

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 30 JUNE 2019

Abu Dhabi Islamic Bank Q2 2019 net profit rises 10% to AED 630.1 million

Group Financial Highlights

Income Statement: Q2 2019 vs. Q2 2018

- Group net revenues for Q2 2019 increased by 6.3% to AED 1,450.5 million vs. AED 1,364.9 million in Q2 2018.
- Operating profit (margin) grew 6.7% to AED 789.7 million vs. AED 740.2 million in Q2 2018
- Group net profit for Q2 2019 increased by 10.0% to AED 630.1 million vs. AED 572.7 million in Q2 2018.
- Credit provisions and impairments for Q2 2019 decreased by 4.1% to AED 158.6 million vs. AED 165.3 million for Q2 2018.

Income Statement: First half 2019 vs. First half 2018

- Group net revenues for H1 2019 increased by 5.8% to AED 2,887.1 million vs. AED 2,728.8 million in H1 2018.
- Operating profit (margin) grew 6.5% to AED 1,576.5 million vs. AED 1,480.7 million in H1 2018
- Group net profit for H1 2019 increased by 5.8% to AED 1,230.5 million vs. AED 1,163.0 million in H1 2018.
- Credit provisions and impairments for H1 2019 increased by 9.4% to AED 345.0 million vs. AED 315.2 million in H1 2018.

Balance Sheet: 30 June 2019 vs. 30 June 2018 and 31 December 2018

- Total assets as of 30 June 2019 were AED 124.7 billion, representing an increase of 1.4% from AED 122.9 billion at the end of 30 June 2018 (and a decrease of 0.4% from AED 125.2 billion at 31 December 2018).
- Net customer financing increased by 3.4% to AED 78.9 billion, from AED 76.3 billion at the end of 30 June 2018 (and increased 0.3% from AED 78.7 billion at 31 December 2018).
- Customer deposits decreased by 1.4% to AED 99.8 billion, from AED 101.2 billion at the end of 30 June 2018 (a decrease of 0.6% from AED 100.4 billion at 31 December 2018).

Capital adequacy and liquidity: 30 June 2019 vs. 30 June 2018 and 31 December 2018

- The capital adequacy ratio under Basel III at 30 June 2019 was 18.33% vs. 16.83% at 30 June 2018, (31 December 2018 was 17.18%, after adjusting for the 2018 dividend).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 84.0% at 30 June 2019, vs. 81.5% at 30 June 2018 (82.9% at 31 December 2018) and

an advances to deposits ratio of 79.0% at 30 June 2019, vs. 75.4% at 30 June 2018 (78.4% at 31 December 2018).

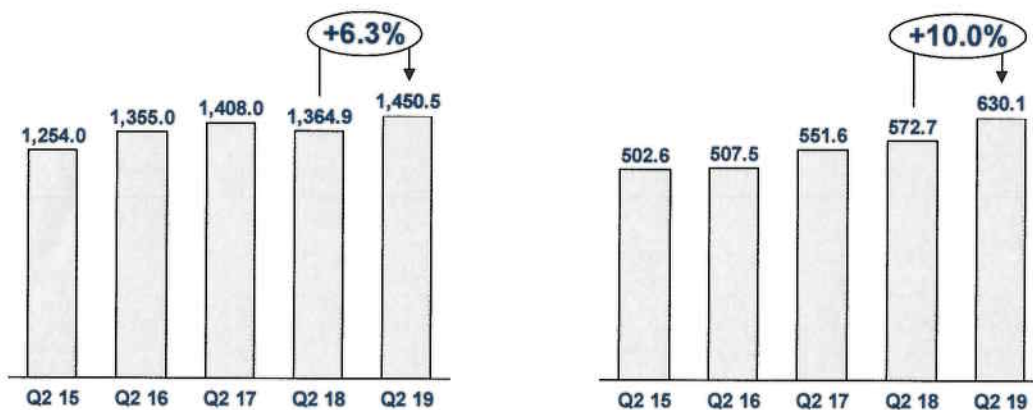
Group Financial highlights - Four-year performance

As at 30 June	All figures are in AED millions				
	Q2 2016	Q2 2017	Q2 2018	Q2 2019	3 YR (CAGR)
Balance sheet					
Total assets	121,507	122,227	122,938	124,655	0.9%
Gross customer financing	82,787	79,736	79,622	81,928	-0.3%
Customer deposits	97,375	100,033	101,184	99,803	0.8%
Total equity	15,081	15,580	16,541	17,840	5.8%
Customer financing to deposit ratio	81.8%	76.7%	75.4%	79.0%	
Income statement					
Net revenue	1,355.0	1,408.0	1,364.9	1,450.5	2.3%
Operating profit (margin)	745.0	780.8	740.2	789.7	2.0%
Credit provisions and impairment charge	234.0	216.4	165.3	158.6	-12.2%
Net profit after zakat & tax	507.5	551.6	572.7	630.1	7.5%
Stage 3 financing to gross financing assets ratio	4.0%	5.2%	5.5%	5.3%	
Cost to income ratio	45.0%	44.5%	45.8%	45.6%	

Abu Dhabi, UAE - 24 July 2019: Abu Dhabi Islamic Bank (ADIB), a leading Islamic bank in the region, delivered a strong set of results for Q2 2019 with net profit up 10.0% to AED 630.1 million and up 5.8% for H1 2019 to AED 1,230.5 million. The increase in profitability was supported by a 6.3% year-on-year growth in net revenues during the second quarter to AED 1,450.5 million, driven by resilient performance of the bank's core businesses which resulted in a 3.4% rise in net customer financing to AED 78.9 billion. Non-financing income also increased on the back of higher foreign exchange income, which was up 20.8% to AED 71.1 million in Q2 2019, and a 30.8% rise in investment income to AED 161.9 million.

Key business highlights for Q2 2019:

- Net customer financing increased by 3.4% to AED 78.9 billion at 30 June 2019, from AED 76.3 billion a year earlier, driven by growth in retail and wholesale financing.
- ADIB registered 6.7% growth in operating profit (margin). Cost discipline initiatives were partially offset by investments in digital and strategic initiatives in order to support future business growth and improvements in the customer experience.
- Total equity (including Tier 1 capital instruments) increased by 7.8% year-on-year to reach AED 17.8 billion at 30 June 2019 leading to a solid capital position with a capital adequacy ratio under Basel III as at 30 June 2019 at 18.33%, while its Tier 1 capital ratio was at 17.24% and its common equity Tier 1 ratio stood at 12.46%.
- The bank continued to advance its digitisation agenda with ongoing enhancements of the mobile app including the pioneering “Express Finance” service, which provides qualifying customers with instant access to personal finance.
- ADIB also upgraded its transaction banking and trade finance proposition with the launch of “ADIB Direct”, a new digital banking platform for businesses that integrates a suite of banking solutions into a single, streamlined interface. The platform includes ADIB Office Banking, which provides a number of remote access solutions, such as cheque printing, cheque scanning, alongside other services, all of which allow ADIB customers to enjoy fast and secured 24/7 banking experience without leaving their office.



Group net revenues - AED million

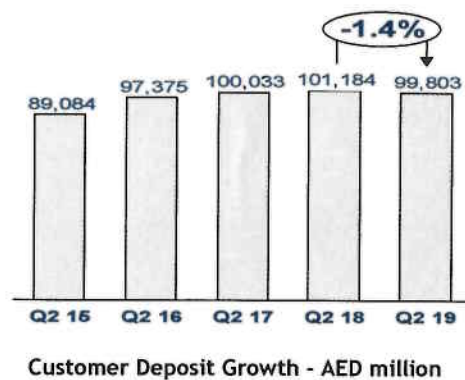
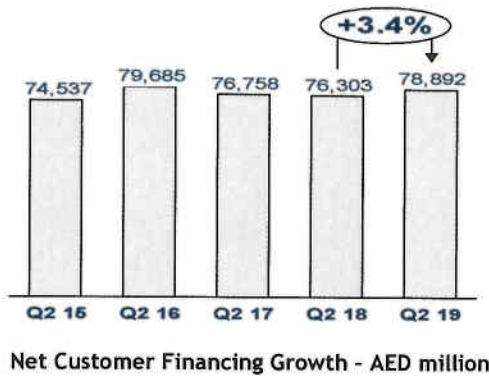
Group net profit - AED million

Risk management

As per IFRS 9, customer financing that is classified under Stage 3 stands at 5.3% with these assets now totaling AED 4,323.9 million. Furthermore, total credit provisions held under IFRS 9 stood at AED 3,036.1 million at end of Q2 2019. As a result of continued prudent risk management practices, credit provisions and impairments for H1 2019 increased by 9.4% to AED 345.0 million vs. AED 315.2 million for H1 2018.

Asset and Liability Management

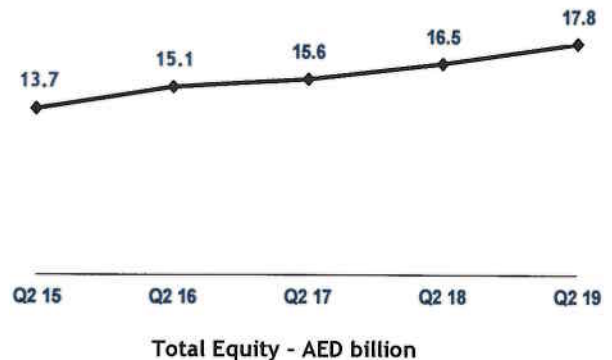
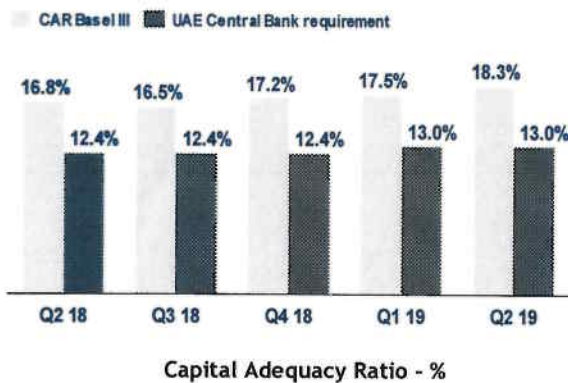
ADIB recorded a healthy customer financing-to-deposits ratio of 79.0% as at 30 June 2019. The bank maintained its position as one of the most liquid financial institutions in the UAE. Customer financing assets increased 3.4% year on year, while ADIB continued to focus on effective risk management.



Capital strength

Total equity (including Tier 1 capital instruments) was AED 17.8 billion at 30 June 2019. This represents an increase of 7.8% year-on-year and a 3-year compounded growth rate of 5.8%.

ADIB's capital adequacy ratio under Basel III as at 30 June 2019 was 18.33%, while its Tier 1 capital ratio was at 17.24% and its common equity Tier 1 ratio stood at 12.46%. All capital ratios under Basel III principles are above the minimum regulatory thresholds advised by Central Bank of the UAE.



Cost management

ADIB is focused on putting in place the necessary infrastructure to support its growth strategy. Emphasis remains on recruiting and retaining top talent, building infrastructure to deliver an award-winning customer experience and investing appropriately in expanding business capabilities across all targeted customer segments. Specifically, ADIB has continued to enhance its digital capabilities across all businesses and processes. The bank is enhancing service and convenience, while building and diversifying its fee income capabilities in line with identified customer needs.

ADIB is also upgrading all aspects of its infrastructure to ensure the bank functions efficiently in a stable and secure operating environment. Furthermore, in line with the Group's ambition of being a leader in the application of regulatory and related governance best practices, ADIB has increased its investment in risk, cyber security, control and compliance capabilities. While making these investments, the cost-to-income relatively stable at 45.6%.

Management comment

On behalf of the Board of Directors and the management team, Mr. Mazin Manna, ADIB Group CEO, said: "ADIB has demonstrated solid performance in the second quarter with net profit increasing by 10% to AED 630.1 million. This represents a healthy return on equity of 18.9%, one of the highest levels in the UAE's banking sector. During the first half of 2019, we generated considerable momentum across all divisions, which position us very well for the rest of the year. This was driven by higher revenues on the back of a growth in customer financing, as well as increased foreign exchange and investment income, a key strategic focus for the bank."

"We registered a 6.7% growth in operating profit (margin). Cost discipline initiatives have brought savings in operating expenses, which were partially offset by investments in digital and strategic initiatives in order to support future business growth and improvements in the customer experience."

"The bank remains well-capitalised with a capital adequacy ratio under Basel III improving to 18.33%, while common equity Tier 1 ratio stood at 17.24%. Our liquidity also remains strong, with an advances-to-deposits ratio of 79.0%."

"We have invested heavily in new technology in H1 2019 and have embarked on a progressive digital transformation programme across the bank to help us expand and improve our service through ongoing enhancements of our banking platforms. The launch of the "Express Finance" service, which provides qualifying customers with instant access to personal finance, and 'ADIB Direct', a new digital banking platform for businesses, are two examples of ADIB implementing digital to positively transform our customers' banking experience."

"The Abu Dhabi government's Ghadan 21 investment programme continues to stimulate the economy, providing opportunities for ADIB to develop its corporate and retail banking businesses. The bank has a

clear strategy to capitalise on the UAE's economic growth, with the tools and talent to deliver on our corporate objectives. This is underpinned by a focus on delivering an exceptional customer experience through digital banking excellence, running a highly-efficient organisation, and building a robust governance and risk management framework to deliver healthy, consistent and sustainable returns to our shareholders.”

Gratitude

The Board of Directors and executive management wish to extend their sincere appreciation and gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the UAE and Ruler of Abu Dhabi, to His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Abu Dhabi Crown Prince and Deputy Supreme Commander of the UAE Armed Forces, to the Central Bank of the UAE and to the Emirates Securities and Commodities Authority, our shareholders and our clients for their continued trust in and support of ADIB, along with our staff for their dedication.



Mazin Manna
Group Chief Executive Officer

Financial summaries

ADIB Group Financial summary - 3 months and 6 months summary

Financials	Consolidated Group									
	Q2 2017	Q2 2018	Q2 2019	Chg Q2 18 vs. Q2 17	Chg Q2 19 vs. Q2 18	H1 2017	H1 2018	H1 2019	Chg H1 18 vs. H1 17	Chg H1 19 vs. H1 18
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	918.5	929.1	961.3	1.2%	3.5%	1,872.7	1,877.5	1,917.0	0.3%	2.1%
Fees & Commissions	273.7	246.4	253.9	-9.9%	3.0%	499.0	477.7	467.7	-4.3%	-2.1%
Investment income	129.2	123.8	161.9	-4.2%	30.8%	252.2	241.5	347.3	-4.2%	43.8%
FX	76.8	58.9	71.1	-23.3%	20.8%	148.3	119.4	149.5	-19.5%	25.2%
Other	9.8	6.6	2.2	-32.6%	-66.1%	9.9	12.7	5.7	28.3%	-55.0%
Total Revenues	1,408.0	1,364.9	1,450.5	-3.1%	6.3%	2,782.1	2,728.8	2,887.1	-1.9%	5.8%
Total Expenses	627.2	624.7	660.8	-0.4%	5.8%	1,255.3	1,248.1	1,310.7	-0.6%	5.0%
Operating profit (margin)	780.8	740.2	789.7	-5.2%	6.7%	1,526.8	1,480.7	1,576.5	-3.0%	6.5%
Credit Provisions and Impairment	216.4	165.3	158.6	-23.6%	-4.1%	380.8	315.2	345.0	-17.2%	9.4%
Net Profit before Zakat & Tax	564.3	574.8	631.1	1.9%	9.8%	1,146.0	1,165.4	1,231.5	1.7%	5.7%
Zakat & Tax	12.7	2.1	1.0	-83.2%	-53.2%	16.9	2.4	1.0	-85.8%	-58.2%
Net Profit after Zakat & Tax	551.6	572.7	630.1	3.8%	10.0%	1,129.1	1,163.0	1,230.5	3.0%	5.8%
Total Assets in AED (Billion)	122.2	122.9	124.7	0.6%	1.4%	122.2	122.9	124.7	0.6%	1.4%
Customer Financing in AED (Billion)	76.8	76.3	78.9	-0.6%	3.4%	76.8	76.3	78.9	-0.6%	3.4%
Customer Deposits in AED (Billion)	100.0	101.2	99.8	1.2%	-1.4%	100.0	101.2	99.8	1.2%	-1.4%

-Ends-

Awards

1. World's Best Islamic Bank by Banker Magazine FT.
2. Best Islamic Bank in the Middle East by Banker FT
3. Best Islamic Bank in the UAE at Middle East Banking Awards.
4. Best Islamic Bank in UAE by EMEA Finance.
5. Best Islamic Bank in the UAE by Banker FT.
6. Best Islamic Digital Bank by Global Finance Magazine.
7. Best Islamic bank in Egypt Global Finance Magazine.
8. Best Overall Bank in customer Experience by Ethos Consultancy.
9. Best Overall Call Center in the UAE by Ethos Consultancy.
10. Best Islamic Private Bank by Islamic Finance news Awards.
11. Best Private bank in the Middle East for Islamic Finance by Private Banker International Magazine.
12. Best Private Bank in the UAE by Banker FT.
13. Best Islamic Finance House by EMEA finance.
14. Best Islamic Borrower by EMEA finance for our work with Airport Financing Company FZE "FINCO".
15. Best Syndicated Murabaha / Ijara Facility by EMEA finance for its role as an Initial Mandated Lead Arranger, Bookrunner and underwriter for a or GEMS MENASA (CAYMAN) LIMITED.
16. Best Structured Finance House in the Middle East by EMEA finance.
17. Best Structured Finance Deal in the Middle East by EMEA finance, for its contribution to Dubai Aerospace Enterprise's US\$75.6 million syndicated aircraft financing.
18. Best IPO in EMEA by EMEA Finance.
19. Best Privatisation Deal (Equity Markets) by EMA finance for its role on the ADNOC Distribution Initial Public Offering.
20. Syndicated Deal of the year by IFN.
21. UAE Deal of the Year by IFN.
22. Musharkah Deal of the Year by IFN.
23. Regulatory Capital Deal of the Year by IFN
24. Sovereign Deal of the Year by IFN
25. Regulatory Capital Deal of the Year by IFN
26. Indonesia Deal of the Year by IFN
27. Ijarah Deal of the Year by IFN
28. Hybrid Deal of the Year by IFN
29. Gitex Award for Mobile Trading App by Dubai Financial Market.
30. Property Consultancy of the Year by African & Arabian Property Awards.
31. Real Estate Agency of the Year by African & Arabian Property Awards.
32. Best Sharia'a Savings Account Provider of the Year at the second annual Yalla compare award.
33. EIBFS Human Resources Development Award.
34. Best Emiratization Initiative by Naseeba.
35. Best in Talent Management by MENA HR Excellence Awards.
36. Best Home Finance in the Middle East by Asian Banker.
37. Best Sport CSR Initiative of the Year by SPIA.
38. Best Youth Development Program by SPIA.
39. Excellence in CSR Initiatives for Islamic Banks by Regional Network Consultancy.
40. CSR label from Dubai Chamber of Commerce.
41. Information Security Executive of the Year Award at MESA Conference & Awards.
42. SRI Capital Markets Issue of the Year by IFR Asia Awards
43. Islamic Issue of the Year by IFR Awards
44. Middle East Security Awards 2019 by MESA Awards
45. Cyber Security Excellence Award by MESA Awards

About ADIB:

ADIB is a leading bank in the UAE with more than AED 124.7 billion in assets. The bank also offers world-class online, mobile and phone banking services, providing clients with seamless digital access to their accounts 24 hours a day. ADIB provides retail, corporate, business, private banking and wealth management solutions. The bank was established in 1997 and its shares are traded on the Abu Dhabi Securities Exchange (ADX).

ADIB has presence in six strategic markets: Egypt, where it has 70 branches, the Kingdom of Saudi Arabia, the United Kingdom, Sudan and Iraq.

Named World's Best Islamic Bank by The Financial Times' The Banker publication, ADIB has a rich track record of innovation, including introducing the award-winning Ghina savings account, award-winning co-branded cards with Etihad and Etisalat and a wide range of financing products.



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