

29 July 2015

## NBAD Reports 2<sup>nd</sup> Quarter 2015 Results

**2Q Net Profits AED 1.446 Billion; 2.869 Billion in 1H'15**

**2Q Revenues up 5% to AED 2.7 billion; up 6% to AED 5.4 in 1H'15**  
Strength in Wholesale flow products, Retail & Commercial and International

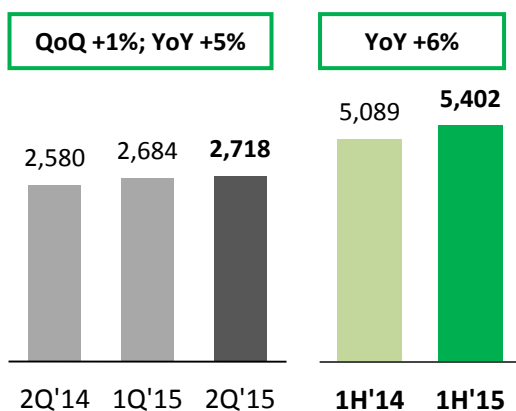
**Customer Loans up 20% y-o-y and 9% sequentially to AED 218 billion**  
Utilised balance sheet strength to support core clients

**CASA Deposits grew 11% y-o-y and now represent 31% of deposits**

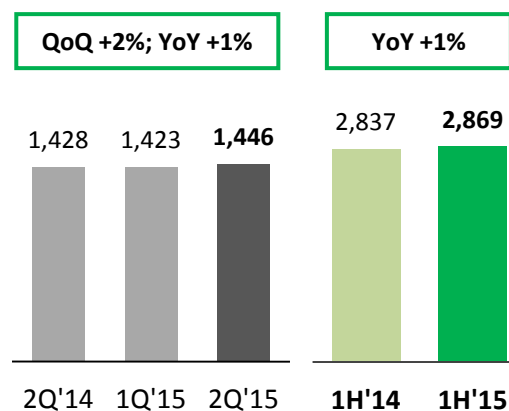
**Strong Capital Ratios with Tier-1 at 15.4%**  
Successful launch of USD 750 Million Additional Tier-1 Perpetual Bond

**Return on Shareholders' Funds (RoSF) at 16.3%**

### REVENUES (AED mn)



### NET PROFITS (AED mn)



**National Bank of Abu Dhabi (NBAD)** reported net profits of AED 1.446 billion in 2Q'15, up 1% year-over-year and 2% sequentially. Net profits for 1H'15 were AED 2.869 billion, up 1% versus 1H'14. This represents higher diluted EPS of AED 0.53 for 1H'15 versus AED 0.52 for 1H'14.

Underlying franchise growth in strategically targeted areas of our businesses drove revenue growth in the first half of the year. During the 2<sup>nd</sup> quarter, expenses were relatively flat and credit quality remained very strong. Balance sheet growth was strong year-over-year, driven by a strong uptick in lending. In the second quarter, continued lending growth combined with a decline in customer deposits resulted in a higher loan-to-deposit ratio.

The Bank's return on equity (RoE) of 14.4% in 1H 2015 continues to remain attractive, and is in line with the medium-term target of 15%.

**H.E. Nasser Alsowaidi, Chairman of NBAD** said, "In the first half of 2015, NBAD delivered consistent profits in an increasingly difficult environment, whilst maintaining a strong balance sheet and robust capital position.

We have made great strides in growing our market share in Abu Dhabi through initiatives such as continuously improving customer service and refurbishing our branch network. In the 2<sup>nd</sup> quarter, we reopened our main Abu Dhabi headquarters branch, launched a new mobile banking application, and unveiled an exciting sponsorship with Dubai Mall and a partnership with Al Futtain Group.

NBAD also continued to expand its presence on the global stage, hosting the 3<sup>rd</sup> installment of our GFM Series in Cairo, which was a successful event in one of the bank's key markets outside of the UAE.

After a strong first half, we are now well positioned for the second half of 2015."

**Mr. Alex Thursby, Group Chief Executive** said, "I am pleased with our second quarter results. We continue to execute against our strategy, and our franchise is growing well in strategically targeted areas. We generated strong results in Global Wholesale flow products, our Retail & Commercial business, as well as International, which has become an integral part of the development of our Wholesale and Wealth network businesses. We delivered this growth despite economic and market headwinds, including lower oil prices, margin compression and lower non-customer income in our Global Markets business.

The investment we have made in our business is delivering real benefits, and our expense growth is now moderating as expected, with costs broadly flat over the last two quarters. In the first half of the year, we continued to manage the bank prudently, using our balance sheet to support clients in a tighter liquidity environment. During the quarter, we raised \$750 million in additional Tier-1 capital at attractive prices, which demonstrated investor confidence in our business model and our commitment to maintaining strong capital ratios. Our return on equity (RoE) remains attractive at 14.4% for 1H 2015.

As we look forward to the second half of 2015 and beyond, we are intently focused on several key areas, including retaining a strong focus on core clients, maintaining our prudent risk management, generating growth across our strategic businesses and continuing to build and invest in the spine of the business.

We are successfully executing against our strategy and are now well on the way toward becoming the World's Best Arab Bank. Our leading global rankings in debt capital market league tables and world class credit ratings are indicative of the significant progress we are making. As we enter the second half of 2015, I am confident that we will continue to generate quality growth and strong returns for our shareholders."

## **ECONOMIC OVERVIEW**

During the first half of 2015, global economic performance was modest. In the US, growth has now begun to pick up and is expected to accelerate for the remainder of the year, growth in the Eurozone has recovered slightly, China has continued to experience a slowdown to a more sustainable growth rate and oil-exporting nations are now adjusting to the likelihood of a new era of lower oil prices.

The GCC countries appear to be better prepared than many other oil-exporting nations, given their combination of relatively high levels of net foreign assets and low debt-to-GDP ratios. Government spending in these countries is expected to remain healthy, albeit at lower levels, and the region continues to benefit from the stability of having its currencies pegged to the US dollar.

In the UAE, economic growth is proving to be robust, and the country is well prepared for the possibility of a continuation of lower oil prices. This has been helped by the focus in recent years on diversifying the economy away from a reliance on hydrocarbons. In fact, non-oil and gas activities now constitute more than 70% of real GDP in the UAE, and solid economic growth is expected for the balance of this year, as well as for 2016 and beyond.

Looking ahead, global economic momentum is expected to stabilise, and then to gradually improve. This will be driven by several factors, including renewed strength in the US economy, Europe's ongoing gradual recovery, the achievement of a more sustainable rate of growth in China, and India's positive trajectory as reforms take effect.

## NBAD FINANCIAL HIGHLIGHTS – 2Q / 1H 2015

Income Statement - Summary (in AED million)	Quarterly					1st Half		
	2Q 2015	1Q 2015	2Q 2014	QoQ %	YoY %	1H 2015	1H 2014	YoY %
Net interest income (incl net income from Islamic financing)	1,840	1,789	1,749	2.8	5.2	3,629	3,328	9.1
Non-interest income	878	894	830	-1.8	5.8	1,773	1,761	0.7
<b>Total Revenues</b>	<b>2,718</b>	<b>2,684</b>	<b>2,580</b>	<b>1.3</b>	<b>5.4</b>	<b>5,402</b>	<b>5,089</b>	<b>6.2</b>
UAE	2,174	2,187	2,107	-0.6	3.2	4,361	4,201	3.8
Gulf & International	545	496	472	9.7	15.3	1,041	888	17.3
Operating expenses	(1,012)	(1,014)	(867)	-0.2	16.8	(2,026)	(1,656)	22.4
<b>Operating Profits</b>	<b>1,706</b>	<b>1,670</b>	<b>1,713</b>	<b>2.2</b>	<b>-0.4</b>	<b>3,376</b>	<b>3,433</b>	<b>-1.7</b>
Impairment charges, net	(166)	(170)	(215)	-2.3	-22.6	(336)	(465)	-27.7
Taxes	(93)	(76)	(70)	22.2	33.0	(170)	(130)	30.6
<b>NET PROFIT</b>	<b>1,446</b>	<b>1,423</b>	<b>1,428</b>	<b>1.6</b>	<b>1.3</b>	<b>2,869</b>	<b>2,837</b>	<b>1.1</b>

Revenues by Business (in AED million)						1st Half		
	2Q 2015	1Q 2015	2Q 2014	QoQ %	YoY %	1H 2015	1H 2014	YoY %
Global Wholesale (GWB)	1,156	1,256	1,234	-7.9	-6.3	2,412	2,452	-1.6
Global Retail & Commercial (GRC)	934	868	812	7.5	15.0	1,802	1,633	10.3
Global Wealth (GW)	286	245	274	16.8	4.0	530	511	3.8
Head Office (HO)	343	315	259	8.9	32.2	658	493	33.4
<b>Total Revenues</b>	<b>2,718</b>	<b>2,684</b>	<b>2,580</b>	<b>1.3</b>	<b>5.4</b>	<b>5,402</b>	<b>5,089</b>	<b>6.2</b>

Key Ratios						1st Half		
	2Q 2015	1Q 2015	2Q 2014	QoQ (bps)	YoY (bps)	1H 2015	1H 2014	YoY (bps)
Return on Equity	14.6%	15.1%	16.2%	-46	-156	14.4%	16.1%	-163
Return on Shareholders' Funds <sup>1</sup>	16.5%	16.5%	17.8%	-1	-135	16.3%	17.5%	-126
Cost-Income ratio	37.2%	37.8%	33.6%	-54	363	37.5%	32.5%	497
Net Interest Margin <sup>2</sup> (YTD)	1.98%	1.97%	1.96%	1	2	1.98%	1.96%	2
Return on Risk Weighted Assets	2.19%	2.23%	2.37%	-4	-18	2.21%	2.50%	-28
Tier-I ratio	15.4%	14.3%	14.7%	115	69	15.4%	14.7%	69
Capital Adequacy ratio	16.6%	15.5%	16.2%	111	37	16.6%	16.2%	37

1 - excl Tier-I capital notes and interest thereof

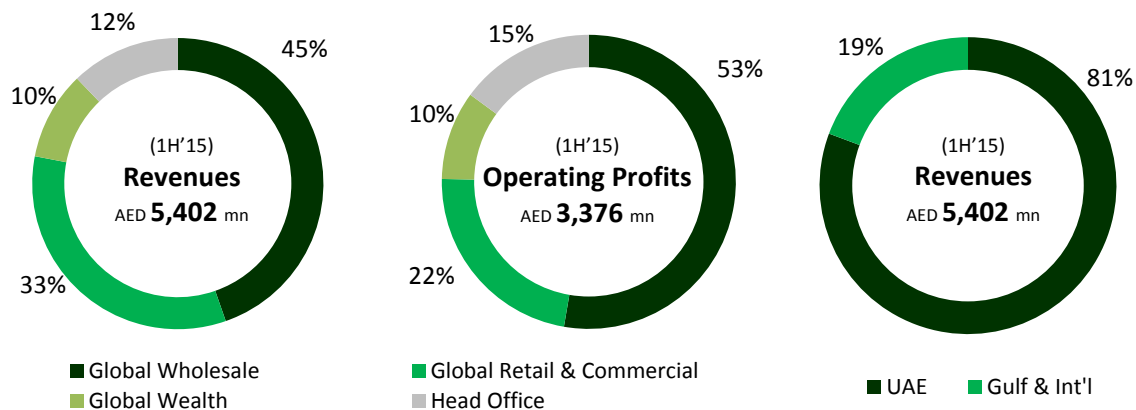
2 - on average total assets

Balance Sheet - Summary (in AED billion)						
	Jun-15	Mar-15	Dec-14	Jun-14	QoQ %	YoY %
Assets	392.6	400.3	376.1	348.5	-1.9	12.7
Customer Loans	217.9	200.2	194.3	181.7	8.8	19.9
Customer Deposits	230.1	249.8	243.2	237.4	-7.9	-3.1
CASA (deposits)	71.5	69.6	68.3	64.3	2.7	11.2
Equity	41.6	37.6	38.0	36.0	10.8	15.5
Contingencies (Trade & Market)	1,306	1,154	1,223	1,259.2	13.1	3.7

- Trade contingencies are defined as LCs & LGs; Market contingencies reflect nominal value of FX contracts & derivatives

- Equity includes GoAD Tier-I capital notes

## BUSINESS SEGMENT REVIEW



## GLOBAL WHOLESALE BANKING

**Global Wholesale Banking** generated solid revenue growth in strategically targeted areas, led by strong flow product growth. However, results were adversely impacted by certain headwinds, including lower non-customer income in Global Markets as well as continuing margin compression in Global Banking, which led to a slight y-o-y decline of 1.6% in 1H 2015 revenues. During 2Q, net loans grew despite a decline in customer deposits as the Bank utilised its balance sheet strength to support core clients. At the same time, asset quality remained strong.

Highlights from 2Q 2015 include:

- 1st ever Eurobond transaction by a Chinese bank acting through its Dubai Branch
- 1st 5-year foreign currency loan arranged for Egyptian entity since 2010
- 1st syndication of a transaction guaranteed by Ministry of Finance Egypt since 2012
- 2nd Sukuk for Hong Kong government
- Maintained leading position in DCM League Tables at #5 International Sukuk, #2 GCC Bonds and #3 Mena Bonds

## GLOBAL RETAIL & COMMERCIAL

**Global Retail & Commercial** delivered strong y-o-y revenue growth of 15% in 2Q. Growth came from across the UAE & Gulf. The key driver of growth was the continued progress the bank is making in transforming and enhancing the customer experience through refurbishing the branch network, launching mobile banking and investing in automation and e-channels. During the first half of the year, lending growth was strong, CASA balances increased and branch sales productivity improved.

Highlights from 2Q 2015 include:

- Launched mobile banking app and revamped our website
- Co-brand partnership with Al Futtaim group announced
- New sponsorship agreement with Dubai Mall announced
- Gaining market share in credit cards
- Successful launch of Chip and PIN debit cards
- Strong growth in Commercial lending
- Launched two new promotional campaigns for home and personal finance

## GLOBAL WEALTH

**Global Wealth** revenues were up 4% in 2Q (y-o-y) despite challenging market conditions, driven by strength in Private Banking. The bank experienced solid private banking performance in the UAE, London and Switzerland due to both onboarding of new clients and increased cross sell of advisory and discretionary services, confirming the strength of NBAD's proposition to high net worth individuals. The declines in UAE equity markets, triggered by lower oil prices and lower investor sentiment, have resulted in decreased overall market volumes and IPO activity. This has acted as a significant headwind to our Global Wealth business, particularly within Securities and Asset Management.

Highlights from 2Q 2015 include:

- Launched "NBADS trade", an online brokerage application
- Expanding custody network – Tunisia added in 2Q and plans to add China & Taiwan
- Launched NBAD West-East Corridor fund
- Awards won:-
  - o "Most Innovative Securities Brokerage Company in UAE 2015" – Global Banking & Finance Review
  - o "Best Brokerage House in the UAE" – International Finance Magazine
  - o "Best Research House in UAE" – International Finance Magazine

## FINANCIAL REVIEW

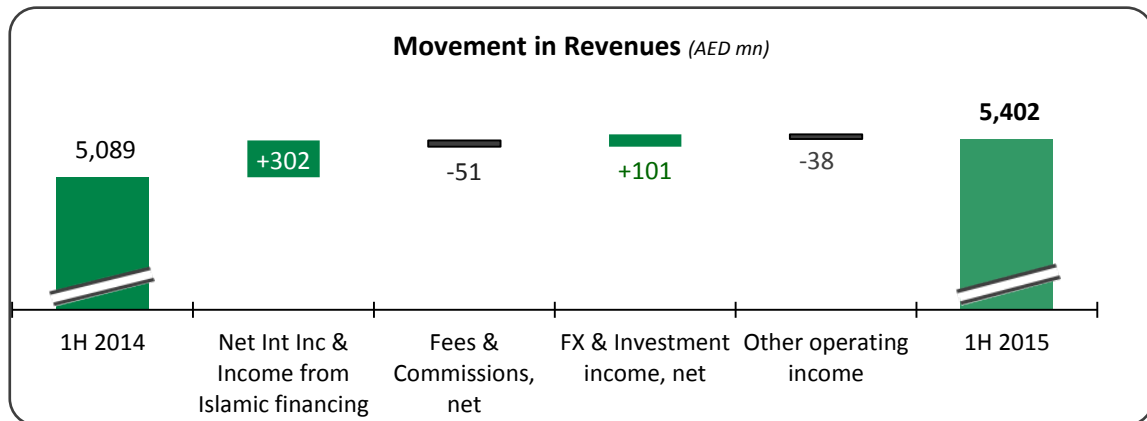
### REVENUES

<i>(in AED million)</i>	2Q 2015	1Q 2015	2Q 2014	QoQ %	YoY %	1H 2015	1H 2014	YoY %
<b>Net interest income (A)</b> <i>(including income from Islamic financing)</i>	1,840	1,789	1,749	2.8	5.2	3,629	3,328	9.1
Fees & Commissions, net	560	517	596	8.3	(6.1)	1,077	1,128	(4.5)
FX and Investment income, net	283	351	213	(19.6)	32.9	634	533	19.0
Other operating income	35	26	21	38.5	66.8	61	99	(38.6)
<b>Total Non-Interest Income (B)</b>	878	894	830	(1.8)	5.8	1,773	1,761	0.7
<b>Total Revenues (A+B)</b>	2,718	2,684	2,580	1.3	5.4	5,402	5,089	6.2

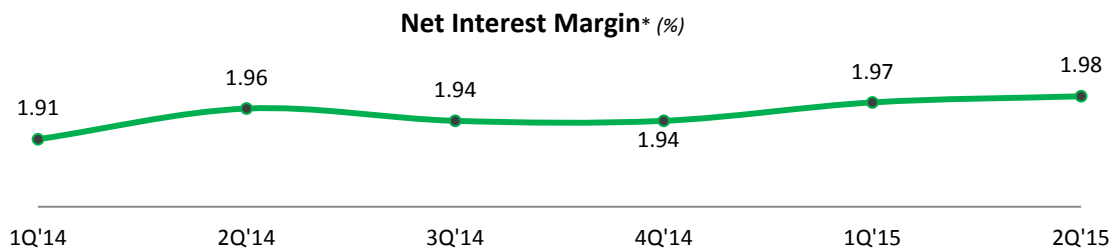
**Net interest income** (including income from Islamic financing) was AED 1.840 billion in 2Q'15, up 5% y-o-y and 3% sequentially. For the first half, NII was AED 3.629 billion representing 9% y-o-y growth driven by strong lending growth.

**Non-interest income** was up 6% y-o-y and down 2% sequentially to AED 878 million in 2Q'15; 1H'15 non-interest income was AED 1.773 billion, representing growth of 1% y-o-y.

- **Net fees and commissions** for the quarter were AED 560 million, down 6% y-o-y and up 8% sequentially. Lower brokerage and investment fees, largely due to slower equity market activity, was the primary contributor to the y-o-y reduction in fee income. In 1H 2015, fees and commissions were down 5% to AED 1.077 billion.
- **FX and investment income** grew 33% y-o-y and was down 20% sequentially to AED 283 million. In 1H'15, FX and investment income grew 19% to AED 634 million. Growth reflects strong growth in our customer sales franchise and gains on the sale of investment securities, with sequential fluctuations primary due to changes in market volumes and activity and the timing of realisation of gains.
- **Other operating income** was AED 35 million in 2Q'15 and AED 61 million in 1H'15.

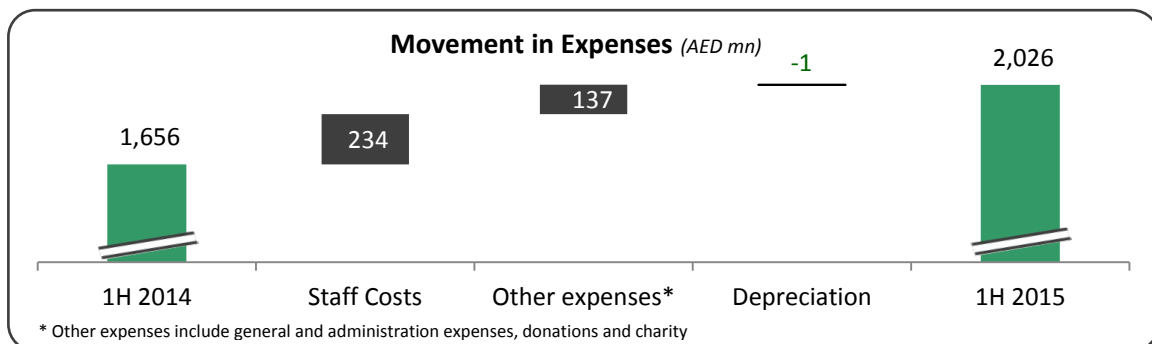


**Net interest margin** for 1H'15 was 1.98%, essentially flat with 1Q'15 and up 2bps y-o-y to 1.96%. Through effective balance sheet optimisation, we have been maintaining stability despite margin compression pressures from strong competition in the UAE.



\* annualised and year-to-date: based on daily average outstanding balances for performing assets

## EXPENSES



\* Other expenses include general and administration expenses, donations and charity

	2Q 2015	1Q 2015	2Q 2014	QoQ %	YoY %	1H 2015	1H 2014	YoY %
Operating Expenses	1,012	1,014	867	(0.2)	16.8	2,026	1,656	22.4

**Operating expenses** for the quarter were AED 1.012 million, essentially flat sequentially and up 17% year-over-year. In 1H'15, expenses were AED 2.026 billion, growing 22% y-o-y. Expense growth has moderated since year-end as anticipated and is expected to continue around this level for the remainder of 2015. The primary contributor to expense growth has been our investment in hiring world-class talent, expanding client service capabilities and enhancing the IT infrastructure of the business. The impact of these investments is evident in revenue growth in key targeted areas, including Global Wholesale flow products, Retail & Commercial and the International business. While we continue to invest in our business, sequential cost growth has moderated as we realise greater cost efficiencies.

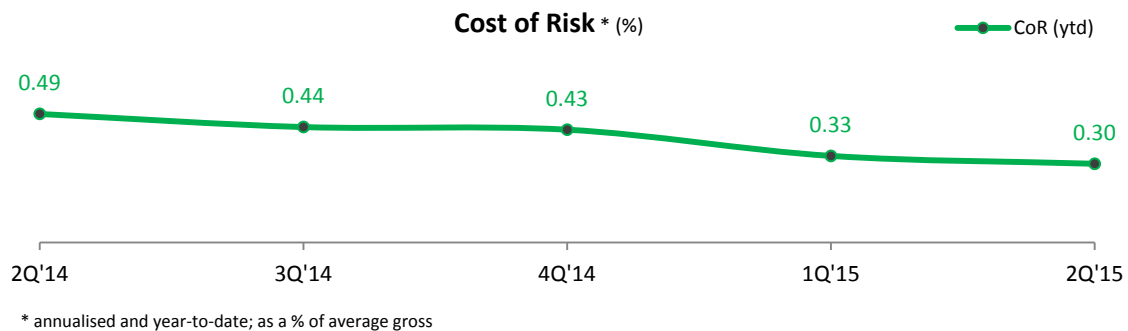
The **cost to income ratio** was 37.2% for 2Q'15 and down sequentially from 37.8% in Q1'15 due to the moderation in expense growth.

### IMPAIRMENT CHARGES

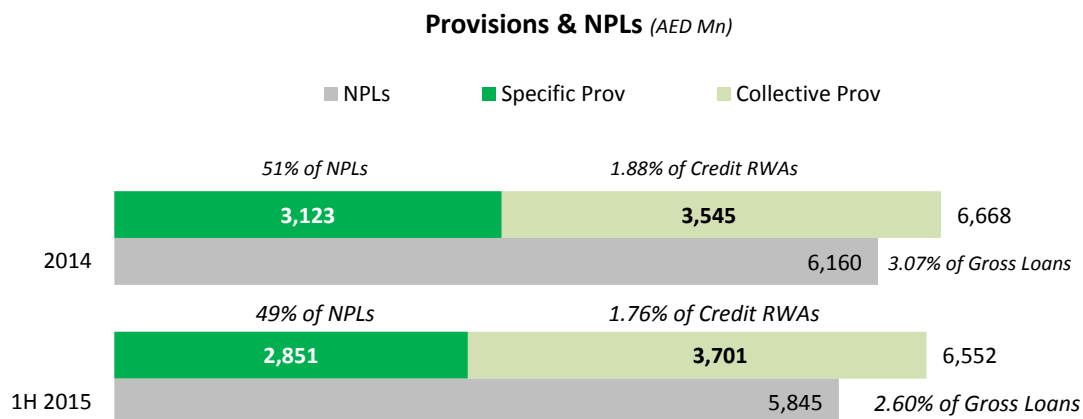
<i>(in AED million)</i>	2Q 2015	1Q 2015	2Q 2014	QoQ %	YoY %	1H 2015	1H 2014	YoY %
Impairment charges, net	166	170	215	(2.3)	(22.6)	336	465	(27.7)
as a % of Avg Gross Loans*	0.30%	0.33%	0.46%	-3	-16	0.30%	0.49%	-19
as a % of Operating profits	9.7%	10.2%	12.5%	-45	-279	10.0%	13.6%	-359

\* annualised ; Gross loans net of suspended interest

Net impairment charges continue to reflect continued strong asset quality, recovery in collateral values and prudent risk management processes. Net charges in 2Q'15 were AED 166 million, down 2% sequentially and 23% year-over-year. Cost of risk (annualised) continued to decline and stood at 30bps in 2Q'15 versus 46bps in 2Q'14 and 33bps in Q1'15.

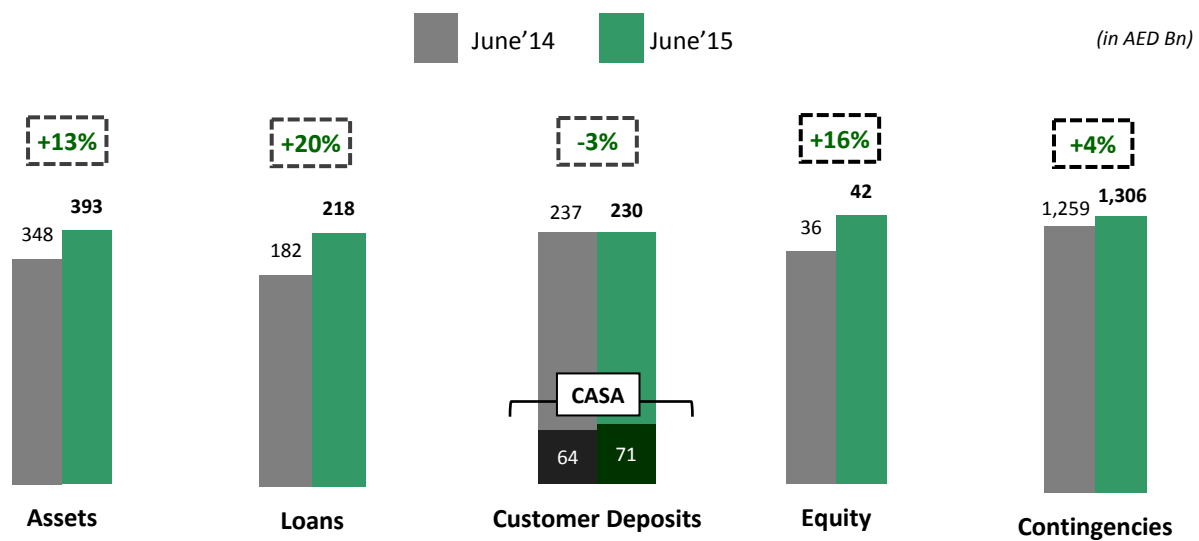


In 2Q'15, the Bank set aside a further AED 64 million as collective provisions on growth in risk-weighted assets. Since the end of 2011, the Bank has been fully compliant with the Central Bank of UAE's minimum requirement of 1.5% for collective provisions, which has become mandatory as of year-end 2014.



**Non-performing loans** decreased by AED 110 million in 2Q'15 to AED 5,845 million. As of 30 June 2015, **NPL ratio** stood at 2.6% of the loan book. **Total provisions** represented 112% of non-performing loans.

## BALANCE SHEET



Contingencies (Trade & Market) - Trade contingencies defined as LCs and LGs; Market contingencies defined as the notional amount of derivatives

- **Assets** were AED 393 billion at the end of 2Q'15, up 13% y-o-y and down 2% sequentially as increases in loans and advances were offset by a reduction in customer deposits.
- **Net Loans and advances** were AED 218 billion, up 20% y-o-y and 9% sequentially as we used our balance sheet strength to continue to support clients despite the tighter liquidity environment.
- **Customer deposits** were AED 230 billion, down 3% year-over-year and down 8% sequentially. Core customer deposits continued to grow with **CASA** deposits growing 11% y-o-y to AED 71 billion and now representing 31% of total deposits.
- **Equity**, consisting of shareholders' funds of AED 34.8 billion, GoAD Tier-I capital notes of AED 4.0 billion and Tier-1 capital perpetual notes of AED 2.75 billion (\$750 million additional raised in 2Q'15), grew by 16% y-o-y and 11% sequentially to AED 41.6 billion at the end of 2Q'15. The increase was attributable to the issuance of Tier 1 capital notes in Q2 along with increased retained earnings.
- **Basel-II ratios**, in accordance with UAE Central Bank's framework, remain strong and well above the minimum 12% and 8% (Tier-I), with a capital adequacy ratio of 16.6% and a Tier-I ratio of 15.4% as of 30 June 2015.

## CREDIT RATINGS

NBAD's long term ratings are now amongst the strongest combined ratings of any global financial institution with ratings from Moody's Aa3, Standard & Poor's (S&P) AA-, Fitch AA-, RAM (Malaysia) AAA, R&I's (Japan) rating of A+, and ranked among the World's 50 Safest Banks by Global Finance.

-Ends-

### Caption:

1. H.E. Nasser Alsowaidi, Chairman of NBAD
2. Alex Thursby, NBAD's Group Chief Executive Officer



## **About NBAD**

The National Bank of Abu Dhabi (NBAD), the leading bank in the Middle East and one of the 50 safest banks in the world, has one of the largest networks in the UAE as well as branches and offices in 18 countries stretching across five continents from the Far East to the Americas.

A comprehensive financial institution, NBAD offers a wide range of banking services and products to all segments of clients. NBAD grows strategically toward its vision to be recognised as the World's Best Arab Bank.

Since 2009, NBAD has been ranked one of the World's 50 Safest Banks by Global Finance magazine, which also ranked NBAD the Safest Bank in the Emerging Markets and Middle East.

NBAD is rated senior long term/short term AA-/A-1+ by Standard & Poor's (S&P), Aa3/P1 by Moody's, AA-/F1+ by Fitch, A+ by Rating and Investment Information Inc (R&I) Japan, and AAA by RAM (Malaysia), giving it one of the strongest combined rating of any global financial institution.

For further information, please contact:

### **For further enquiries, please contact:**

#### **Michael Miller**

Head of Investor, Media & Public Relations

Email: [michael.miller@nbad.com](mailto:michael.miller@nbad.com)

Tel: +971 2 611 2355

Mobile: +971 50 619 7116

#### **Fadeela Khamis**

Manager, Media & Public Relations

Email: [fadeela.mohamed@nbad.com](mailto:fadeela.mohamed@nbad.com)

Tel: +971 2 611 1511

Mobile: +971 56 616 2265



## 25<sup>th</sup> Safest Bank in the World

### **Disclaimer**

*The information contained herein has been prepared by National Bank of Abu Dhabi P.J.S.C ("NBAD"). In addition to published financial information, NBAD also relies on information obtained from sources believed to be reliable but does not guarantee its accuracy or completeness. This document has been prepared for information purposes only and is not and does not form part of any offer for sale or solicitation of any offer to subscribe for or purchase or sell any securities nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. This document is not intended to be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending on their specific investment objectives, financial situation or particular needs. Some of the information in this document may contain projections or other forward-looking statements regarding future events or the future financial performance of NBAD. These forward-looking statements include all matters that are not historical facts. The inclusion of such forward-looking information shall not be regarded as a representation by NBAD or any other person that the objectives or plans of NBAD will be achieved. NBAD undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.*