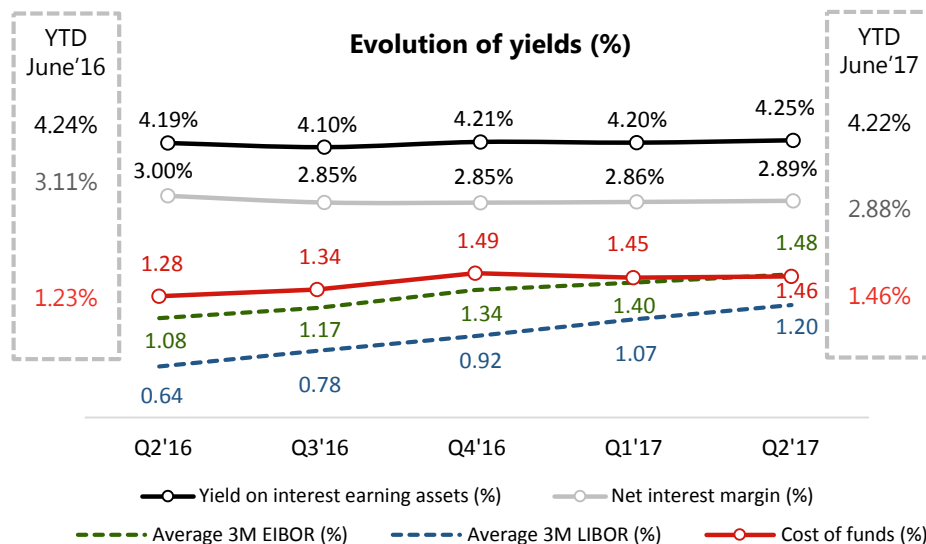
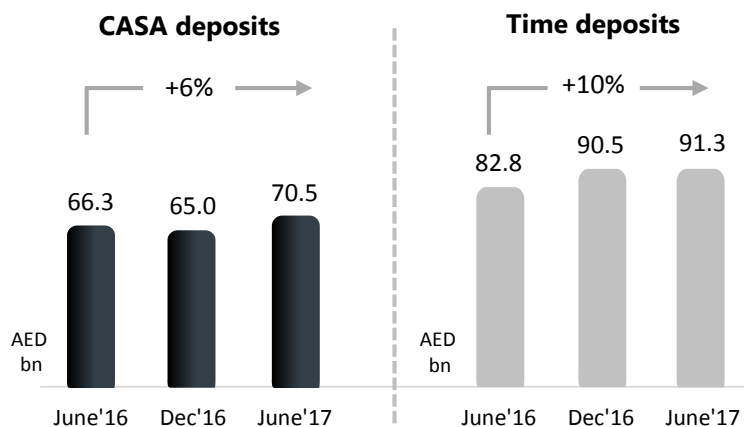
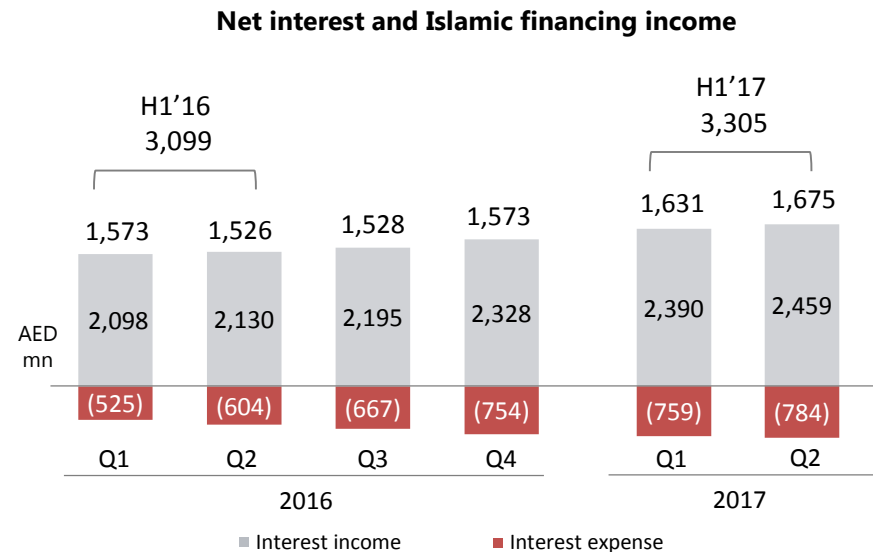
Income statement highlights (AED mn)	H1'17	H1'16	Change %	Q2'17	Q1'17	Q2'16	Change %	
			YoY				QoQ	YoY
Total net interest and Islamic financing income	3,305	3,099	7	1,675	1,631	1,526	3	10
Non - interest income	1,032	1,155	(11)	434	598	617	(27)	(30)
Operating income	4,338	4,255	2	2,109	2,229	2,143	(5)	(2)
Operating expenses	(1,411)	(1,404)	1	(671)	(740)	(666)	(9)	1
Operating profit before impairment allowance	2,926	2,851	3	1,438	1,489	1,477	(3)	(3)
Impairment allowances	(814)	(703)	16	(427)	(386)	(351)	11	22
Net profit for the period	2,114	2,147	(2)	1,008	1,105	1,126	(9)	(10)
Key indicators (%)	H1'17	H1'16	bps	Q2'17	Q1'17	Q2'16	bps	bps
Return on average equity	15.5	17.0	(150)	15.5	16.1	18.9	(60)	(340)
Net interest margin	2.88	3.11	(23)	2.89	2.86	3.00	3	(11)
Cost to income ratio	32.5	33.0	(50)	31.8	33.2	31.1	(140)	(70)
Balance sheet highlights (AED mn)	June'17	June'16	YoY	June'17	March'17	Dec'16	QoQ	YTD
Total assets	259,239	240,752	8	259,239	263,672	258,289	(2)	0
Net loans and advances	164,251	154,853	6	164,251	159,802	158,458	3	4
Deposits from customers	161,779	149,055	9	161,779	162,362	155,442	(0)	4
Ratios (%)	June'17	June'16	bps	June'17	March'17	Dec'16	bps	bps
Capital adequacy ratio (CAR)	18.07	18.40	(33)	18.07	17.83	18.92	24	(85)
Tier I ratio	14.84	15.07	(23)	14.84	14.55	15.66	29	(82)
Loan to deposit ratio (LTD)	101.5	103.9	(240)	101.5	98.4	101.9	310	(40)

There could be inconsistencies in totals due to rounding differences

Healthy volumes and well maintained NIMs, stable cost of funds despite rising benchmark rates

Highlights

- ▶ Interest and Islamic financing income in the first half of 2017, increased 15% over H1'16 to AED 4,849 million.
- ▶ Average interest earning assets increased 15% year on year. This was achieved in the absence of higher interest in suspense reversals which were not repeated in H1'17
- ▶ H1'17 net interest income of AED 3,305 million was up 7% year on year, while Q2'17 net interest income was up 10% at AED 1,675 million
- ▶ Net interest margin for the first half of 2017 was 2.88%; whilst cost of funds stood at 1.46%, which remained stable for the last two quarters despite the rising benchmark rates
- ▶ Average interest bearing liabilities increased 16% year on year
- ▶ CASA deposits grew 6% year on year to AED 71 billion

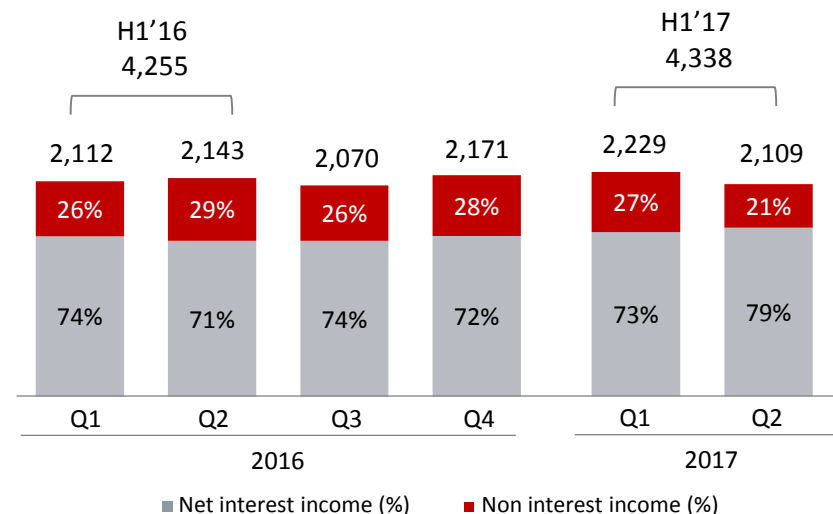


Fees and commission growth momentum maintained, Non-interest income impacted by lower trading income reflecting turbulent markets

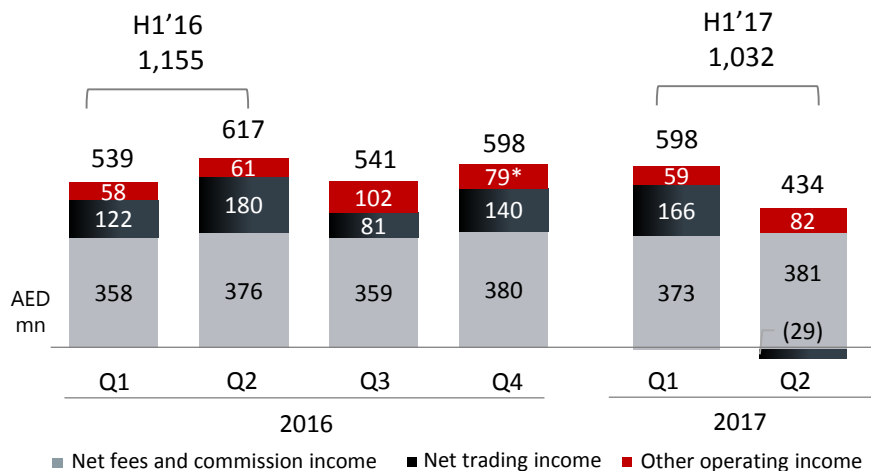
Highlights

- ▶ H1'17 operating income of AED 4,338 million was up 2% year on year, whilst Q2'17 operating income was 2% lower year on year, primarily due to lower non-interest income
- ▶ H1'17 non-interest income of AED 1,032 million was 11% lower year on year. This was primarily attributable to lower trading income recorded in Q2, which was partially offset by higher net fee and commission of AED 755 million in H1'17, up 3% year on year
- ▶ H1'17 trading income of AED 138 million was 54% lower year on year, mainly impacted by unrealised FX translation losses reflective of turbulent markets. This resulted in a trading loss of AED 29 million in Q2'17

Operating income (AED mn)

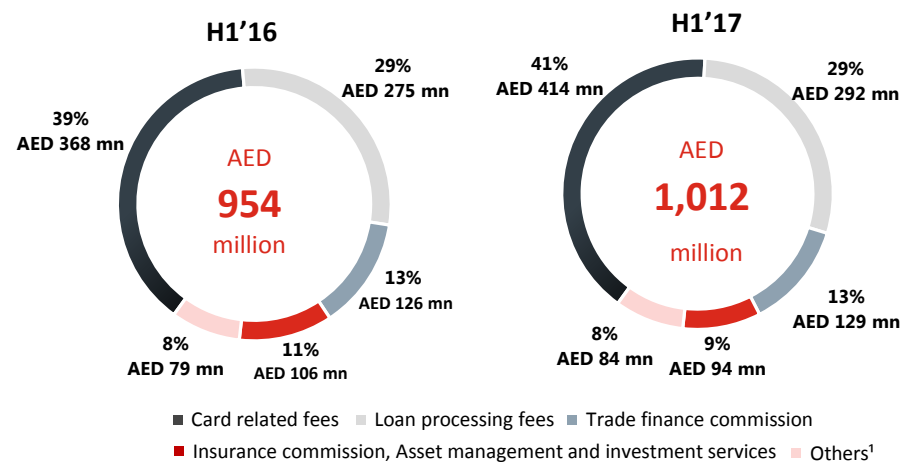


Non-interest income



* Other income includes revaluation of investment properties of AED 16 million in Q4'16

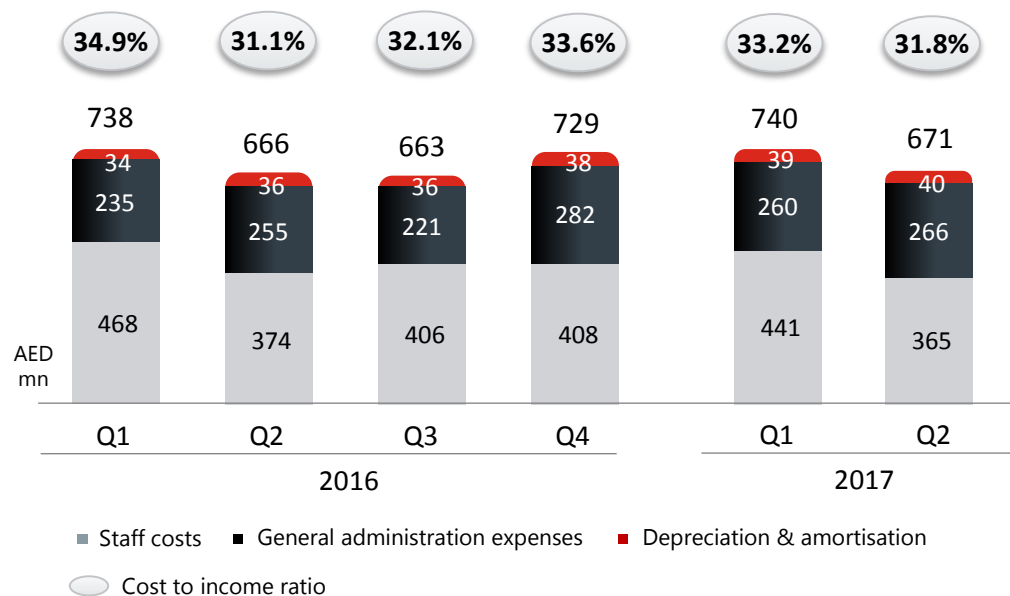
Gross fee income breakdown (AED mn)



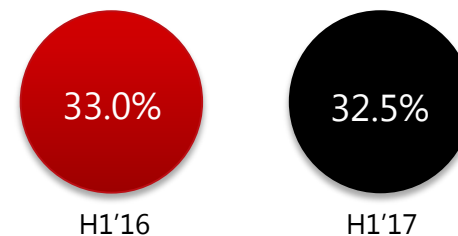
¹ Others include brokerage, fees from accounts related activities and other fees

Operating expenses continue to be well-managed
Cost to income ratio improved to 32.5% in H1'17

Operating expenses



Cost to income ratio
within our target range



Efficiently managed cost base,
while continuing to reinvest in the business

- ▶ H1'16 operating expenses of AED 1,411 million, increased 1% year on year, resulting in a cost to income ratio of 32.5% compared to 33% in H1'16
- ▶ Staff expenses were 57% of total operating expenses in the first half of 2017 compared with 60% in H1'16

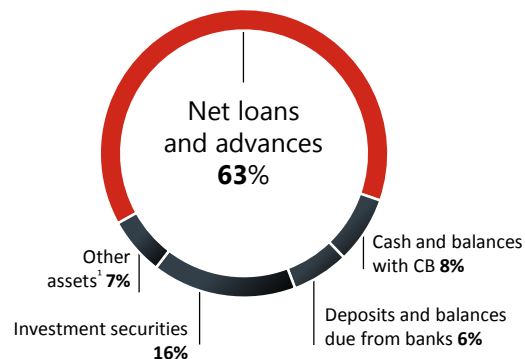
Resilient balance sheet, healthy loan growth +6% YoY Disciplined and selective lending growth in our core geography

Highlights

- ▶ Net loans to customers increased 6% year on year to AED 164,251 million. System wide growth was 4% year on year*
- ▶ Net loans to customers comprised 63% of total assets, compared to 61% as at 31 December 2016
- ▶ Consumer Banking loans comprised 44% and Wholesale Banking loans comprised 56% of net loans
- ▶ 94% of loans were within the UAE in line with the Bank's UAE centric strategy
- ▶ 56% of loans (gross) were in Abu Dhabi, 31% were in Dubai and 7% in other Emirates as at 30 June 2017
- ▶ Personal loans comprised 24% of gross loans (2016: 25%)
- ▶ YTD Islamic financing assets grew 8% and 24% year on year to AED 19,979 million as at 30 June 2017

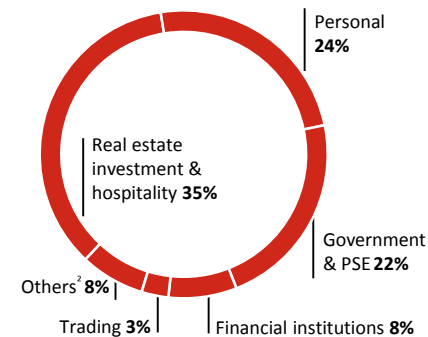
Composition of assets

Total assets: AED 259,239 million

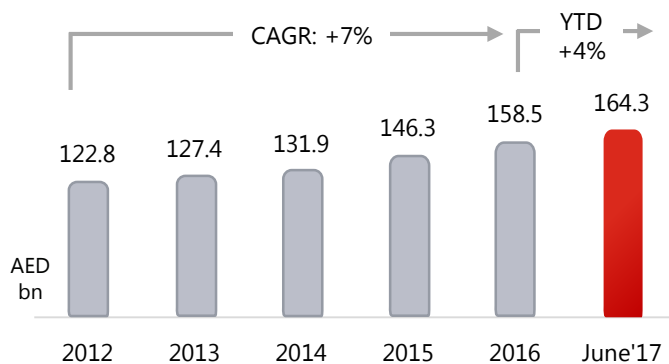


Gross loans by economic sector

Gross loans: AED 170,276 million



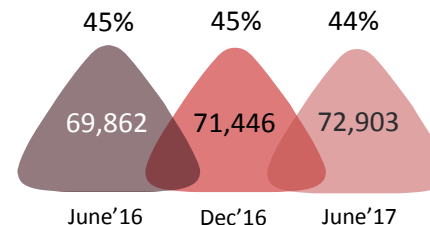
Net loans and advances



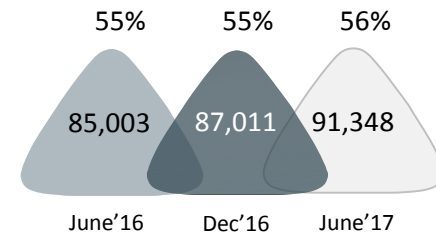
Net loans by business segment (AED million)

Net loans: AED 164,251 million (30 June 2017)

Consumer Banking



Wholesale Banking



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

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

² Others include agriculture, energy, transport, manufacturing and services

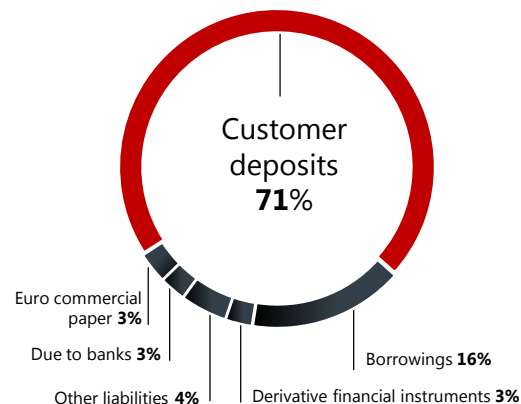
Solid funding mix, reinforced by increasing customer deposits, +9% YoY Significant increase in total Islamic deposits

Highlights

- ▶ Customer deposits increased 9% year on year to AED 161,779 million. System wide growth was 7% year on year*
- ▶ Customer deposits comprised 71% of total liabilities, compared to 68% as at 31 December 2016
- ▶ CASA deposits comprised 44% of total customer deposits
- ▶ Consumer Banking deposits comprised 33% and Wholesale Banking deposits comprised 39%, whilst Treasury deposits comprised 28% of total customer deposits
- ▶ YTD Islamic deposits increased 23% and 24% year on year to AED 14,735 million as at 30 June 2017

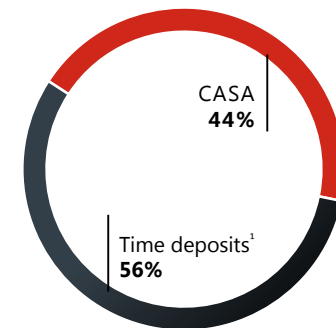
Composition of liabilities

Total liabilities: AED 228,735 million



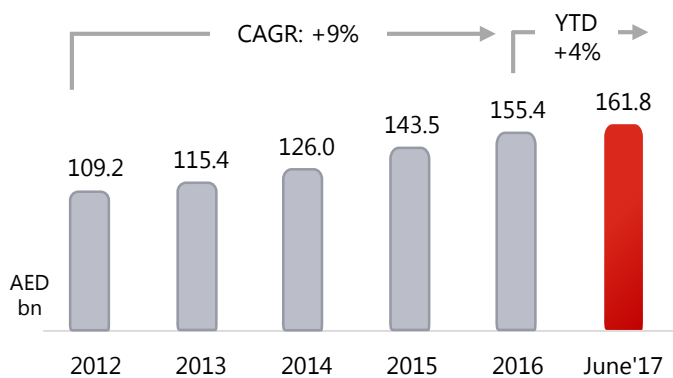
Customer deposit breakdown

Customer deposits: AED 161,779 million

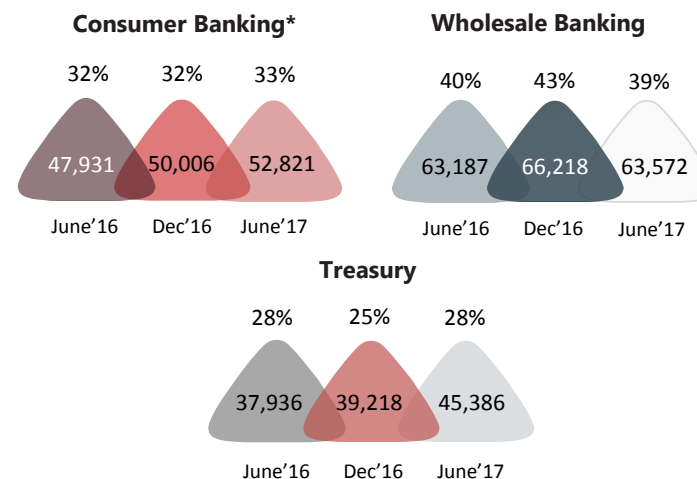


¹ Time deposits include long-term government and Murabaha deposits

Customer deposits



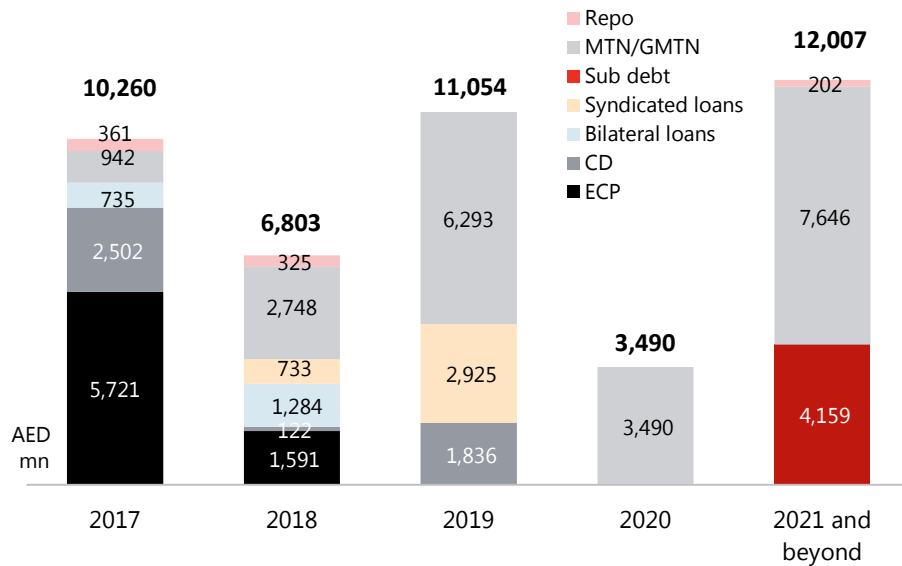
Contribution to total deposits by business segment (AED million)



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

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

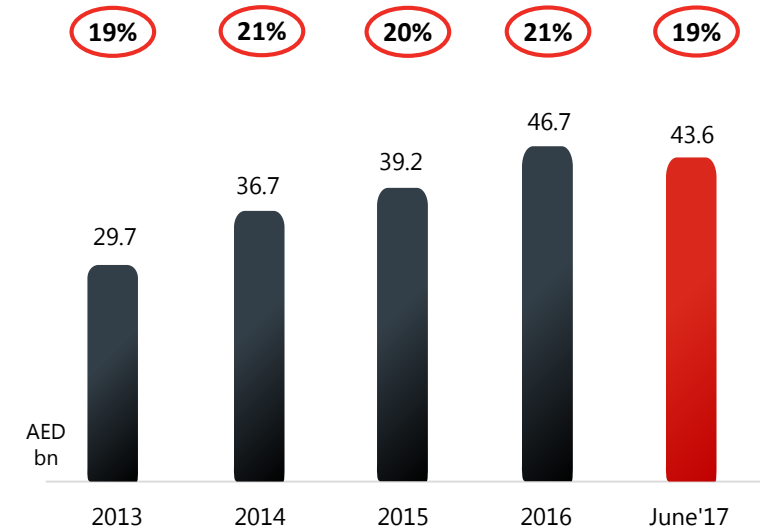
Maturity profile as at 30 June 2017



Wholesale funding split as at 30 June 2017

Source of funds	AED million
GMTN/EMTN	21,119
Subordinated debt	4,159
Euro Commercial paper	7,312
Borrowings through repurchase agreements	888
Bilateral loans	2,018
Syndicated loans	3,658
Certificate of Deposits	4,460
Total	43,615

Wholesale funding including Euro commercial paper



○ Wholesale funding as a % of total liabilities

Wholesale funding including Euro Commercial Paper accounted for 19% of total liabilities, providing a stable, long-term and reliable source of funding

Net lender of
AED 12 bn*
in the interbank markets
(As at 30 June 2017)

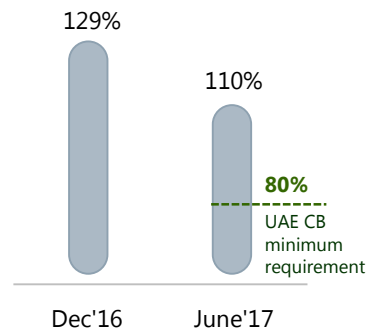
* Includes AED 5.5 billion of certificate of deposits with central banks

Robust capital ratios and comfortable liquidity levels

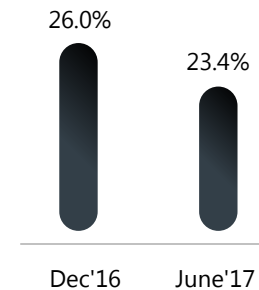
Highlights

- ▶ As at 30 June 2017, the Bank's total capital adequacy ratio was 18.07% compared to 12% minimum stipulated by the UAE Central Bank
- ▶ As at 30 June 2017, tier I ratio was 14.84% compared to 15.66% as at 30 December 2016. Core Tier I ratio was 12.87% compared to 13.57% as at 30 December 2016
- ▶ Liquidity coverage ratio was 110% compared to 80% minimum stipulated by the UAE Central bank
- ▶ As at 30 June 2017, total risk weighted assets were AED 203 billion
- ▶ Advances to stable resources ratio stood at 89.7% compared to 94.8% as at 31 December 2016

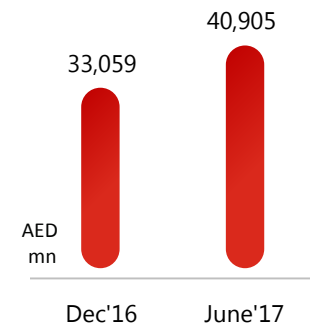
Liquidity coverage ratio



Liquidity ratio*



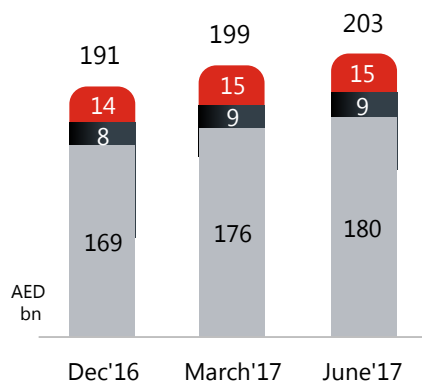
Investment securities



Liquidity ratio: liquid assets/total assets

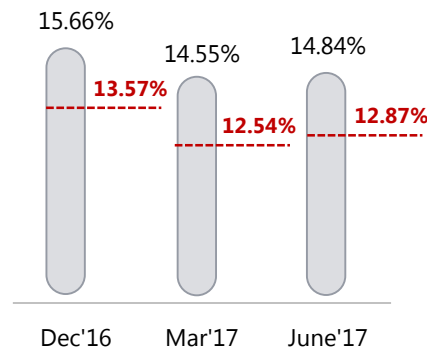
*Liquid assets include cash and balances with Central Banks, deposits and balances due from banks, reverse repo placements, trading securities, and liquid investments (excluding unquoted investments)

Risk weighted assets



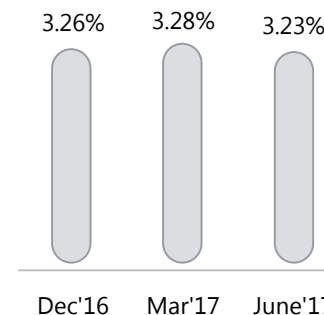
■ Credit risk ■ Market risk ■ Operational risk

Tier I capital ratio

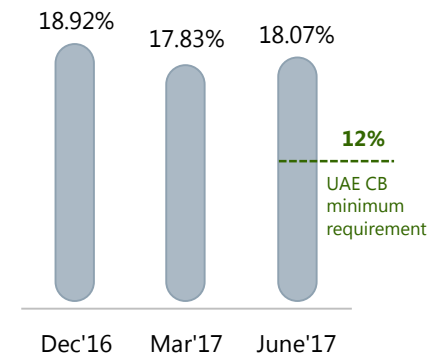


----- Core tier I ratio

Tier 2 capital ratio



Capital adequacy ratio (Basel II)



Investment securities, 99% of total portfolio invested in bonds

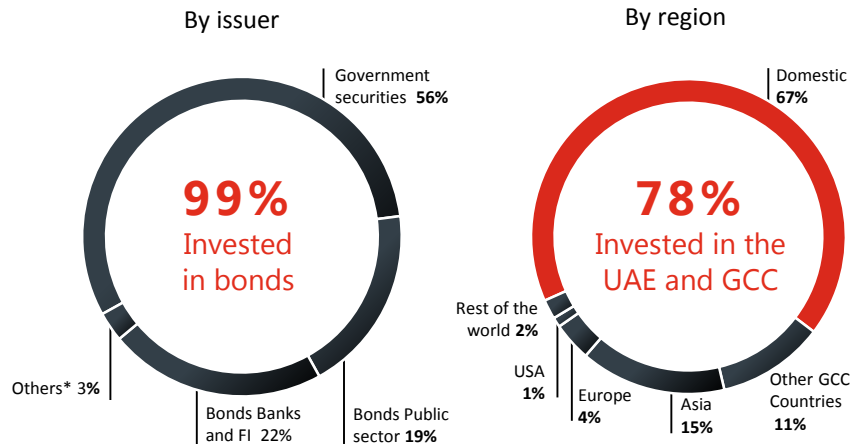
Highlights

- ▶ Investment securities stood at AED 40,905 million as at 30 June 2017
- ▶ 99% of the total portfolio was invested in bonds issued by government, public sector, banks, financial institutions and corporates
- ▶ Average life of the investment securities portfolio is 3.3 years
- ▶ 78% invested in the UAE and other GCC countries

Portfolio summary:

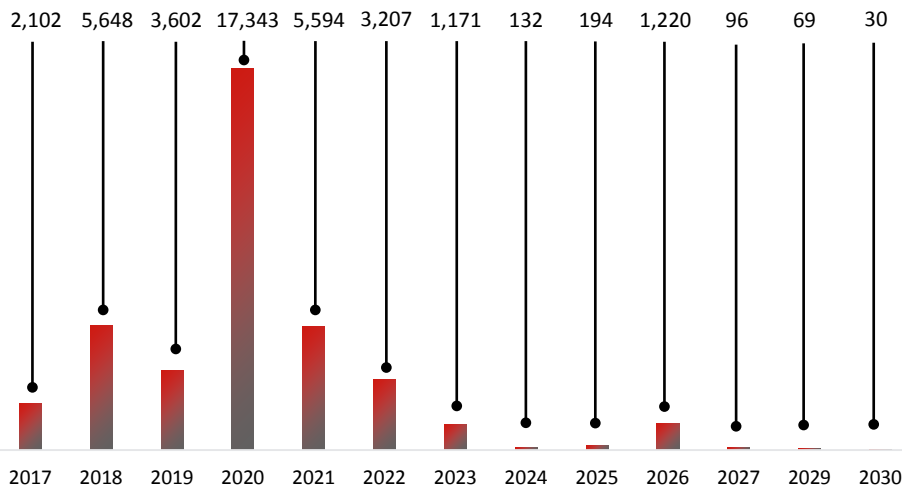
- ▶ 56% of the portfolio is invested in Government securities
- ▶ Non Government bond portfolio – 44% of total portfolio
 - Rated A- or better: 51%
 - Rated Investment grade (i.e. BBB+ to BBB-): 37%
 - Rated below IG (BB+ and below including unrated): 12%

Investments



* Include corporate bonds, equity instruments and mutual funds

Maturity profile of investment securities portfolio (AED million)*

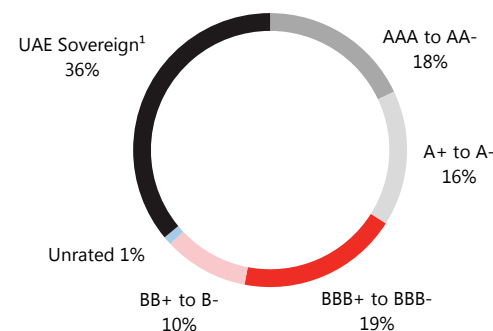


* Excluding investments in equity and funds

Total bond portfolio: AED 40,406 million

Credit ratings as at 30 June 2017

(Standard & Poor's, or equivalent of Fitch or Moody's)



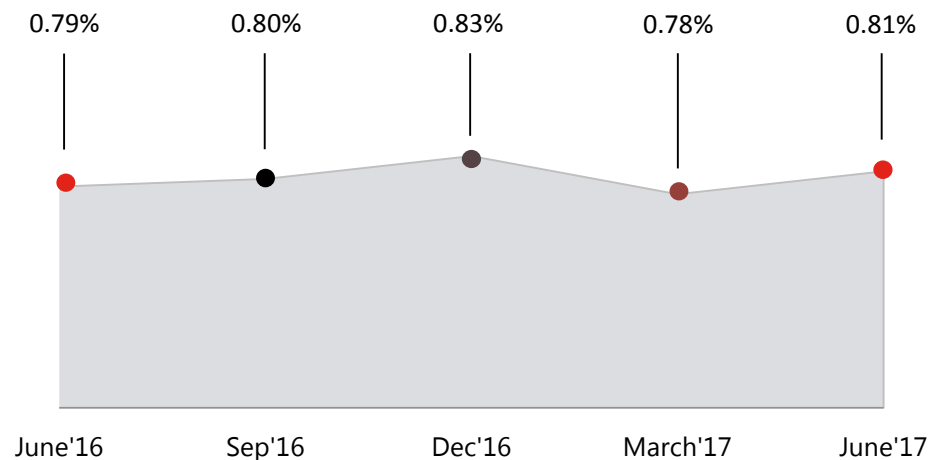
¹ UAE Sovereign internal rating mainly in Grade 2 and maps to external rating between AA to A

Stable asset quality metrics Conservative and prudent approach to risk management

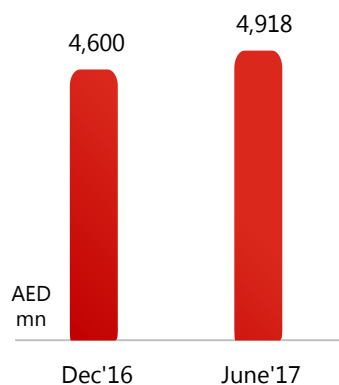
Highlights

- ▶ Non-performing loans (NPL) and provision coverage ratios were 2.8% and 123.8% respectively, compared to 2.7% and 129.9% as at 31 December 2016
- ▶ Cost of risk for H1'17 was 0.81% compared to 0.83% in 2016
- ▶ Impairment charges on loans, net of recoveries amounted to AED 813 million in H1'17, compared to AED 722 million in H1'16. H1'16 benefited from significant impairment allowance releases on loans which were not repeated in the first half 2017
- ▶ Recoveries during H1'17 totaled AED 162 million compared to AED 70 million in H1'16
- ▶ Collective impairment allowance balance was AED 1.76% of credit risk weighted assets, above the minimum 1.5% stipulated by the UAE Central Bank

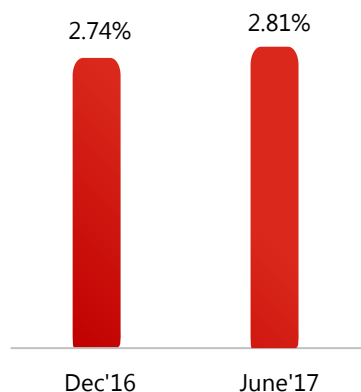
Cost of risk



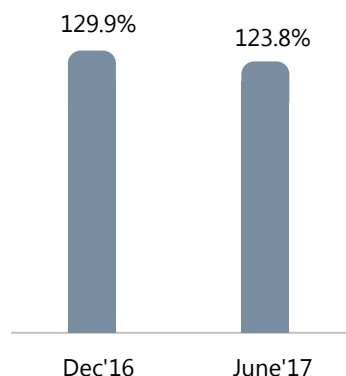
Non-performing loans



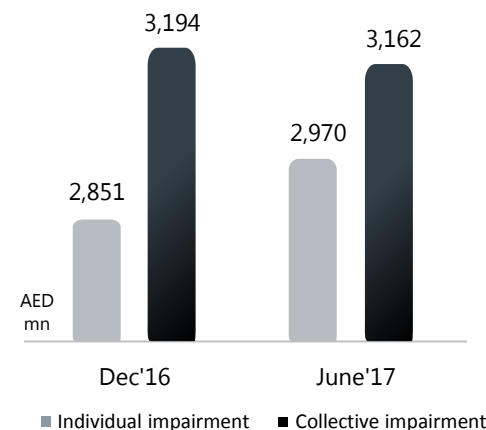
Non-performing loan ratio



Provision coverage ratio



Impairment allowances (Includes impairment allowances to banks)



2017 Awards

"Best Business Change or Transformation – Delivery of a Great Customer Experience Through Change" for Operational Excellence Framework 'SIMPLearn'

Gulf Customer Experience Awards

"Innovative Approach to Emiratisation to Deliver Exceptional Customer Experience" for Tamooha

Gulf Customer Experience Awards

"Best Trade Finance Bank in The U.A.E"

Global Finance

"Best Insight and Feedback – Listening to Customers to Create an Impact" for Customer Experience and Research

Gulf Customer Experience Awards

"Five Star Cash Manager "

Euromoney

"Best Contact Centre in the Region" for Contact Centre

Gulf Customer Experience Awards

"Best Supply Chain Finance Bank in the Middle East"

Global Finance

"Best Employee Engagement in Financial Services" for the Human Resources Team

Gulf Customer Experience Awards

"Mohammed Bin Rashid Al Maktoum Business Innovation Award"

"The Mohammed Bin Rashid Al Maktoum Business Innovation Awards"

"Five Star Trade Finance provider in Middle East"

Euromoney

"Outstanding Award for Business Innovation"

"The Mohammed Bin Rashid Al Maktoum Business Innovation Awards"

"Best Trade Bank in the Middle East"

Trade and Forfaiting Review (TFR)

"3G CSR Award" " in recognition of excellence in transparency, good governance and social responsibility

The Global Good Governance Awards (3G Awards)

"Best Bank for Transaction Services in the Middle East"

Euromoney Awards for Excellence

Balance sheet

AED million	June'17	Dec'16	Change %
Cash and balances with central banks	19,535	19,262	1
Deposits and balances due from banks, net#	16,593	24,664	(33)
Reverse-repo placements	550	1,525	(64)
Investment securities	41,454	33,478	24
Loans and advances to customers, net	164,251	158,458	4
Other assets*	16,856	20,903	(19)
Total assets	259,239	258,289	0
Due to banks	6,159	3,843	60
Deposits from customers	161,779	155,442	4
Euro commercial paper	7,312	8,729	(16)
Borrowings	36,302	38,015	(5)
Other liabilities**	17,184	21,910	(22)
Total liabilities	228,735	227,938	0
Total shareholders' equity	30,503	30,351	1
Non -controlling interests	0	0	NM
Total liabilities and shareholders' equity	259,239	258,289	0

Note: #Deposits and balances due from banks include AED 4.4 bn as at June 30, 2017 (AED 3.6 bn as at December 31, 2016) of loans to banks that were earlier reported under loans and advances to customers, net.

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

**Other liabilities include derivative financial instruments.

Income statement

AED million	H1'17	H1'16	Change %
Interest income and income from Islamic financing	4,849	4,228	15
Interest expense and profit distribution	(1,543)	(1,129)	37
Net interest and Islamic financing income	3,305	3,099	7
Net fees and commission income	755	734	3
Net trading income	137	302	(54)
Other operating income	140	120	17
Non interest income	1,032	1,155	(11)
Operating income	4,338	4,255	2
Staff expenses	(806)	(843)	(4)
Other operating expenses	(526)	(491)	7
Depreciation	(79)	(70)	12
Operating expenses	(1,411)	(1,404)	1
Operating profit before impairment allowances & taxation	2,926	2,851	3
Impairment allowances	(814)	(703)	16
Share in profit of associate	5	4	NM
Overseas income tax expense	(4)	(5)	(17)
Net profit	2,114	2,147	(2)
Attributed to:			
Equity holders of the Parent	2,114	2,145	(1)
Non-controlling interests		2	
Net Profit	2,114	2,147	(2)

Leading Through

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