

THIS SHAREHOLDER CIRCULAR DATED 28 AUGUST 2018 IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this Shareholder Circular or the action you should take, you are recommended to immediately seek your own legal, financial investment and tax advice.

ABU DHABI ISLAMIC BANK PJSC



(a public joint stock company established in the United Arab Emirates with commercial registration number 36148)

Rights Issue in respect of 464,000,000 New Shares to be issued at an Issue Price of AED 2.16 per New Share

Abu Dhabi Islamic Bank PJSC (hereinafter referred to as “ADIB”) was established in the Emirate of Abu Dhabi by virtue of Amiri Decree No. 9 of 1997 and pursuant to commercial license no. CN-1001923 dated 3 November 1997 issued by the Abu Dhabi Department of Economic Development in accordance with Federal Law No. 8 of 1984 Concerning Commercial Companies and the laws amending the same. ADIB’s registered office is Al Bateen Building, King Abdullah bin Abdulaziz Street, P.O. Box 313, Abu Dhabi, United Arab Emirates (“UAE”) (telephone: +971 26100600). The current issued share capital of ADIB is AED 3,168,000,000, divided into 3,168,000,000 ordinary shares, each with a fully paid up nominal value of AED 1.00 per share (the “Shares”).

The board of directors of ADIB (the “Board of Directors”) recommended in its resolution passed on 25 July 2018 that ADIB’s issued share capital be increased from AED 3,168,000,000 to AED 3,632,000,000, after obtaining the necessary regulatory approvals and approval of the shareholders of ADIB. On 19 August 2018, the general assembly of ADIB (the “General Assembly”), *inter alia*, authorised the increase in ADIB’s issued share capital to AED 3,632,000,000 by way of a rights issue (the “Rights Issue”). Pursuant to the Special Resolutions passed by the General Assembly, the Rights Issue will be in respect of 464,000,000 new shares (the “New Shares”), representing 14.65 per cent. of the total issued share capital. The New Shares will be issued at an issue price of AED 2.16 per New Share (the “Issue Price”), reflecting the nominal value of AED 1.00 per New Share and a share premium of AED 1.16 per New Share. The Issue Price reflects a discount of 45 per cent. per New Share when compared to the market price of ADIB’s Shares as at close of trading on 25 July 2018. The invitation to the Registered Shareholders (as defined below) to subscribe for the New Shares was published on 26 August 2018. ADIB intends to primarily use the issue proceeds to strengthen the capital base of ADIB and fund its banking operations and growth, as more fully described in the “Use of Proceeds” section of this Shareholder Circular.

The Rights Issue will be conducted through the issue of tradable securities (referred to collectively as the “Rights” and each a “Right”) to shareholders listed in ADIB’s register of shareholders (referred to collectively as the “Registered Shareholders”, and each a “Registered Shareholder”) as at the close of business of the Abu Dhabi Securities Exchange (the “ADX”) on 13 September 2018 (the “Eligibility Date”) in the amount of 29 Rights for every 198 Shares held on such date, with such Rights being deposited into the clearing account or brokerage account of each such Registered Shareholder where his or her existing Shares are held within one day of the Eligibility Date. Each Right grants its holder the eligibility to subscribe for one New Share at the Issue Price. Registered Shareholders who do not wish to subscribe for the New Shares at the Issue Price may sell their Rights to other investors through securities brokers registered and licensed by the ADX during trading hours on the ADX from the opening of trading on 18 September 2018 until the close of trading on 2 October 2018 (the “Trading Period”).

Subscription for the New Shares will take place from 8.00 a.m. on 25 September 2018 until 2.00 p.m. on 9 October 2018 (the “Subscription Period”). During that period, subject to the limitations contained in the articles of association of ADIB (the “Articles of Association”) and applicable UAE law, all holders of Rights, whether Registered Shareholders or persons who purchased the Rights during the Trading Period (referred to collectively as the “Eligible Persons” and each an “Eligible Person”) will be allowed to exercise their Rights to subscribe for the New Shares. In addition to exercising their Rights to subscribe for one New Share at the Issue Price for each Right held, Eligible Persons will also be allowed to apply for additional New Shares at the Issue Price (“Additional New Shares”), which will be allocated in the event that unsubscribed shares remain, either as a result of the consolidation of the unallocated fractional entitlements to New Shares, or the failure by Eligible Persons to exercise their Rights to subscribe for New Shares in accordance with the terms and conditions of the Rights Issue set out in the “Terms and Conditions of the Rights Issue” section of this Shareholder Circular (see the “Receipt of Rights” subsection on the treatment of fractional entitlements).

The Additional New Shares will be allocated, on a *pro rata* basis, to the Eligible Persons who subscribed for such Additional New Shares, based on the number of Additional New Shares requested by such Eligible Persons. If any unsubscribed New Shares still remain after the allocation of the Additional New Shares to the Eligible Persons who had subscribed for such Additional New Shares, Emirates International Investment Company LLC (“EIIC”), in its capacity as the strategic shareholder of ADIB, has agreed to subscribe for such New Shares.

Subscription forms will be available during the Subscription Period from participating branches of ADIB (as defined below) (see the “Participating Branches of ADIB” section of this Shareholder Circular). Eligible Persons who are also account holders with ADIB and who have access to smartphone banking or online banking may also subscribe using these platforms. Eligible Persons who are not account holders with ADIB may also subscribe by visiting any branch of a licensed bank operating in the UAE at which they hold an account and request to subscribe through the UAE Central Bank Fund Transfer System (“UAE FTS”). Detailed instructions for the subscription process through the UAE FTS are available on ADIB’s dedicated Rights Issue website (adib.ae/rightsissue). The final allocation of the New Shares shall be announced on or before 16 October 2018.

The directors of ADIB, whose names are set out in the “Directors, Management and Employees” section of this Shareholder Circular, each accept responsibility for the information contained in this Shareholder Circular, including any information incorporated by reference in this Shareholder Circular as at the date hereof or hereafter. To the best of the knowledge and belief of ADIB and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Shareholder Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Shareholder Circular has been prepared by the Board of Directors solely to provide ADIB’s shareholders with information regarding the Rights Issue and does not constitute a “Prospectus” approved by the Securities and Commodities Authority (the “SCA”).

Registered Shareholders and other Eligible Persons should seek professional advice and read the whole of this Shareholder Circular, particularly the “Risk Factors” section of this Shareholder Circular, which sets out a discussion of certain factors, risks and uncertainties that should be considered in deciding what action to take in relation to the Rights Issue and when considering whether or not to purchase the New Shares.

ADIB will act as the receiving bank for the Rights Issue (the “Receiving Bank”) and will oversee the subscription process. The Receiving Bank shall refund any subscription monies paid in respect of any New Shares or Additional New Shares that are not allocated to the subscriber in accordance with applicable UAE law. ADIB has appointed Abu Dhabi Islamic Bank Corporate Finance and Investment Banking (“ADIB CFIB”) as the financial advisor and lead manager (the “Financial Advisor and Lead Manager”) in order to assist with structuring and coordinating the Rights Issue.

The SCA and the ADX do not take any responsibility for the contents of this Shareholder Circular, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of it.

Financial Advisor and Lead Manager

Abu Dhabi Islamic Bank Corporate Finance and Investment Banking



Receiving Bank

Abu Dhabi Islamic Bank



IMPORTANT NOTICES

This Shareholder Circular has been prepared by the Board of Directors solely to provide Registered Shareholders and other Eligible Persons with information regarding the Rights Issue and the New Shares and does not constitute a “Prospectus” for the purposes of applicable UAE law.

Registered Shareholders and other Eligible Persons should review the “*Risk Factors*” section of this Shareholder Circular for a discussion of certain factors, risks and uncertainties that should be considered in deciding what action to take in relation to the Rights Issue or considering whether or not to purchase New Shares.

Statements contained in this Shareholder Circular are made as at the date of this Shareholder Circular unless some other time is specified in relation to them and the publication of this Shareholder Circular (or any action taken pursuant to it) must not be interpreted as giving rise to any implication that there has been no change in the condition, facts or affairs of ADIB since such date. Nothing contained in this Shareholder Circular is intended to be, or shall be deemed to be, a forecast, projection or estimate of the current or future financial performance of ADIB and no statement in this Shareholder Circular should be interpreted to mean that ADIB’s earnings per share for current or future financial periods will necessarily match or exceed that in respect of previous financial periods.

ADIB CFIB has been appointed by ADIB as Financial Advisor and Lead Manager. In this capacity, ADIB CFIB has agreed to structure, assist and co-ordinate with ADIB and its other professional advisors in relation to the preparation and implementation of the Rights Issue. ADIB CFIB is acting exclusively as Financial Advisor and Lead Manager for ADIB for the purposes of the Rights Issue and no one else in connection with the Rights Issue and will not be responsible to anyone other than ADIB for providing the protections afforded to clients of ADIB CFIB nor for giving advice in relation to the Rights Issue or any matter or arrangement referred to in this Shareholder Circular.

The Financial Advisor and Lead Manager does not accept any responsibility whatsoever for the contents of this Shareholder Circular, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf in connection with ADIB, the Rights Issue or the New Shares.

No person has been authorised to give any information or to make any representations other than those contained in this Shareholder Circular and, if given or made, such information or representations must not be relied on as having been authorised by ADIB.

No person should construe or consider the contents of this Shareholder Circular as legal, financial or tax advice. All persons should consult their own legal, financial, investment and tax advisors in connection with the matters contained in this Shareholder Circular.

Save for the financial information incorporated by reference in this Shareholder Circular (see the “*Selected Financial Information*” section of this Shareholder Circular), neither the content of ADIB’s website or any other website, nor the content of any website accessible from hyperlinks on any of such websites, nor any website mentioned in this Shareholder Circular, forms part of, or is incorporated into, this Shareholder Circular, and neither ADIB nor any of its advisors bears or accepts any responsibility for the contents of such websites.

The New Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or under any securities laws of any state or other jurisdiction of the United States of America and accordingly may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States of America except pursuant to registration under the Securities Act or an applicable exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States of America. There will be no public offer of New Shares in the United States of America.

This is an unofficial English translation of the official Shareholder Circular published in the Arabic language. No reliance should be placed on this English translation, which may not entirely reflect the official Arabic language document. For the avoidance of doubt, where there is any conflict or inconsistency between the Arabic language document and this unofficial English translation, the Arabic language document shall prevail.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Shareholder Circular may be deemed to be forward-looking statements. The words “anticipate”, “believe”, “expect”, “plan”, “intend”, “targets”, “aims”, “seeks”, “estimate”, “project”, “will”, “would”, “may”, “could”, “continue”, “should” and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Shareholder Circular, including, without limitation, those regarding the financial position of ADIB, or the business strategy, management plans and objectives for future operations of ADIB, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause ADIB’s actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding ADIB’s present, and future, business strategies and the environment in which ADIB expects to operate in the future. Important factors that could cause ADIB’s actual results, performance or achievements to differ materially from those in the forward-looking statements are discussed in this Shareholder Circular, see the “*Risk Factors*” section of this Shareholder Circular.

Forward-looking statements speak only as at the date of this Shareholder Circular and, without prejudice to any requirements under applicable laws and regulations, ADIB expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Shareholder Circular to reflect any change in the expectations of ADIB or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, ADIB cannot assure potential investors that projected results or events will be achieved and ADIB cautions potential investors not to place undue reliance on these statements.

PUBLICATION, DISTRIBUTION, ACCEPTANCE AND TRANSFER RESTRICTIONS

This Shareholder Circular is not being published or distributed, and should not be forwarded or transmitted, in or into or to any jurisdiction outside the UAE.

ADIB is not taking any action to permit an offering of New Shares in any jurisdiction outside the UAE. Neither this Shareholder Circular nor any other document relating to the Rights Issue will be distributed in or into or to any jurisdiction outside the UAE.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The historical financial information presented in this Shareholder Circular is based on the audited consolidated financial statements of ADIB as at, and for the years ended, 31 December 2016 (together with the audit report thereon, the “**2016 Financial Statements**”) and 31 December 2017 (together with the audit report thereon, the “**2017 Financial Statements**”) and, together with the 2016 Financial Statements, the “**Audited Financial Statements**”) and the unaudited interim condensed consolidated financial statements of ADIB for the six-month periods ended 30 June 2017 (together with the review report thereon, the “**2017 Interim Financial Statements**”) and 30 June 2018 (together with the review report thereon, the “**2018 Interim Financial Statements**”) and, together with the 2017 Interim Financial Statements, the “**Interim Financial Statements**”) and, together with the Audited Financial Statements, the “**Financial Statements**”). For further details, please refer to the “*Selected Financial Information*” section of this Shareholder Circular.

In this Shareholder Circular, save for where otherwise indicated, the selected financial information for ADIB as at, and for the six-month periods ended, 30 June 2017 and 30 June 2018, and the years ended 31 December 2015, 31 December 2016 and 31 December 2017, is presented as follows:

- the selected financial data as at, and for the six-month period ended, 30 June 2018 have been extracted from the 2018 Interim Financial Statements;
- the selected financial data for the six-month period ended 30 June 2017 have been extracted from the comparative financial information for the six-month period ended 30 June 2017 included in the 2018 Interim Financial Statements, and the selected financial data as at 30 June 2017 have been extracted from the 2017 Interim Financial Statements;
- the selected financial data as at, and for the year ended, 31 December 2017 have been extracted from the 2017 Financial Statements;

- the selected financial data as at, and for the year ended, 31 December 2016 have been extracted from the comparative financial information as at, and for the year ended, 31 December 2016 included in the 2017 Financial Statements; and
- the selected financial data as at, and for the year ended, 31 December 2015 have been extracted from the comparative financial information as at, and for the year ended, 31 December 2015 included in the 2016 Financial Statements.

The financial data extracted from the Financial Statements have been presented in AED and, for convenience only, in United States dollars using an exchange rate of US\$ 1.00 = AED 3.6725.

The Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards and have been audited in accordance with International Standards on Auditing by Ernst & Young Middle East (Abu Dhabi Branch) (“**Ernst & Young**”), as stated in their reports appearing in the Audited Financial Statements. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting. Registered Shareholders and other Eligible Persons should not rely on interim results as being indicative of results ADIB may expect for the full year. ADIB presents its Financial Statements in UAE Dirhams.

CERTAIN DEFINED TERMS

Capitalised terms which are used but not defined in any section of this Shareholder Circular have the meanings given to them in the “*Definitions*” section of this Shareholder Circular.

CERTAIN PUBLICLY AVAILABLE INFORMATION

Certain statistical data and other information appearing in this Shareholder Circular have been extracted from public sources identified in this Shareholder Circular. Neither the Financial Advisor and Lead Manager nor ADIB accepts any responsibility for the factual correctness of any such statistics or information but ADIB accepts responsibility for accurately extracting and transcribing such statistics and information and believes, after due inquiry, that such statistics and information represent the most current publicly available statistics and information from such sources at and for the periods with respect to which they have been presented.

All references in this Shareholder Circular to “**US\$**” and “**\$**” are to the lawful currency of the United States of America and references to “**AED**”, “**Dirham**” and “**UAE Dirham**” are to the lawful currency of the UAE. The UAE Dirham has been pegged to the US\$ since 22 November 1980. The mid-point between the official buying and selling rates for the UAE Dirham is at a fixed rate of AED 3.6725 = US\$ 1.00.

Certain figures and percentages included in this Shareholder Circular have been subject to rounding adjustments. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the relevant Financial Statements rather than the rounded numbers contained in this Shareholder Circular. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

You are advised to read this Shareholder Circular carefully.

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SUMMARY OF THE RIGHTS ISSUE

Recipients of this Shareholder Circular should read the entire Shareholder Circular before making a decision as to whether or not to participate in the Rights Issue. This section is a summary of some of the information detailed in this Shareholder Circular and does not contain all the information that prospective subscribers should carefully review before taking a decision to exercise some or all their Rights and subscribe for or purchase New Shares. Accordingly, any decision by a prospective subscriber to subscribe should be based on a consideration of this Shareholder Circular as a whole. You should carefully read this entire Shareholder Circular, particularly the information set forth under the headings “Risk Factors” and “Important Notices” and the Financial Statements and related notes, before making any investment decision.

<i>Nature of the offering</i>	<i>Capital increase by way of a rights issue.</i>
Share capital before the capital increase	AED 3,168,000,000.
Total number of Shares before the capital increase	3,168,000,000.
Nominal value per New Share	AED 1.00.
Issue premium per New Share	AED 1.16.
Issue Price per New Share	AED 2.16.
Total number of New Shares	464,000,000.
Percentage of New Shares to issued Shares	14.65 per cent.
Total number of Shares after the capital increase	3,632,000,000.
Share capital after the capital increase	AED 3,632,000,000.
Financial Advisor and Lead Manager	ADIB CFIB.
Receiving Bank	ADIB.
Use of proceeds	The issuance of the New Shares pursuant to the Rights Issue will increase ADIB’s issued share capital by AED 464,000,000. In addition, the AED 538,240,000 raised through the issuance of the New Shares at a premium, will be allocated to the legal reserve. ADIB intends to primarily use the issue proceeds to strengthen the capital base of ADIB and fund its banking operations and growth, as more fully described in the “ <i>Use of Proceeds</i> ” section of this Shareholder Circular.
Eligibility Date	13 September 2018.
Registered Shareholder	Each shareholder listed in ADIB’s register of shareholders as at the close of business of the ADX on the Eligibility Date.
Rights	The Rights are tradable securities giving their holders the eligibility to subscribe to the New Shares. Each Registered Shareholder on the Eligibility Date will receive 29 Rights for every 198 Shares held on such date. Each Right grants its holder eligibility to subscribe to one New Share at the Issue Price. Right entitlements will be rounded down to the nearest whole number of Rights. Such Rights will be deposited into the clearing account or brokerage

account of each such Registered Shareholder where his or her existing Shares are held within one day of the Eligibility Date. The Rights will appear in the accounts of each such Registered Shareholder under a new symbol “ADIBRI18” specifying the Rights.

Registered Shareholders must ensure that their name is reflected in ADIB’s share register held by the ADX and that they have an investor number on the ADX in order to receive, exercise, or trade their Rights.

Total number of Rights	464,000,000.
Eligible Persons	Subject to the limitations set out in the Articles of Association and applicable UAE law, all holders of Rights following settlement on the last day of the Trading Period.
Ownership limitations	<p>In accordance with the Articles of Association, 100 per cent. of the Shares must be owned by UAE nationals. Only UAE nationals will be allowed to subscribe for New Shares.</p> <p>In accordance with the Articles of Association, an individual shareholder is not entitled to own more than 5 per cent. of the Shares. In the event that a subscriber applies for a number of New Shares that, if allocated, would result in that subscriber holding more than 5 per cent. of the Shares of ADIB following completion of the Rights Issue, then the number of New Shares allocated to that subscriber will be scaled back accordingly such that the subscriber’s shareholding does not exceed 5 per cent. of the Shares following completion of the Rights Issue.</p> <p>Please refer to the “<i>Summary of ADIB’s Articles of Association – Shareholding Structure</i>” section of this Shareholder Circular for further information.</p>
Trading of Rights	<p>Registered Shareholders shall have the following options in respect of the Rights:</p> <ul style="list-style-type: none">• keep their allocation of Rights and exercise these Rights to subscribe for the New Shares during the Subscription Period;• sell their allocation of Rights, or a part thereof, through the ADX during the Trading Period;• purchase additional Rights on the ADX during the Trading Period; or• refrain from taking any action relating to the Rights, whether selling the Rights or exercising the right to subscribe to the New Shares. <p>Registered Shareholders who do not exercise their Rights to subscribe for the New Shares during the Subscription Period will suffer an immediate dilution in their interest in ADIB.</p>
Indicative value of a Right	The indicative value of a Right reflects the difference between the value of the Shares during the Trading Period and the Issue Price.
Trading Period	The period from the opening of trading on the ADX on 18 September 2018 until the close of trading on the ADX on 2 October 2018, during which the Registered Shareholders and the public may trade the Rights.
Subscription Period	During the period from 8.00 a.m. on 25 September 2018 until 2.00 p.m. on 9 October 2018, Eligible Persons may exercise their Rights to subscribe for the New Shares. Subscription forms will be accepted at the

participating branches of ADIB during the normal business hours of each such branch. The subscription for the New Shares shall be approved, subject to the other terms and conditions of the Rights Issue, provided that such Eligible Persons hold sufficient Rights in their relevant account at the end of the Trading Period.

Share allocation

New Shares shall be allocated to each subscriber according to the number of Rights exercised in a full and proper manner. Any remaining shares will be allotted to Eligible Persons who subscribed for Additional New Shares in addition to their original entitlement on a *pro rata* basis, scaled back (if necessary) in accordance with the proportion that the number of Additional New Shares requested by the subscriber represents to the total number of Additional New Shares requested by all Eligible Persons who subscribed for such Additional New Shares. No subscriber will be allowed to request more than 464,000,000 New Shares.

Refunds will be given to Eligible Persons who did not receive the number of New Shares that they subscribed for or Additional New Shares that they applied for.

If any New Shares remain unsubscribed for after the allocation to other Eligible Persons, EIIC has agreed to subscribe for such New Shares, in its capacity as the strategic shareholder of ADIB.

How to subscribe for New Shares

Subscription forms will be available during the Subscription Period from participating branches of ADIB (see the “*Participating Branches of ADIB*” section of this Shareholder Circular). Subscription forms must be completed in accordance with the instructions set out in the “*Terms and Conditions of the Rights Issue*” section of this Shareholder Circular. Eligible Persons who are also account holders with ADIB and who have access to smartphone banking or online banking may also subscribe using these platforms. Eligible Persons who are not account holders with ADIB may also subscribe by visiting any branch of a licensed bank operating in the UAE at which they hold an account and request to subscribe through the UAE FTS. Detailed instructions for the subscription process through the UAE FTS are available on ADIB’s dedicated Rights Issue website (adib.ae/rightsissue).

Commitment from EIIC

ADIB has obtained a letter from EIIC, in its capacity as the strategic shareholder of ADIB, confirming that it intends to take part in the Rights Issue and exercise all the Rights it receives to subscribe for New Shares. EIIC may or may not also apply for Additional New Shares as an Eligible Person during the Subscription Period. However, if unsubscribed New Shares remain after the allocation of the Additional New Shares to the other Eligible Persons who subscribed for Additional New Shares, EIIC has agreed to subscribe for all such shares.

Trading of New Shares

ADIB’s existing Shares are traded on the ADX. Trading in the New Shares on the ADX will commence as soon as practicable following the close of the Subscription Period and is expected to commence on or around 24 October 2018. Please refer to the “*Expected Timetable of Principal Events*” section of this Shareholder Circular for a detailed expected timetable.

Eligibility for dividends

Holders of the New Shares, once issued, will be entitled to receive their portion of any dividends declared by ADIB. Please see the “*Dividend Policy*” section of this Shareholder Circular for further information.

Risk factors

There are certain risks related to investing in the New Shares. These risks must be carefully considered prior to any decision to subscribe for the New Shares. Prospective subscribers should carefully read this entire

Shareholder Circular, particularly the information set forth under the headings “*Risk factors*” and “*Important notices*” and the Financial Statements, before making any investment decision.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The times and dates set out in this expected timetable of principal events and mentioned throughout the Shareholder Circular may be adjusted by ADIB, in which event details of the new times and/or dates will be notified to Eligible Persons in two UAE daily Arabic language newspapers and one UAE daily English language newspaper and in the English and Arabic languages on ADIB's website (adib.ae/rightsissue).

<i>Event</i>	<i>Date</i>
General Assembly meeting held to approve the Rights Issue	19 August 2018
Announcement of results of the General Assembly meeting	20 August 2018
Invitation to holders of existing Shares at the Eligibility Date to participate in the Rights Issue published in two UAE daily Arabic language newspapers and one UAE daily English language newspaper	26 August 2018
Shareholder Circular published	28 August 2018
Eligibility Date	Close of business of the ADX on 13 September 2018
Commencement of the Trading Period.....	Opening of trading on the ADX on 18 September 2018
Commencement of Subscription Period	8.00 a.m. on 25 September 2018
Expiry of Trading Period	Close of trading on the ADX on 2 October 2018
Expiry of Subscription Period (Last time and date for acceptance of completed subscription forms and payment in full at the participating branches of ADIB)	2.00 p.m. on 9 October 2018
Announcement of final allocation of the New Shares	On or before 16 October 2018
Refunds made to Eligible Persons who did not receive the number of New Shares that they subscribed for or Additional New Shares that they applied for	From 23 October 2018
Dealings in New Shares commence on the ADX	On or around 24 October 2018

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

All Eligible Persons must carefully read the following terms and conditions of the Rights Issue prior to completing the subscription form. The signing of the subscription form and the delivery of it to the Receiving Bank or the completion of the subscription form electronically (in the case of an Eligible Person who is an account holder with ADIB and has access to smartphone banking or online banking or an Eligible Person who is not an account holder with ADIB and has access to the UAE FTS) constitutes acceptance of, and agreement to, these terms and conditions of the Rights Issue and, once accepted by ADIB, is considered a binding agreement between ADIB and the Eligible Person.

Introduction

The Board of Directors recommended in its resolution passed on 25 July 2018 that ADIB's issued capital be increased from AED 3,168,000,000 to AED 3,632,000,000 after obtaining the necessary regulatory approvals and approval of the shareholders of ADIB. On 19 August 2018, the General Assembly authorised the increase in ADIB's share capital by way of the Rights Issue.

The Rights Issue will be in respect of 464,000,000 New Shares, to be issued at an Issue Price of AED 2.16 per New Share, reflecting the nominal value of AED 1.00 per New Share and a share premium of AED 1.16 per New Share.

The issuance of the New Shares pursuant to the Rights Issue will increase ADIB's issued share capital to AED 3,632,000,000, divided into 3,632,000,000 ordinary shares, each with a nominal value of AED 1.00 per share. In addition, the AED 538,240,000 raised through the issuance of the New Shares at a premium, will be allocated to the legal reserve. ADIB intends to use the issue proceeds to strengthen the capital base of ADIB and fund its banking operations and growth, as more fully described in the "Use of Proceeds" section of this Shareholder Circular.

Receipt of Rights

The Rights Issue will be conducted through the issue of Rights to the Registered Shareholders of ADIB as at the close of business of the ADX on the Eligibility Date in the amount of 29 Rights for every 198 Shares held on such date, with such Rights being deposited into the clearing account or brokerage account of each such Registered Shareholder where his or her existing Shares are held within one day of the Eligibility Date. Right entitlements will be rounded down to the nearest whole number of Rights and Registered Shareholders will not receive a Right in respect of the fraction of any Rights.

Registered Shareholders must ensure that their name is reflected in ADIB's share register held by the ADX and that they have an investor number on the ADX in order to receive, exercise, or trade their Rights. If a Registered Shareholder has not received their Rights but believe that he or she should have received such Rights, he or she should contact their ADX broker or the ADX directly on 800-ADX (800-239) or +971 2 696 0333.

The Trading Period

Each Right grants its holder the eligibility to subscribe for one New Share at the Issue Price. Registered Shareholders who do not wish to exercise their Rights, in part or in whole, may sell a portion of or all of their Rights to other investors during trading hours on the ADX from the opening of trading on 18 September 2018 until the close of trading on 2 October 2018, through the securities brokers registered and licensed by the ADX.

The ADX has established a system to regulate the trading of Rights. A separate symbol will be assigned to the Rights issued that is separate from the trading symbol for ADIB's Shares. The ADX will cancel the symbol for the Rights once the Trading Period expires.

Trading Period options

During the Trading Period, Registered Shareholders have the following options:

- keep their allocation of Rights and exercise these Rights to subscribe for the New Shares during the Subscription Period;
- sell their allocation of Rights or a part thereof through the ADX;

- purchase additional Rights on the ADX; or
- refrain from taking any action in relation to the Rights Issue, whether selling the Rights or exercising the right to subscribe for New Shares.

In addition, during the Trading Period, those who have purchased Rights during this period may continue to trade them either by selling them or purchasing further Rights. Registered Shareholders as at the Eligibility Date who sell their Rights, or otherwise do not exercise their Rights to subscribe for New Shares, will suffer an immediate dilution in their interests in ADIB of 14.65 per cent.

The Subscription Period

During the period from 8.00 a.m. on 25 September 2018 until 2.00 p.m. on 9 October 2018, subject to the limitations set out in the Articles of Association and applicable UAE law, all Eligible Persons will be allowed to exercise their Rights to subscribe for New Shares by completing a subscription form available at the participating branches of ADIB during the normal business hours of each such branch (see the “*Action to be Taken*” subsection and the “*Participating Branches of ADIB*” section of this Shareholder Circular). Eligible Persons who are also account holders with ADIB and who have access to smartphone banking or online banking may also subscribe using these platforms. Eligible Persons who are not account holders with ADIB may also subscribe by visiting any branch of a licensed bank operating in the UAE at which they hold an account and request to subscribe through the UAE FTS. The subscription for the New Shares shall be approved, provided that Eligible Persons continue to have sufficient Rights available in their relevant account at the end of the Trading Period.

In addition to exercising their Rights to subscribe for one New Share at the Issue Price for each Right held, Eligible Persons will also be allowed to subscribe for Additional New Shares, to be allocated in the event that unsubscribed New Shares remain, either as a result of the consolidation of the unallocated fractional entitlements to New Shares, or the failure by Eligible Persons to exercise their Rights to subscribe for New Shares in accordance with the terms and conditions of the Rights Issue set out in this section.

The allocations of New Shares will therefore be made on the following basis:

- *first*, to the Eligible Persons in an amount equal to the number of New Shares for which they have subscribed, to the extent that such number is equal to or less than the number of Rights they respectively hold at the end of the Trading Period;
- *second*, to the extent that any New Shares remain unsubscribed thereafter, to the Eligible Persons in an amount equal to the number of Additional New Shares for which they have subscribed to in excess of the number of Rights they respectively hold; and
- *third*, to the extent that any New Shares remain unsubscribed thereafter, to EIIC, which has agreed to subscribe for such New Shares in its capacity as the strategic shareholder of ADIB.

The allocation of Additional New Shares to the Eligible Persons after allocations to the Eligible Persons who have subscribed for a number of New Shares equal to or less than the number of Rights they hold will be on a *pro rata* basis, scaled back (if necessary) in accordance with the proportion that the number of Additional New Shares requested by the subscriber represents to the total number of Additional New Shares requested by all Eligible Persons who subscribed for such Additional New Shares. There is, therefore, no guarantee that the Eligible Persons applying for Additional New Shares will receive the number of Additional New Shares applied for. No Eligible Person will receive more New Shares than they have subscribed for during the Subscription Period.

If an Eligible Person applies for a number of Additional New Shares and does not receive all of the Additional New Shares applied for, he or she will receive a refund from the Receiving Bank in respect of the number of Additional New Shares that were not allocated to such Eligible Person. Eligible Persons to whom a refund is due will receive such refund through a credit to the bank account specified on the subscription form or if they have indicated a preference to receive the refund by cheque, through a bank pay order (cheque) issued by ADIB and sent by registered mail to the address specified on the subscription form.

In the event that the other Eligible Persons do not subscribe for all of the remaining New Shares, EIIC has agreed to subscribe for such New Shares in its capacity as the strategic shareholder of ADIB.

In accordance with ADIB's Articles of Association, 100 per cent. of the Shares must be owned by UAE nationals. Only UAE nationals will be allowed to subscribe for New Shares. Please refer to the "*Summary of ADIB's Articles of Association – Shareholding Structure*" section of this Shareholder Circular for further information.

In the event that a subscriber (other than EIIC) applies for a number of New Shares that, if allocated, would result in that subscriber holding more than 5 per cent. of the Shares of ADIB following completion of the Rights Issue, then the number of New Shares allocated to that subscriber will be scaled back accordingly such that the subscriber's shareholding does not exceed 5 per cent. of the Shares following completion of the Rights Issue.

Action to be taken

If an Eligible Person wishes to exercise some or all of his or her Rights to subscribe for the New Shares to which he or she is entitled during the Subscription Period, he or she will be required to attend (during normal office hours) one of the participating branches of ADIB with the following documents and complete a subscription form:

- the original Emirates ID of the subscriber and a copy thereof (when subscription is being made by an individual);
- an original "family book" of the subscriber and a copy thereof (when subscription is being made by an individual); and
- for a subscriber that is a legal entity:
 - an original certificate of commercial registration and a copy thereof and, if relevant, a copy of the relevant decree or resolution incorporating the company;
 - a copy of the signatories' authority to bind the company;
- his, her or its investor number on the ADX; and
- if the subscriber is a minor:
 - the original documents and copies thereof as listed above;
 - the minor's guardian's valid original Emirates ID and a copy thereof;
 - the guardian's investor number on the ADX; and
 - if the guardian is the mother, an authority letter from the court.

Minors may subscribe in accordance with applicable law and the procedures adopted at the Receiving Bank and the guardian should sign the subscription form on behalf of the minor.

The subscription forms will:

- request that the Eligible Person specify whether the New Shares will be registered through ADX's clearing and settlement department or a designated brokerage account, once listed on the ADX;
- request that the Eligible Person specify how many New Shares he or she would like to subscribe for (including any Additional New Shares that he or she would like to subscribe for in excess of the number of Rights that he or she holds); and
- request that the Eligible Person multiply the number of New Shares he or she would like to subscribe for by the Issue Price to calculate the amount that the Eligible Person is required to pay for the total number of New Shares subscribed for.

If an Eligible Person cannot attend a participating branch of ADIB in person, he or she is entitled to appoint a duly authorised representative to complete, sign and submit a subscription form and make payment for the New

Shares on his or her behalf. The authorised representative must bring with them, in addition to the documents specified above, the original power of attorney authenticated by a registered notary public and a copy thereof.

Participating branches of ADIB will start receiving subscription forms from 8.00 a.m. on 25 September 2018. Subscription forms will be accepted at the participating branches of ADIB during the normal business hours of each such branch. The subscription form (together with payment) must be submitted by Eligible Persons (or their duly authorised representatives) at a participating branch of ADIB by no later than 2.00 p.m. on 9 October 2018. The Eligible Person is required to pay in full for all of the New Shares that they have subscribed for, and the Additional New Shares that they have applied for, by way of a Dirham-denominated banker's cheque, a bank transfer from a bank account held with ADIB or a bank transfer from a licensed bank operating in the UAE through the UAE FTS.

If the information submitted on the form turns out to be incomplete or incorrect, the subscription form may be considered void. The subscription form may not be amended or withdrawn after submission to ADIB, and it shall be considered a binding contract between the subscriber and ADIB once approved by ADIB. The subscription form and all related terms, conditions and covenants shall be binding upon and for the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs; provided that, except as specifically contemplated therein, neither the subscription form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

Eligible Persons who are also account holders with ADIB and who have access to smartphone banking or online banking may also subscribe using these platforms and submit their subscription form electronically. Eligible Persons who are not ADIB account holders may also subscribe by visiting any branch of a licensed bank operating in the UAE at which they hold an account and request to subscribe through the UAE FTS. Please refer to ADIB's dedicated Rights Issue website (adib.ae/rightsissue) for further details on the subscription process and requirements through the UAE FTS.

Any subscription application forms submitted through the smartphone banking application, through online banking or through the UAE FTS must be submitted no later than 2.00 p.m. on 9 October 2018 (the last time and date for acceptance and payment in full).

If a Registered Shareholder as at the Eligibility Date:

- **does not wish to exercise any of his or her Rights**, he or she does not need to do anything. If he or she does not submit his or her completed subscription form subscribing for the New Shares to which he or she is entitled (together with payment) by 2.00 p.m. on 9 October 2018 (the last time and date for acceptance and payment in full), the number of New Shares for which he or she is entitled to subscribe will be subscribed for by those Eligible Persons who have applied for Additional New Shares and/or EIIC, in its capacity as the strategic shareholder of ADIB. If a Registered Shareholder does not wish to exercise any of his or her Rights and has not sold the Rights during the Trading Period, the Rights will expire without value, he or she will not be entitled to any compensation and his or her shareholding in ADIB will be diluted;
- **only wishes to exercise some of his or her Rights**, he or she will be required to either subscribe through the ADIB smartphone banking application, through online banking, through the UAE FTS or attend (during normal office hours) one of the participating branches of ADIB with the documents specified in this subsection and sign and submit a subscription form and make payment in full for the New Shares he or she wishes to subscribe for in accordance with the procedure set out above. If a Registered Shareholder only wishes to exercise some of his or her Rights and has not sold the balance of his or her Rights which are not exercised by him or her during the Trading Period, those unexercised Rights will expire without value, he or she will not be entitled to any compensation and his or her shareholding in ADIB will be partially diluted; or
- **wishes to exercise all of his or her Rights (or wishes to exercise all of his or her Rights and also apply for Additional New Shares)**, he or she will be required to either subscribe through the ADIB smartphone banking application, through online banking, through the UAE FTS or attend (during normal office hours) one of the participating branches of ADIB with the documents specified in this subsection and to complete, sign and submit a

subscription form and make payment in full for the New Shares (including the additional shares they would like to subscribe for) in accordance with the procedure set out above.

Trading of New Shares

Trading of New Shares on the ADX is expected to commence once all related formalities pertaining to their registration and allocation have been completed, which is expected to occur on or around 24 October 2018.

Overseas shareholders

In accordance with the Articles of Association, 100 per cent. of the Shares must be owned by UAE nationals. Only UAE nationals will be allowed to subscribe for New Shares. Please refer to the “*Summary of ADIB’s Articles of Association – Shareholding Structure*” section of this Shareholder Circular for further information.

ADIB is not taking any action to permit any offering of the New Shares in any jurisdiction outside the UAE. Neither this Shareholder Circular nor any other document relating to the Rights Issue will be distributed in or into or to any jurisdiction outside the UAE, and Registered Shareholders and any other Eligible Persons will need to attend a participating branch of ADIB in the UAE in order to complete a subscription form or visit any branch of a licensed bank operating in the UAE at which they hold an account and request to subscribe through the UAE FTS. If you are a Registered Shareholder or other Eligible Person with a registered address in a jurisdiction outside the UAE, and you are in any doubt about your position, you should consult your professional advisors.

The New Shares are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person domiciled, resident or with a registered address in any jurisdiction outside the UAE. Accordingly, this Shareholder Circular, and any accompanying information, are not being, and must not be mailed or otherwise forwarded, distributed or sent in, into or from a jurisdiction outside the UAE, to any resident or national of a jurisdiction outside the UAE, including (without limitation) to shareholders with registered addresses in a jurisdiction outside the UAE, or to persons whom ADIB knows to be trustees, nominees or custodians holding Shares for such persons. Persons receiving such documents (including, without limitation, trustees, nominees or custodians) must not distribute, send or mail them in, into or from a jurisdiction outside the UAE or to any resident or national of a jurisdiction outside the UAE, or use any such instrument for any purpose directly or indirectly in connection with the Rights Issue and so doing may invalidate any related purported subscription to the New Shares. Persons wishing to subscribe for New Shares must not use mailing or postal systems of a jurisdiction outside the UAE or any such means or instrumentality for any purpose directly or indirectly related to the Rights Issue.

QUESTIONS AND ANSWERS REGARDING THE RIGHTS ISSUE

The questions and answers set out below are intended to be in general terms only and, as such, you should read the terms and conditions of the Rights Issue set out in the “*Terms and Conditions of the Rights Issue*” section of this Shareholder Circular for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to immediately seek your own legal, financial, investment and tax advice.

What is a rights issue?

The Rights Issue is an offer by ADIB to its existing shareholders to subscribe for New Shares to be issued at an issue price of AED 2.16 per New Share.

The Rights to be issued to Registered Shareholders are tradable securities making their holders eligible to subscribe for the New Shares. Each Right grants its holder the eligibility to subscribe for one New Share at the Issue Price.

The New Shares will have the same rights as the existing Shares. The existing Shares are (and the New Shares will be) indivisible. Each existing Share (and each New Share will) give its holder equal rights in ADIB’s assets at the time of liquidation and a share of profits as well as the right to attend general assemblies and vote on any proposed resolutions.

The New Shares will rank *pari passu* with the existing Shares including the right to all future dividends and other distributions declared, made or paid after the Eligibility Date, being 13 September 2018.

Who is granted Rights?

Rights are granted to all Registered Shareholders of ADIB as at the close of business of the ADX on the Eligibility Date. Shareholders must ensure that their name is reflected in ADIB’s share register held by the ADX and that they have an investor number on the ADX in order to receive, exercise, or trade their Rights.

When are the Rights deposited to the accounts of the Registered Shareholders’?

The Rights will be deposited in the clearing account or brokerage account of each Registered Shareholder where his or her Shares are held within one day of the Eligibility Date.

Under what name/symbol will these Rights be added to the Registered Shareholders’ accounts?

The Rights will appear in the accounts of the Registered Shareholders under a new symbol “ADIBRI18” that designates these Rights.

How are Registered Shareholders notified of the deposit of Rights in their accounts?

Registered Shareholders will be notified that the Rights have been deposited into their accounts through an announcement on the website of the ADX. If a shareholder of ADIB has not received Rights but believes that he or she should have received such Rights, they should contact their ADX broker or the ADX directly on 800-ADX (800-239) or +971 2 696 0333.

How many Rights will the Registered Shareholders receive?

Each Registered Shareholder on the Eligibility Date will receive 29 Rights for every 198 Shares held on such date. Each Right grants its holder the eligibility to subscribe for one New Share at the Issue Price. Right entitlements will be rounded down to the nearest whole number of Rights and Registered Shareholders will not receive a Right in respect of the fraction of any Rights.

Are these Rights tradable?

Yes, the Rights can be traded, however, the Rights can only be traded during the Trading Period, which runs from the opening of trading on the ADX on 18 September 2018 until the close of trading on the ADX on 2 October 2018. Registered Shareholders who do not wish to subscribe for the New Shares at the Issue Price may therefore sell their Rights to other investors (who do not need to be Registered Shareholders) during the Trading Period.

Is it possible for a Registered Shareholder or other Eligible Person to sell all or part of the Rights he or she holds?

An Eligible Person may sell all or a part of these Rights through securities brokers registered and licensed by the ADX during the Trading Period. If an Eligible Person sells a part of the Rights they hold, they may still subscribe for New Shares using their remaining Rights during the Subscription Period.

Are Rights purchasers entitled to trade them again?

Yes, purchasers of Rights may sell their Rights and/or purchase other Rights, but only during the Trading Period.

Will there be any additional fees for trading in Rights?

The same commissions that would apply to the sale and purchase of Shares will apply to the sale and purchase of Rights.

Can an Eligible Person sell a Right after expiry of the Trading Period?

No, after the expiry of the Trading Period, the Eligible Person may only choose to exercise the right to subscribe for the capital increase and only until the expiry of the Subscription Period. In the event that a Right purchased during the Trading Period is not exercised or sold prior to the expiry of the Trading Period, the Eligible Person will suffer a loss of the value of the purchase price they paid for the Right.

How much will I be able to receive if I trade my Rights?

The price of a Right upon commencement of trading will be determined by market supply and demand and cannot be predicted by ADIB. The indicative value of a Right reflects the difference between the value of the Shares during the Trading Period and the Issue Price.

Can Eligible Persons subscribe for Additional New Shares?

Eligible Persons may subscribe for New Shares in an amount equal to the number of Rights to which they are entitled on the Eligibility Date plus or minus any Rights purchased or sold by them during the Trading Period. In addition, all Eligible Persons are entitled to subscribe for Additional New Shares, in excess of the number of Rights they respectively hold, which will be allocated to the Eligible Persons who subscribed for Additional New Shares in the event that unsubscribed shares remain after the end of the Subscription Period. These shares will be allocated on a *pro rata* basis, scaled back (if necessary) in accordance with the proportion that the number of Additional New Shares requested by the subscriber represents to the total number of Additional New Shares requested by all Eligible Persons who subscribed for such Additional New Shares. There is, therefore, no guarantee that the Eligible Persons applying for Additional New Shares will receive the number of Additional New Shares applied for, and no Eligible Person will receive more New Shares than they have subscribed for during the Subscription Period.

How is subscription completed?

Subscription is accomplished by the submission of a subscription form at a participating branch of ADIB during the Subscription Period, together with the production of the required documents and the payment in full for the New Shares (including any Additional New Shares they would like to subscribe for) by way of a Dirham-denominated bankers cheque, a bank transfer from a bank account held with ADIB or a bank transfer from a licensed bank operating in the UAE through the UAE FTS. Eligible Persons who are also account holders with ADIB and who have access to smartphone banking or online banking may also subscribe using these platforms. Eligible Persons who are not account holders with ADIB may also subscribe by visiting any branch of a licensed bank operating in the UAE at which they hold an account and request to subscribe through the UAE FTS. Detailed instructions for the subscription process through the UAE FTS are available on ADIB's dedicated Rights Issue website (adib.ae/rightsissue).

What happens if an Eligible Person subscribes for New Shares, but subsequently sells his or her Rights?

If an Eligible Person subscribes for New Shares during the Subscription Period, but subsequently sells the Rights, without purchasing a number of Rights equal to the number of exercised Rights prior to the end of the Trading Period, that Eligible Person will only be guaranteed a number of New Shares equal to the number of Rights he or she holds at the time of the allocation of the New Shares. Eligible Persons are entitled to subscribe for Additional New Shares in excess of the number of Rights they respectively hold, but there is no guarantee that the Eligible Persons applying for Additional New Shares will receive the number of Additional New Shares applied for.

What happens to Rights that are not exercised at the end of the Subscription Period?

If you do not wish to subscribe for the New Shares to which you are entitled, you can choose not to exercise your Rights. In such circumstances, the number of New Shares to which you are entitled will be subscribed for by those Eligible Persons who have applied for Additional New Shares and/or EIIC, in its capacity as the strategic shareholder of ADIB. You will not be entitled to any compensation in respect of any unexercised Rights and your shareholding in ADIB will be diluted accordingly.

If I buy Shares after the Eligibility Date, will I be eligible to participate in the Rights Issue?

No, Shares purchased after the Eligibility Date will not carry the right to receive Rights pursuant to the Rights Issue.

If I exercise my Rights, when will my New Shares be admitted to trading?

If you exercise your Rights under the Rights Issue, the New Shares are expected to be admitted to trading on the ADX on or around 24 October 2018, once all related formalities pertaining to their registration and allocation have been completed.

What should I do if I think my holding of Shares is incorrect?

If you have bought or sold Shares shortly before the Eligibility Date, your transaction may not be entered on the register of members in time to appear on the ADX register as at the close of business of the ADX on the Eligibility Date. If you are concerned that your holding of Shares is incorrect, please contact your ADX broker or the ADX directly on 800-ADX (800-239) or +971 2 696 0333.

What if the number of Rights to which I am entitled is not a whole number; am I entitled to fractions of Rights?

Your entitlement to Rights will be calculated as at the close of business of the ADX on the Eligibility Date. If the result of this calculation is not a whole number, your entitlement will be rounded down to the nearest whole number of Rights and you will not receive a Right in respect of the fraction of any Rights. The New Shares representing the aggregated fractions not allotted as a result of the rounding exercise will be allocated first to those Eligible Persons who have subscribed for Additional New Shares, and then to the extent that any New Shares remain unsubscribed thereafter, to EIIC in its capacity as the strategic shareholder of ADIB.

Can I apply for less than my entitlement under the Rights Issue?

Yes, you can apply for less than your entitlement under the Rights Issue. However, if you do not exercise your Rights to subscribe for New Shares under the Rights Issue (or you exercise fewer Rights than your entitlement under the Rights Issue) your proportionate ownership and voting interest in ADIB will be reduced.

Can I apply for more than my entitlement under the Rights Issue?

Yes, you can apply for more than your entitlement under the Rights Issue. If you apply for more than your entitlement under the Rights Issue, the allocation of any remaining New Shares to you (after allocations to those Eligible Persons who subscribe for a number of New Shares equal to or less than the number of Rights they respectively hold) will be on a *pro rata* basis, scaled back (if necessary) in accordance with the proportion that the number of Additional New Shares requested by the subscriber represents to the total number of Additional New Shares requested by all Eligible Persons who subscribed for such Additional New Shares. There is,

therefore, no guarantee that the Eligible Persons applying for Additional New Shares will receive the number of Additional New Shares applied for, and no Eligible Person will receive more New Shares than they have subscribed for during the Subscription Period.

Will I receive a refund if I do not receive the number of Additional New Shares that I have applied for?

Yes, you will receive a refund in respect of the number of Additional New Shares that you have not received.

What if I want to sell the New Shares for which I have paid?

After the commencement of dealings of the New Shares, you will be able to sell your New Shares in the usual manner.

Can I change my decision to exercise my Rights?

Once you have submitted your subscription form at a participating branch of ADIB or via ADIB's smartphone banking application, online banking or the UAE FTS, you cannot withdraw your application or change the number of New Shares for which you have subscribed.

What should I do if I live outside the UAE?

ADIB is not taking any action to permit any offering of the New Shares in any jurisdiction outside the UAE.

Neither this Shareholder Circular nor any other document relating to the Rights Issue will be distributed in or into or to any jurisdiction outside the UAE. Eligible Persons will need to subscribe through ADIB's smartphone banking application, through online banking, through the UAE FTS or attend a participating branch of ADIB in the UAE in order to complete a subscription form.

If you do not exercise your Rights, the New Shares to which you are entitled will be allocated first to those Eligible Persons who have subscribed for Additional New Shares, and then, to the extent that any New Shares remain unsubscribed thereafter, to EIIC in its capacity as the strategic shareholder of ADIB.

Further assistance

If you have any other questions, please contact ADIB's call centre on 600 543 216 (or, if calling from outside the UAE, +971 2 610 0600) or ADIB's investor relations officer by calling +971 2 652 0878 or by emailing ADIB's designated email address: investor.relations@adib.com.

Please note that ADIB will only be able to provide information contained in this Shareholder Circular and information relating to ADIB's register of members and will not be able to give advice on the merits of the Rights Issue or to provide legal, financial, tax or investment advice.

Your attention is drawn to the further terms and conditions of the Rights Issue set out in the "*Terms and Conditions of the Rights Issue*" section of this Shareholder Circular.

RISK FACTORS

Any investment in the New Shares is subject to a number of risks and uncertainties. Before deciding whether or not to invest in the New Shares pursuant to the Rights Issue, Registered Shareholders and other Eligible Persons should carefully consider the following risks, together with all other information contained in, or incorporated by reference into, this Shareholder Circular. The following risks address the existing and future material risks to ADIB's business. The risks and uncertainties described below are not the only ones faced by ADIB. Additional risks and uncertainties not presently known to ADIB, or which ADIB currently considers to be immaterial, may also have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects. In such a case, the market price of the shares of ADIB may decline and shareholders of ADIB may lose all or part of their investment in the New Shares.

Risks relating to ADIB

In the course of its business activities, ADIB is exposed to a variety of risks, including as set out below. Whilst ADIB believes it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks, or predict unexpected market events that are beyond the control of ADIB, could be greater than anticipated and could result in a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Credit risk

Credit risk arising from adverse changes in the credit quality and recoverability of financings, advances and amounts due from counterparties is inherent in a wide range of ADIB's businesses. Credit risk could arise from a deterioration in the credit quality of specific counterparties of ADIB, from a general deterioration in local or global economic conditions or from systemic risks with the financial systems, all of which could affect the recoverability and value of ADIB's assets and require an increase in ADIB's provisions for the impairment of its assets and other credit exposures which could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

To control credit risk, ADIB maintains documented risk management procedures and controls and monitors credit exposures across a number of customer segments and limits exposures by geographic region and industry sector by requiring approval by the Credit Risk Management team ("CRM"), the Group Risk and Investment Approval Committee, the Board of Directors and the regulatory authorities when exposures exceed a set limit or term to avoid undue concentration of risk with individuals or groups of customers, and by obtaining security when appropriate. In this regard it should be noted that ADIB's related party exposure, as reported in the Audited Financial Statements, and any other exposures that from time to time exceed regulatory large exposure limits are submitted for approval to the Central Bank of the UAE (the "**Central Bank**"). Furthermore, ADIB maintains a monitoring process over all its risk portfolios that is designed to encourage early notification of changes in creditworthiness and timely escalation of any such changes to CRM, the Group Risk and Investment Approval Committee, and/or the Board of Directors, in accordance with a predetermined approval authority framework. There can be no assurance, however, that these controls and procedures will be successful in eliminating such credit risk.

Real estate exposure and investment risk

A significant portion of ADIB's credit risk is related to real estate exposure risk, which is the credit risk associated with providing financing to customers for the purpose of acquiring real estate, either for their own personal use or for investment purposes and where financing to the client is secured by real estate as collateral. Any downturn in the real estate market or default of ADIB's main real estate related clients could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects. While ADIB seeks to manage this risk through its credit risk policies and procedures, including the carrying out of due diligence and the establishment of concentration limits, there is no guarantee that such policies and procedures will be successful, or that any collateral will be readily recoverable in the event of a default.

ADIB is also exposed to the real estate sector via its wholly owned subsidiary, Burooj Properties LLC ("**Burooj Properties**"). As further detailed in the "*Description of Abu Dhabi Islamic Bank PJSC – Subsidiaries*" section of this Shareholder Circular, as at 30 June 2018, Burooj Properties had AED 1,090.2 million of investment properties and AED 837.4 million of land for development purposes in its property portfolio and had outstanding commitments of AED 4.4 million. Real estate investment risk could therefore arise from deterioration in the real estate market, for both rental returns and property sales which could affect the yield and

fair value of ADIB's assets and require impairments of its real estate assets. This could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects. To control and accurately reflect real estate risk, ADIB regularly reviews the Burooj Properties investment property portfolio, development costs and yield profiles with the support of both internal and independent external subject matter experts to assist in identifying and seeking to mitigate potential risks and recognising related impairments when required. However, there is no assurance that such action will be successful in controlling or mitigating these risks.

Asset concentration risk

Due to concentrations in the financing and deposit portfolio, ADIB is subject to the risk of default by its larger customers, from exposure to particular sectors of the UAE economy that may underperform and from withdrawal of large deposits. The financing and receivables portfolio of ADIB shows country, industry and customer concentrations.

ADIB's and its consolidated subsidiaries' (together, the "**Group's**") financial assets are heavily concentrated, geographically, in the UAE, where certain sectors (including the real estate sector) and certain regions (including Dubai) were significantly affected by the global financial crises that commenced in early 2008. See "*Risks relating to ADIB – Political, economic and related risk*" for the risks associated with the global financial crises. In addition, the composition of ADIB's financing and deposit portfolio will change from time to time, and in some circumstances the portfolio may contain a concentration of exposure to particular industries or sectors, governmental entities, government-related entities, companies or individuals.

As at 30 June 2018, ADIB had AED 76.5 billion of Gross Financing (as defined in the "*Selected Financial Information*" section of this Shareholder Circular) located in the UAE, representing 96.1 per cent. of its total Gross Financing.

As a result of the concentration of ADIB's financing assets in the UAE, any deterioration in general economic conditions in the UAE or any failure of ADIB to effectively manage its risk concentrations could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

In terms of the industry concentration of ADIB's Gross Financing, as at 30 June 2018, individual finance accounted for 63.3 per cent., corporates accounted for 27.7 per cent., the public sector accounted for 6.7 per cent., small and medium enterprises (which are businesses with an annual turnover below AED 100 million) ("**SMEs**") and others accounted for 1.1 per cent., the Government accounted for 0.9 per cent. and financial institutions accounted for 0.3 per cent. In terms of financing customer concentrations, ADIB's 20 largest financing customers represented 20.0 per cent. of the Group's total net financing assets as at 30 June 2018.

Although ADIB considers that it has adequate access to sources of funding, the withdrawal of a significant portion of deposits may have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects, as well as its ability to meet the Central Bank target stable resources ratio. In terms of deposit concentrations, ADIB's 20 largest depositors accounted for 16.4 per cent. of ADIB's total customer deposits as at 30 June 2018.

Liquidity risk

Liquidity risk is the risk that ADIB does not have sufficient funds available at all times to meet its contractual obligations. ADIB manages this risk by holding a stock of highly liquid assets which can be readily realised for cash and by actively managing the liquidity profile of its assets and liabilities. However, ADIB's liquidity may be adversely affected by a number of factors, including significant unforeseen changes in profit rates, rating downgrades, higher than anticipated losses on investments and disruptions in the financial markets generally. ADIB's inability to access funds or markets from which it raises funds may put ADIB's access to liquidity at risk, which could affect its ability to finance operations adequately. A dislocated credit environment creates the risk that ADIB will not be able to access funds on favourable terms. These and other factors could also lead creditors to form a negative view of ADIB's liquidity, which could result in less favourable credit ratings, higher funding costs and less accessible funds.

Furthermore, in circumstances where financial institutions generally have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, ADIB's access to funds and its cost of funding (profit paid or expected to be paid) may be adversely affected. All of these factors related to liquidity risk could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Market risk

Changes in exchange rates, profit rates and market prices could adversely affect the market value of ADIB's portfolios and positions in financial instruments, which could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects. The Group Governance and Risk Policy Committee of the Board of Directors approves market risk limits based on defined risk appetite and allocated capital, and Treasury manages ADIB's market risk within this framework. ADIB's Group Chief Risk Officer oversees an independent risk governance function with the aim of making the market risk profile transparent to senior management, the Board of Directors and regulators. However, there can be no assurance that such policies will be successful in eliminating or reducing market risk and should any of these measures fail to operate as intended, ADIB's business, reputation, financial condition, results of operations and prospects may be adversely affected.

Hedging product availability risk

ADIB's status as an Islamic bank means that its assets and liabilities are not fully comparable to those of a conventional bank. In particular, unlike conventional banks, ADIB does not have the full range of hedging products available for use. The fact that the return payable on ADIB's Islamic products is profit-linked reduces to some extent the risk of losses arising on unhedged liabilities and, in addition, there is a growing range of *Shari'a*-compliant derivative products which could be used for hedging purposes. However, there can be no assurances that the limited availability of hedging products will not have an adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Regional risk

Investors should note that ADIB is incorporated in the UAE and has the majority of its operations and assets located in the UAE. Accordingly, its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East. The UAE and Middle East markets, being emerging markets, are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate.

Operational risk

Operational risk and losses can result from inadequate or failed internal processes, decisions and/or actions of people, systems failures and external events. Operational risk and losses are categorised as follows: (i) fraud; (ii) employment practices and workplace safety; (iii) clients, products, and business practice; (iv) damage to physical assets; (v) business disruption and systems failures; and (vi) execution, delivery, and process management.

Although ADIB has established a detailed operational risk management framework embedded across ADIB, devotes substantial resources to manage operational risk and maintains *Shari'a*-compliant insurance against certain operational losses, it is not possible to entirely eliminate operational risks and subsequent impacts. As such, there are no assurances that such measures will continue to mitigate operational risk and should any of these measures fail to operate as intended, ADIB's business, reputation, financial condition, results of operations and prospects may be adversely affected.

Technology risk

Banks, including ADIB, rely on technology. External attacks on banks' information technology systems, and those of their clients, have become increasingly common in the Gulf Cooperation Council ("GCC") and worldwide. The introduction of digital channels, automated and interactive teller machines and other technology-based utility services has increased technology risk – for example, the risk that ADIB's data centres may become subject to failures in systems and/or infrastructure such as networks, firewalls, storage, servers and telecommunications services (which failures could result from, for example, limited capacity, out-of-support technology, service-provider quality and natural disasters). ADIB continues to invest in business continuity, recovery planning and related resources in order to mitigate such risks; however, there remains the possibility of, among other things, a data leak, a successful cyber or similar attack and/or failure of a new or existing system or user acceptance test. As such, there are no assurances that ADIB's preventative measures will continue to mitigate technology risk. Should any of these measures fail to operate as intended, ADIB's business, reputation, financial condition, results of operations and prospects may be adversely affected.

Legal risk

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by ADIB or any of its counterparties under the terms of its contractual agreements. Additionally, ADIB may face certain legal risks from private actions brought against it. ADIB aims to mitigate these risks through properly reviewed documentation and by seeking appropriate legal advice when necessary. However, generally, as a participant in the regulated financial services industry, it is likely that ADIB may experience, from time to time, a level of litigation and regulatory scrutiny related to its businesses and operations which may, if adversely determined, have an impact on ADIB's business, reputation, financial condition, results of operations and prospects.

Key personnel dependency risk

Revenues of ADIB will depend, in part, on ADIB's ability to continue to attract, retain and motivate qualified and skilled personnel. ADIB relies on its senior management for the implementation of its strategy and its day-to-day operations. There is competition in the UAE for hiring skilled personnel, especially at the senior management level, due to a disproportionately low number of available qualified and/or experienced individuals compared to current demand. If ADIB were unable to retain key members of its senior management and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on the operations of ADIB. The loss of any member of the senior management team may result in: (i) a loss of organisational focus; (ii) poor execution of operations; and (iii) an inability to identify and execute potential strategic initiatives. These adverse results could, among other things, reduce potential revenue, which could adversely affect ADIB's business, reputation, financial condition, results of operations and prospects.

Expansion and acquisition risk

ADIB's growth strategy is predicated on organic growth opportunities (including those resulting from the increased consumer demand for Islamic banking services and *Shari'a*-compliant banking products), supplemented by strategic sectoral and/or geographic acquisitions, if management identifies appropriate opportunities. Notwithstanding the fact that the majority of ADIB's operations and assets are located in the UAE, ADIB continues to look for opportunities to expand its business both domestically and internationally. In addition to the normal business and related risks associated with organic expansion, ADIB may, when suitable opportunities present themselves, make acquisitions and these entail additional risks. While ADIB seeks to mitigate these risks by completing a detailed expansion opportunity analysis and commissioning due diligence reviews as well as inserting the necessary conditions precedent in any acquisition agreement, there is no guarantee that such mitigation will be effective. A failure on ADIB's part to manage its future growth efficiently and effectively could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

As an Islamic bank, ADIB may elect to acquire, in a *Shari'a*-compliant manner, a shareholding in a conventional financial services entity and embark on a process of converting this entity into a *Shari'a*-compliant business before consolidating it financially. The completion of all the conditions and approvals, relating to such an acquisition, including those of ADIB's Fatwa and *Shari'a* Supervisory Board (the "***Shari'a* Supervisory Board**"), may take longer than would be the case for a conventional acquirer or in the case of the acquisition of an Islamic financial entity. Investors should note that Abu Dhabi Islamic Bank – Egypt (S.A.E.) ("**ADIB Egypt**") is currently undergoing the process of conversion from a conventional bank to an Islamic bank and only after the conversion will ADIB Egypt become fully aligned with ADIB and is therefore currently treated as an investment in joint venture, where ADIB's capital commitment is met by a mix of common equity and placements in advance of any future equity issue.

Principal shareholders risk

As set out in the "*Description of Abu Dhabi Islamic Bank PJSC – Share capital and shareholder structure*" section of this Shareholder Circular, as at 30 June 2018, ADIB's principal beneficial shareholders were EIC, an Abu Dhabi based investment company wholly owned by the National Holding LLC, a privately-owned holding company based in Abu Dhabi and controlled by members of the Ruling Family of Abu Dhabi, which held approximately 40.23 per cent. of ADIB's issued share capital, the Abu Dhabi Investment Council which held approximately 7.62 per cent. of ADIB's issued share capital, various members and associates of the Ruling Family of Abu Dhabi who held approximately 9.50 per cent. of ADIB's issued share capital and the UAE General Pension and Social Security Authority which held approximately 1.54 per cent. of ADIB's issued share capital. The remaining shares were held by over 45,000 UAE nationals and UAE companies. As a strategic

investor holding approximately 40.23 per cent. of the share capital of ADIB, the EIIC and its associated companies have the ability to influence ADIB's business significantly through their ability to control actions that require shareholder approval. If circumstances were to arise where the interests of the major shareholders conflict with the interests of other shareholders, these shareholders could be disadvantaged by any such conflict.

Political, economic and related risk

While the UAE has seen significant economic growth and relative political stability, there is no assurance that such growth or stability will continue. Moreover, while the Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained. Traditionally, the oil and gas industry has been the basis of the development in the economy, and economic development can therefore be impacted by the general level of oil and gas prices. Although over the past few years the UAE government has tried to diversify away from oil and gas, a significant portion of government revenue is still dominated by oil and gas, contributing approximately US\$ 143 billion, or 55.0 per cent., of nominal gross domestic product in 2017. Furthermore, the recent decline in crude oil prices (with the price of Brent crude falling from US\$ 115 per barrel in June 2014 to US\$ 74 per barrel in July 2018) may potentially adversely affect economic activity in the UAE.

No assurance can be given that the UAE government will not implement regulations, fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, financing rates or exchange controls, or otherwise take actions which could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Although the UAE itself is generally regarded as a politically stable and secure jurisdiction, the wider MENA region within which the UAE is situated is subject to a wide range of political, military and socio-economic risks and uncertainties. These include, without limitation, risks related to:

- (i) terrorism and insurgency generally;
- (ii) ongoing political instability, civil disorder and military conflict in a number of countries in the wider MENA region;
- (iii) ongoing tensions between the Islamic Republic of Iran and the governments of various other countries in the region as well as the United States of America, including the scheduled return of sanctions by the United States of America, as announced on 8 May 2018; and
- (iv) increasing tension between Qatar and various Middle Eastern states due to the severance by such states of ties with Qatar since 5 June 2017, following accusations that Qatar has supported extremism and terrorism.

It is a feature of the MENA region that regional and domestic conflicts can be highly complex and unpredictable and new conflicts can evolve or emerge from time to time. The effect of conflicts in the MENA region can influence a number of factors relevant to ADIB's investments, including:

- (i) the price of oil and gas and items derived therefrom;
- (ii) the strength of regional and global economies; and
- (iii) the perceived attractiveness of investment in the UAE to international investors.

Such impacts could occur through a decrease in foreign direct investment into the region, capital outflows or increased volatility in the global and regional financial markets. Although the UAE has not been directly affected by the unrest in the broader region and has enjoyed economic growth and relative political stability, it remains unclear what long-term impact this unrest may have on the UAE. There can be no assurance that such growth or stability will continue, or that potential investors will not be deterred from investing in the UAE due to the political environment in or around the UAE.

It is not possible to predict the occurrence of events or circumstances such as or similar to a war or the impact of such occurrences and no assurance can be given that ADIB would be able to sustain its current profit levels if such events or circumstances were to expand or occur. Therefore, a downturn or any sustained deterioration in the economy of the UAE, instability in certain sectors of the UAE or regional economy or material deterioration

of political conditions therein could have an adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Prospective investors should also note that ADIB's business and financial performance could be adversely affected by political, economic and related developments both within and outside the countries in which ADIB operates, because of the inter-relationships within global financial markets.

General economic risk

Adverse changes in global economic conditions, or arising from systemic risks in the financial systems, could affect the recovery and value of ADIB's assets and require an increase in ADIB's provisions. ADIB uses different hedging strategies to minimise risk, including securities, collateral and *Shari'a*-compliant insurance that reduce the credit risk level to be within ADIB's strategy and acceptable risk levels. However, there can be no guarantee that such measures will eliminate or reduce such risks.

Regulatory risk

ADIB is subject to the laws, regulations, administrative actions and policies of the UAE and the other markets in which ADIB operates (see the "*Description of Abu Dhabi Islamic Bank PJSC*" section of this Shareholder Circular). These regulations may limit ADIB's activities and changes in supervision and regulation, particularly within the UAE, could materially adversely affect ADIB's business, the products or services offered, the value of its assets and its financial condition. Although ADIB works closely with its regulators and continually monitors all relevant legal and regulatory developments, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of ADIB. Any such changes could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Furthermore, ADIB is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. A shortage of available capital might also restrict ADIB's opportunities for expansion. Under the Basel III regulatory capital framework developed and issued by the Basel Committee on Banking Supervision, capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen.

Foreign exchange risk

ADIB maintains its accounts and reports its results in UAE Dirham. The UAE Dirham has been pegged to the US dollar at a fixed exchange rate since 22 November 1980. However, there can be no assurance that the Government will not re-peg or de-peg the UAE Dirham in the future and expose ADIB to the potential impact of any alteration to or abolition of this foreign exchange peg which could adversely affect ADIB's business, reputation, financial condition, results of operations and prospects.

Furthermore, as ADIB expands its business internationally, it will increasingly deploy capital and receive income in foreign and non-pegged currencies. ADIB's ability to both predict and mitigate against revaluation or devaluation is limited and, if an adverse event occurs, a revaluation or devaluation could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Competition risk

ADIB faces competition in all of its business areas from domestic and foreign banks operating in the UAE. ADIB faces competition from both Islamic banks and conventional banks. As at 31 March 2018, there were 49 different banks (comprised of 22 locally incorporated banks and 27 foreign banks) licensed to operate in the UAE (excluding the Dubai International Financial Centre). There are also an increasing number of institutions offering Islamic financial products and services within the UAE. As at 31 December 2017, there were seven Islamic banks, in addition to a number of other financial institutions, offering Islamic products and solutions. Other financial institutions may consider offering *Shari'a*-compliant products.

The banking market in the UAE has generally been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation, the GCC or any other similar entities, it is likely to lead to a more competitive environment for ADIB and other domestic financial institutions. This could have a material adverse effect on ADIB's business, reputation, financial condition, results of operations and prospects.

Introduction of Value Added Tax

ADIB is not currently subject to corporation tax on its earnings within the UAE. However, investors should be aware that the UAE announced the adoption of a value added tax (“VAT”), effective 1 January 2018.

Uncertainty remains as to how the UAE Federal Tax Authority will interpret the relevant VAT legislation. Accordingly, the practical application of the VAT legislation remains open to testing by the UAE Federal Tax Authority and examination by courts within the UAE.

The practical application of VAT legislation, any changes in the VAT regime or any future corporation tax which may be introduced in the UAE could have a material adverse effect on ADIB’s business, reputation, financial condition, results of operations and prospects.

Please refer to the “*Taxation*” section of this Shareholder Circular for further information.

Risks relating to the Rights Issue and the New Shares

Registered Shareholders may not be able to sell their Rights

There is no guarantee that there will be sufficient demand for the Rights during the Trading Period, in order to enable the holders of such Rights (whether a Registered Shareholder or other Eligible Person) to sell them and realise a profit or enable him to sell them at all.

The price of the shares of ADIB, and therefore the New Shares, may fluctuate

Registered Shareholders and other Eligible Persons should be aware that the value of an investment in the New Shares may go down as well as up. The market price of the New Shares could be volatile and subject to significant fluctuations due to many factors that relate to one another in complex ways, including a change in sentiment in the market regarding the New Shares. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected market prices for securities and which may be unrelated to ADIB’s performance or prospects. Furthermore, ADIB’s operating results and prospects from time to time may be below the expectation of market analysts and the market generally. Any of these events could result in a decline in the market price of the New Shares.

ADIB can give no assurance that the market price of the New Shares will not decline below the Issue Price and there can be no assurance that, following the take up of their New Shares, Registered Shareholders and other Eligible Persons will be able to sell the New Shares at a price equal to or greater than the Issue Price. There is no guarantee that the value of the New Shares will increase after they are listed on the ADX or that an active trading market for the shares of ADIB will continue or be sustained after the Rights Issue. If an active trading market is not maintained, the trading liquidity or price of the shares of ADIB, and therefore the New Shares, could be adversely affected.

Registered Shareholders who do not subscribe for New Shares in the Rights Issue will experience dilution in their ownership of ADIB

If the Registered Shareholders do not exercise their Rights to subscribe for New Shares under the Rights Issue by the latest date for applications and payments in full that are set out in this Shareholder Circular or if such Registered Shareholders are unable to participate in the Rights Issue, their proportionate ownership and voting interest in ADIB will be reduced and the percentage that their existing Shares represents of the share capital of ADIB will be reduced accordingly.

If an investor purchases Rights during the Trading Period but has not exercised their Rights to subscribe for New Shares by the latest date for applications and payments in full that are set out in this Shareholder Circular, they will lose their right to subscribe for the New Shares. They will not be entitled to any compensation for such loss.

ADIB may offer additional shares in the future which may adversely affect the market price of the New Shares

ADIB may decide to offer further additional shares in the future. An additional offering of shares by ADIB in the future may have a dilutive effect on the holdings of ADIB shareholders which could have an adverse effect on the market price of the existing ADIB shares at the time of the additional offering. The public

perception of an additional offering in the future may also have an adverse effect on the market price of the existing ADIB shares as at that time, however unless an additional offering occurs, it will not have a dilutive effect on the holdings of Registered Shareholders or other Eligible Persons.

The payment of dividends will depend on the financial performance of ADIB

The payment of dividends will depend on, amongst other things, ADIB's financial performance, capital structure, long-term growth and earnings trends, cash-flow generation, requirement for sufficient liquidity, general economic conditions and other factors that the Board of Directors deems significant from time to time. ADIB does not guarantee any dividend payments to ADIB shareholders.

USE OF PROCEEDS

The issuance of the New Shares pursuant to the Rights Issue will increase ADIB's issued share capital by AED 464,000,000 to AED 3,632,000,000. In addition, the funds raised through the issuance of the New Shares at a premium will be allocated to the legal reserve. ADIB intends to primarily use the issue proceeds to strengthen the capital base of ADIB and fund its banking operations and growth.

DIVIDEND POLICY

ADIB's dividend policy aligns growth in profit with growth in dividends whilst ensuring that sufficient funds are available to ADIB for investment in future capital expenditure. The level of annual dividends suggested by the Board of Directors and approved by the shareholders of ADIB at each annual ADIB General Assembly meeting will depend on an assessment by the Board of Directors of the following specific factors, amongst others:

- performance of ADIB;
- capital structure;
- long-term growth and earnings trends;
- cash-flow generation; and
- requirement for sufficient liquidity.

As ADIB cannot control each of the factors set out above, ADIB makes no assurances that any dividend will actually be paid nor any assurances as to the amount, if any, that may be paid in any given year.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and the other information contained in this Shareholder Circular. The Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards and the Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Investors should not rely on interim results as being indicative of results ADIB may expect for the full year.

The following table sets forth selected financial information for ADIB as at, and for the six-month periods ended, 30 June 2017 and 30 June 2018, and the years ended 31 December 2015, 31 December 2016 and 31 December 2017, in accordance with the methodology set out in the “*Presentation of financial and other information*” section of this Shareholder Circular.

The income statement data and statement of financial position data appearing below have been presented in AED and, for convenience only, in United States of America dollars using an exchange rate of US\$ 1.00 = AED 3.6725.

	<i>As at, and for the period/year ended</i>				
	<i>30 June 2017</i>	<i>30 June 2018</i>	<i>31 December 2015</i>	<i>31 December 2016</i>	<i>31 December 2017</i>
Income Statement Data					
<i>(in AED millions)</i>					
Total Operating Income	3,059.7	3,030.7	5,751.0	5,993.3	6,214.3
Total Operating Expenses	(1,636.1)	(1,563.4)	(3,194.0)	(3,417.8)	(3,299.5)
Net Profit⁽¹⁾	1,129.1	1,163.0	1,934.0	1,953.6	2,300.1
Statement of Financial Position Data					
<i>(in AED millions)</i>					
Total Assets	122,227.3	122,938.1	118,377.7	122,289.7	123,277.6
Total Liabilities	106,646.9	106,397.0	103,302.4	106,831.1	106,704.4
Equity attributable to ordinary shareholders⁽²⁾	9,907.9	10,868.7	9,403.2	9,786.1	10,900.7
Income Statement Data					
<i>(in US\$ millions)</i>					
Total Operating Income	833.1	825.2	1,566.0	1,631.9	1,692.1
Total Operating Expenses	(445.5)	(425.7)	(869.7)	(930.7)	(898.4)
Net Profit⁽¹⁾	307.4	316.7	526.6	531.9	626.3
Statement of Financial Position Data					
<i>(in US\$ millions)</i>					
Total Assets	33,281.8	33,475.3	32,233.5	33,298.8	33,567.8
Total Liabilities	29,039.3	28,971.3	28,128.6	29,089.5	29,055.0
Equity attributable to ordinary shareholders⁽²⁾	2,697.9	2,959.5	2,560.4	2,664.7	2,968.2
Profitability					
Return on Average Assets (%)⁽³⁾	0.92%	0.94%	1.68%	1.62%	1.87%
Return on Average equity attributable to ordinary shareholders (%)⁽⁴⁾	11.5%	10.7%	22.2%	20.4%	22.2%
Basic and diluted earnings Per Share (in AED)	0.307	0.317	0.529	0.520	0.627
Capital					
Equity attributable to ordinary shareholders to Total Assets (%)	8.11%	8.84%	7.94%	8.00%	8.84%
Tier 1 capital expressed as a percentage of	15.00%	-	14.59%	14.61%	16.18%

	As at, and for the period/year ended				
	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
total risk weighted assets (Basel II)					
Capital Adequacy Ratio (Basel II)	15.61%	-	15.14%	15.25%	16.71%
Tier 1 capital expressed as a percentage of total risk weighted assets (Basel III)	-	15.74%	-	-	15.06%
Capital Adequacy Ratio (Basel III)	-	16.83%	-	-	17.02%
Liquidity & Business Indicators					
Due from banks⁽⁵⁾/Due to financial institutions	132.9%	191.7%	152.7%	116.6%	132.6%
Liquid Assets⁽⁶⁾/Total Assets	7.2%	6.2%	10.6%	9.8%	11.8%
Financing⁽⁷⁾/Total Deposits⁽⁸⁾	74.3%	73.8%	80.0%	75.2%	73.8%
Depositors' accounts/Total Deposits⁽⁸⁾	96.8%	97.9%	96.8%	95.0%	96.4%
Non-performing financing assets (NPA)⁽⁹⁾/ Gross Financing⁽¹⁰⁾	4.70%	5.51%	3.30%	3.98%	5.03%
Provision for financing assets⁽¹¹⁾/NPA	79.4%	75.7%	111.4%	97.5%	80.2%
Financing/Depositors' accounts	76.7%	75.4%	82.6%	79.1%	76.5%

1. "Net Profit" means profit for the period or profit for the year, as applicable.
2. "Equity attributable to ordinary shareholders" comprises the sum of equity attributable to the equity holders of ADIB and non-controlling interest excluding tier 1 sukuk.
3. The Return on Average Assets (%) figures determined for the six-month periods ended 30 June 2017 and 30 June 2018 are not annualised figures. The Return on Average Assets (%) figures are determined by dividing Net Profit for the period by average assets for the period. For the years ended 31 December 2015, 2016 and 2017, average assets are determined by adding the Total Assets at the beginning and at the end of the year and dividing by two which amounted to AED 115,140.7 million in 2015, AED 120,333.7 million in 2016 and AED 122,783.7 million in 2017. For the six-month periods ended 30 June 2017 and 30 June 2018, average assets are determined by adding total assets at the beginning and at the end of the period and dividing by two which amounted to AED 122,258.5 million for the six-month period ended 30 June 2017 and AED 123,107.9 million for the six-month period ended 30 June 2018.
4. The Return on Average equity attributed to equity shareholders (%) figures determined for the six-month periods ended 30 June 2017 and 30 June 2018 are not annualised figures. The Return on Average equity attributable to ordinary shareholders figures are determined by dividing Net Profit for the period by average equity attributable to ordinary shareholders for the period. For the years ended 31 December 2015, 2016 and 2017, average equity attributable to ordinary shareholders is determined by adding total equity attributable to ordinary shareholders at the beginning and at the end of the year and dividing by two which amounted to AED 8,723.4 million in 2015, AED 9,594.7 million in 2016 and AED 10,343.4 million in 2017. For the six-month periods ended 30 June 2017 and 30 June 2018, average equity attributed to equity shareholders is determined by adding equity attributed to equity shareholders at the beginning and at the end of the period and dividing by two which amounted to AED 9,847.0 million for the six-month period ended 30 June 2017 and AED 10,884.7 million for the six-month period ended 30 June 2018.
5. "Due from banks" comprises balances and *wakala* deposits with Islamic banks and other financial institutions and *murabaha* and *mudaraba* with financial institutions.
6. "Liquid Assets" comprises short-term cash and balances with central banks, short-term balances and *wakala* deposits with Islamic banks and other financial institutions and short-term *murabaha* and *mudaraba* with financial institutions.
7. "Financing" comprises the sum of *murabaha* and other Islamic financing and *ijara* financing.
8. "Total Deposits" comprises the sum of depositors' accounts and due to financial institutions.
9. "Non-performing financing assets" comprises individually impaired financing assets under *murabaha* and other Islamic financing and *ijara* financings.

10. “Gross Financing” is determined by adding back provision for impairment against *murabaha* and other Islamic financing and *ijara* financing to the financing portfolio. The financing portfolio comprises the sum of *murabaha* and other Islamic financing and *ijara* financing.
11. “Provision for financing assets” comprises the sum of total provision for impairment on *murabaha* and other Islamic financing and total provision for impairment on *ijara* financing.

DESCRIPTION OF ABU DHABI ISLAMIC BANK PJSC

History and overview

ADIB was established in the Emirate of Abu Dhabi by virtue of Amiri Decree No. 9 of 1997 and pursuant to commercial license no. CN-1001923 dated 3 November 1997 issued by the Abu Dhabi Department of Economic Development in accordance with Federal Law No. 8 of 1984 Concerning Commercial Companies and the laws amending the same. ADIB's registered office is Al Bateen Building, King Abdullah bin Abdulaziz Street, P.O. Box 313, Abu Dhabi, UAE (telephone: +971 26100600). ADIB's existing Shares are traded on the ADX.

ADIB was established by the Government of Abu Dhabi with the purpose of being the leading Islamic bank in Abu Dhabi and the UAE and on 18 October 1998, ADIB was licensed as an Islamic bank by the Central Bank pursuant to the UAE Federal Banking Law and the UAE Federal Islamic Banking Law. At the time of its incorporation, ADIB was the first Islamic bank to be established in Abu Dhabi and only the second Islamic bank in the UAE. ADIB commenced its operations on 11 November 1998 from its headquarters in Abu Dhabi and was formally inaugurated by His Highness Sheikh Abdullah bin Zayed Al Nahyan, the then UAE Minister of Culture, on 18 April 1999.

ADIB was listed on the ADX on 15 November 2000 and, as at 30 June 2018, the issued and fully paid share capital of ADIB was AED 3,168,000,000 (corresponding to US\$ 862,627,637.8). As at close of trading on 30 June 2018, ADIB's market capitalisation was AED 12.2 billion.

As at 30 June 2018, ADIB had total assets of AED 122.9 billion and total equity of AED 16.5 billion, while for the purposes of reporting its regulatory capital ratios, ADIB had common equity tier 1 capital of AED 10.0 billion, total tier 1 capital of AED 15.3 billion and total regulatory capital of AED 16.4 billion. During the year ended 31 December 2017, ADIB had total net revenues (total operating income net of distribution to depositors and sukuk holders) of AED 5.63 billion and a Net Profit of AED 2.30 billion.

As one of the leading Islamic banks in the Middle East, ADIB provides retail, business, corporate and private banking products and services as well as wealth management solutions to more than one million customers. In its UAE home market, ADIB has one of the largest distribution networks with 86 retail branches and 714 ATMs and also offers world-class online, mobile and telephone banking services, providing clients with seamless digital access to their accounts.

Outside of the UAE, ADIB is present in six strategic markets: Egypt, where it has 70 branches, the Kingdom of Saudi Arabia, the United Kingdom, Sudan, Iraq and Qatar.

In recent years, ADIB has been awarded numerous accolades, including:

- *World's Best Islamic Bank, Islamic Bank of the Year – Middle East and Islamic Bank of the Year – UAE*, by the Banker Magazine;
- *Best UAE Islamic Bank, Best Islamic Bank in the Middle East and Innovation in Islamic Finance*, by Euromoney;
- *Best Islamic Bank in the UAE*, by the EMEA Finance Magazine;
- *Best Islamic Bank in the UAE, Best Overall Islamic Retail Bank Globally and Best Islamic Digital Bank*, by the Global Finance Magazine;
- *Best Overall Islamic Bank, Best Islamic Bank in the UAE and Best Global Islamic Retail Bank*, by the Islamic Finance News Awards;
- *Best Overall Islamic Bank and Best Islamic Bank in the UAE*, by the International Financial Law Review Magazine;
- *Global Islamic Business Award*, by the Department of Economic Development;
- *Excellence in Digital Banking Award*, by Lafferty Global Awards;
- *Best Overall Bank in Customer Experience*, by Ethos Consultancy; and

- *Best Private Bank in the UAE*, by the Banker Magazine.

In addition to operating its own business divisions, ADIB has also established a number of subsidiaries, including: (i) Abu Dhabi Islamic Securities Company LLC (“**ADIB Securities**”) to carry on brokerage operations; (ii) Burooj Properties to hold investment and development properties; (iii) MPM Properties LLC (“**MPM Properties**”) to provide real estate property management, agency and valuation services to ADIB’s banking business, its customers and other third parties; and (iv) Kawader Services Company LLC (“**Kawader Services**”), an outsource staffing office exclusively dedicated to assisting ADIB in its recruitment of non-professional manpower.

In recent years, ADIB has also invested in a number of associates, joint ventures and external growth opportunities, including: (i) the acquisition of a 51 per cent. equity stake in Saudi Finance Company JSC(C) (“**SFC**”) as part of ADIB’s international expansion and to tap into the large consumer finance market in the Kingdom of Saudi Arabia; (ii) the establishment of a wholly owned banking subsidiary, ADIB (UK) Limited, in the United Kingdom to offer a range of banking services to ADIB’s Priority and Private Banking clients, whose interests are increasingly international, and who often choose London as their base for business and personal transactions; (iii) the acquisition of a 51 per cent. stake in Arab Link Money Transfer PSC (“**Arab Link**”), a UAE-based currency exchange house offering a range of currency exchange and money transfer services for individuals and businesses (now in liquidation – see the “*Description of Abu Dhabi Islamic Bank PJSC – Investments in Associates and Joint Ventures*” section of this Shareholder Circular); (iv) the establishment of a joint venture by acquiring a 51 per cent. stake in Abu Dhabi Islamic Merchant Acquiring Company LLC (“**ADIMAC**”), which provides payment solutions to retail and other merchants in the UAE; and (v) the *Shari’a*-compliant acquisition of Barclays’ UAE retail banking business, comprising approximately 110,000 customers, a portfolio of home finance, personal finance, business covered cards (*Shari’a*-compliant substitute) and deposits, as well as 145 UAE-based staff.

ADIB is also a major investor in: (i) Bosna Bank International D.D. (“**BBi**”), which provides Islamic banking services in Bosnia and Herzegovina; (ii) Abu Dhabi National Takaful Company PJSC (“**ADNTC**”), which provides Islamic insurance products in the UAE; and (iii) ADIB Egypt, which provides banking services in Egypt and which is in the process of being converted into an Islamic bank.

See “*Subsidiaries*” and “*Investments in Associates and Joint Ventures*” for a full description of ADIB’s subsidiaries, associates and joint ventures.

Share capital and shareholder structure

At incorporation, the authorised and issued share capital of ADIB was AED 1 billion (corresponding to US\$ 272.3 million) divided into 100 million fully paid shares with a nominal value of AED 10 each. Since incorporation, the share capital of ADIB has undergone seven changes:

- on 26 March 2006, the shareholders approved a 20 per cent. share dividend, resulting in an increase to the issued and fully paid share capital of ADIB from AED 1 billion to AED 1.2 billion;
- on 26 March 2006, the shareholders approved an AED 300 million rights issue, resulting in an increase to the issued and fully paid share capital of ADIB from AED 1.2 billion to AED 1.5 billion;
- on 29 March 2007, ADIB issued an AED 2 billion convertible sukuk to EIIC which was convertible into ordinary shares on or before 28 March 2008. On 26 February 2008, EIIC exercised its rights to convert the sukuk into approximately 47.059 million ordinary shares of AED 10 each at the rate of AED 42.50 per share. Accordingly, with effect from 26 February 2008, the issued and fully paid share capital of ADIB was increased by approximately AED 470.588 million (corresponding to US\$ 128.1 million) to AED 1.971 billion, with the balance of approximately AED 1.529 billion (corresponding to US\$ 416.4 million) being credited to the legal reserve;
- on 18 March 2008, the Board of Directors approved a share split of 10 shares of AED 1 each for each ordinary share of AED 10;
- on 21 April 2010, the shareholders approved a 20 per cent. share dividend, resulting in an increase in the issued and fully paid share capital of ADIB from AED 1.971 billion to AED 2.365 billion;

- on 26 March 2014, the shareholders approved a 26.87 per cent. share dividend, resulting in an increase in the issued and fully paid share capital of ADIB from AED 2.365 billion to AED 3.0 billion; and
- on 21 September 2015, ADIB conducted an AED 504 million rights issue, resulting in an increase to the issued and fully paid share capital of ADIB from AED 3.0 billion to AED 3.168 billion, with the balance of AED 336 million allocated to the legal reserve.

As at 30 June 2018, the authorised share capital of ADIB was AED 4 billion and the issued and fully paid share capital of ADIB was 3.168 billion shares of AED 1 each amounting to AED 3.168 billion (corresponding to US\$ 862.6 million).

On 19 August 2018, the General Assembly authorised an increase in ADIB's issued share capital from AED 3,168,000,000 to AED 3,632,000,000 with the issuance of 464,000,000 New Shares, to be issued at an Issue Price of AED 2.16 per New Share, reflecting a nominal value of AED 1.00 per New Share and a share premium of AED 1.16 per New Share. These New Shares are being offered to Eligible Persons pursuant to this Rights Issue.

As at 30 June 2018, the shareholder structure of ADIB was as follows: EIIC, an Abu Dhabi-based investment company wholly owned by National Holding LLC (a privately-owned holding company based in Abu Dhabi and controlled by members of the Ruling Family of Abu Dhabi), held approximately 40.23 per cent. of the share capital of ADIB; Abu Dhabi Investment Council held approximately 7.62 per cent. of the share capital of ADIB; members and associates of the Ruling Family of Abu Dhabi held approximately 9.50 per cent. of the share capital of ADIB; and the UAE General Pension and Social Security Authority held approximately 1.54 per cent. of the share capital of ADIB.

The remaining Shares, amounting to approximately 1,271 million shares (representing approximately 40.13 per cent. of the share capital of ADIB), were held by over 45,000 UAE nationals and UAE companies.

The 10 largest shareholders (by percentage holding) of ADIB and details of their respective shareholdings as at 30 June 2018 are set out below:

<i>Investor name</i>	<i>No. of Shares</i>	<i>Percentage of total share capital</i>
EIIC	1,274,630,118	40.23%
Abu Dhabi Investment Council	241,258,754	7.62%
H.H. Sheikh Khaled Bin Zayed Bin Sultan Al-Nahyan.....	79,036,190	2.49%
H.H. Sheikh Hammed Bin Zayed Bin Sultan Al-Nahyan.....	64,389,367	2.03%
H.E. Jawaan Awaidha Suhail Al Khaili.....	55,962,133	1.77%
UAE General Pension and Social Security Authority	48,910,786	1.54%
H.H. Sheikh Nasser Bin Zayed Bin Sultan Al-Nahyan	35,628,675	1.12%
H.H. Suroor Bin Muhammad Bin Khalifa Al-Nahyan	33,942,317	1.07%
H.E. Mohammad Bin Sultan Bin Suroor Al-Dhaheeri	32,000,000	1.01%
Emirates Development Bank	30,953,903	0.98%
Total.....	1,896,712,243	59.87%

The rights of the shareholders of ADIB are contained in the Articles of Association. ADIB is managed in accordance with the Articles of Association and the relevant provisions of UAE law.

The Articles of Association impose foreign ownership restrictions on the shareholdings of ADIB. Article 7 of the Articles of Association provides that 75 per cent. of the shares of ADIB must be owned by UAE nationals and while non-UAE nationals are permitted to own shares, they must not own more than 25 per cent. of the shares of ADIB. The General Assembly has authorised the Board of Directors to set a period of time to implement Article 7. As at the date of this Shareholder Circular, the Board of Directors has not fixed a period of time by which it intends to implement Article 7.

In addition, the Articles of Association also provides that no dealing or assignment of any share of ADIB shall be registered if the transferee is, or would become as a result of such dealing, the owner, directly or indirectly, of more than 5 per cent. of the capital of ADIB, unless the transferee is EIIC in its capacity as the strategic shareholder of ADIB.

Objective and strategy

ADIB's primary objective is to retain its position as a top tier regional bank providing a diverse range of *Shari'a*-compliant financial services. In order to achieve this, ADIB continues to pursue strategies to build on its strengths in the retail and corporate banking sectors, focussing on excellence in customer service, technological advancement and an expanding range of products and services.

ADIB's overall strategy is based on three pillars: (i) build market leadership in the UAE; (ii) create an integrated financial services group; and (iii) pursue international growth opportunities.

Build market leadership in the UAE

ADIB's core strength in the UAE market has traditionally been its retail presence, which continues to remain ADIB's key area for growth and development. The acquisition of Barclays' UAE retail banking business in 2014 has helped ADIB to supplement its core Emirati customer base by developing its expatriate business segment. ADIB continues to expand its products and services offering in the UAE through its distribution channels including mobile, online and branch. This has helped ADIB's retail business in the UAE to maintain its market-leading position in *Shari'a*-compliant banking and its third-ranked position overall. ADIB's retail business has received awards for being the best retail bank in the UAE.

The second key area for ADIB is wholesale banking, where ADIB has well-established business lines in corporate banking, commercial real estate, corporate finance, investment banking and global transaction services. ADIB has retained its prominent position in the commercial real estate sector by offering integrated, comprehensive service packages including advisory, valuation, financing and syndication. ADIB has invested heavily in the development of its transaction banking services to complete the range of services offered to its corporate, financial and government sector customer base. ADIB's objective is to become the best-in-class provider of transaction banking services including cash management, trade finance and treasury.

Customer service excellence is a key priority for ADIB. In response to changes in technology, regulation and customer behaviour, ADIB has made significant investments in digital technology. ADIB has conducted a wide-ranging digital transformation to establish its UAE leadership position and build mechanisms for continuous differentiation in both retail and wholesale banking. The digital strategy is focussed on a superior customer experience, using technology to analyse customers' needs and respond quickly with market-leading innovations. ADIB has also launched the region's first Islamic digital bank, called "*Smartbanking*". *Smartbanking* is focussed on the millennial demographic and features digital onboarding and a range of innovative products, such as instant finance and financial advisory, delivered through a dedicated and intuitive smartphone banking application and online banking platform. *Smartbanking* is fully-integrated with the "*moneysmart*" community launched by ADIB in 2017, which is aimed at offering a simple and personalised banking experience that meets the financial and lifestyle needs of the new generation. ADIB continues to enhance its mobile and online banking channels to provide a world-class customer experience and convenient methods to execute transactions.

Create an integrated financial services group

ADIB continues to expand into complementary *Shari'a*-compliant financial services to increase customer acquisition and cross-selling opportunities, and to bolster an increasingly diversified earnings base. Complementary business areas currently include takaful (through ADNTC), stockbroking (through ADIB Securities), merchant acquiring (through ADIMAC), as well as property management, agency and valuation (through MPM Properties).

Pursue international growth opportunities

In view of the growing awareness of ethical banking practices and the acceptance of Islamic banking worldwide, ADIB is increasingly turning its attention to replicating its business model in related markets and importing service and product innovation into the UAE through a systematic approach to geographic expansion. ADIB is developing a core international business and building a platform for integrated value-added services for financial institutions and multi-nationals doing business in and out of the MENA region. ADIB's international expansion commenced in Egypt, followed by the establishment of ADIB businesses in the United Kingdom, Saudi Arabia, Qatar, Iraq and Sudan.

Competitive strengths

ADIB's management believes that it enjoys a number of competitive advantages in terms of its history, management and shareholders, market presence, financial portfolio, growth, products and services, as set out below:

- (i) **Strong and influential shareholders:** ADIB's strategic shareholder, EIIC, provides ADIB with the necessary support and public profile to take advantage of growth opportunities. ADIB also has approximately 45,000 minority shareholders, all of whom are UAE nationals or UAE companies.
- (ii) **Experienced management:** The senior management team of ADIB has considerable and diverse experience in the banking industry and extensive skills in the operation of Islamic financial institutions in the local, regional and international markets.
- (iii) **Historical presence:** As the second oldest Islamic bank in the UAE, ADIB is well-established and has the necessary track record and credibility in developing and offering Islamic finance products to meet the increasingly sophisticated needs of its customers.
- (iv) **Shari'a Supervisory Board:** The *Shari'a* Supervisory Board comprises pre-eminent scholars in Islamic finance who have significant experience and standing in Islamic banking. The *Shari'a* Supervisory Board's involvement with ADIB's *Shari'a* processes and practices reaffirms ADIB's credibility and has contributed significantly to ADIB's standing in the Islamic banking industry globally.
- (v) **Strong and established brand:** ADIB is a recognised and strong brand in the Islamic finance market throughout the MENA region. ADIB's deep affiliation to the local UAE culture has enabled it to be an attractive brand for UAE consumers, which has helped ADIB to gain a significant share of the UAE market and to successfully launch innovative products and services across multiple customer segments.
- (vi) **Extensive channel distribution network:** ADIB has the fourth largest branch network of any bank in the UAE, with 86 operating branches as at 30 June 2018. ADIB's customer service is further enhanced by its increasing focus on alternative distribution channels, including a large ATM network of 714 ATMs in the UAE as at 30 June 2018, 24/7 call centres, telephone, internet and mobile banking facilities and a nationwide direct sales unit that operates independently of its branch network.
- (vii) **Innovative products and services:** ADIB provides a wide range of innovative products to its customers in order to meet their diverse and sophisticated needs. ADIB was the first Islamic bank to launch and promote an Islamic covered card and the first to launch an Islamic digital bank targeted at millennials, with features such as instant account opening and instant online finance. Other innovative products offered to meet customers' specific needs include: Islamic covered drawings (the *Shari'a* solution for conventional bank overdrafts); "Al Khair" (consumer finance for debt consolidation and *Shari'a* cleansing); and educational finance, travel finance and "Tadawul" (financing the purchase of *Shari'a*-compliant shares). ADIB was also the first Islamic bank in the world to issue an alternative tier 1 capital instrument (in 2012) and was the first UAE bank to conduct a tradeable rights issue (in 2015).
- (viii) **Steady growth:** As at 30 June 2018, ADIB had more than one million customers in the UAE, an increase of 5.9 per cent. from 951,284 customers as at 30 June 2017. Total assets grew 0.6 per cent. from AED 122.2 billion (US\$ 33.3 billion) as at 30 June 2017 to AED 122.9 billion (US\$ 33.5 billion) as at 30 June 2018. During the same period, depositors' accounts grew from AED 100.0 billion (US\$ 27.2 billion) to AED 101.2 billion (US\$ 27.6 billion), representing an increase of 1.2 per cent.
- (ix) **Liquidity:** ADIB remains one of the most liquid banks in the UAE. As at 30 June 2018, ADIB's financing to stable funds ratio was 81.5 per cent. (as compared to 81.0 per cent. as at 30 June 2017 and 80.0 per cent. as at 31 December 2017) and its financing to deposits ratio was 75.4 per cent. (as compared to 76.7 per cent. as at 30 June 2017 and 76.5 per cent. as at 31 December 2017).

Bank operations

ADIB is organised into six customer-focussed business divisions which are led by experienced management teams under the direction of group heads:

- (i) *Global Retail Banking* – principally services the banking needs of retail customers and small and medium sized businesses through its large branch network and leading digital capabilities. The Global

Retail Banking Group provides a diversified range of products and services, including cards, personal and business finance, account facilities and wealth management.

- (ii) *Global Wholesale Banking* – principally services large corporations and public institutions by offering a comprehensive set of innovative products, services and solutions, including transaction banking, corporate finance and investment banking.
- (iii) *Private Banking* – dedicated to ultra-high net worth individuals and families, Private Banking offers an entirely bespoke service with access to a comprehensive range of products and services.
- (iv) *Treasury* – provides treasury and trade finance services to customers and utilises investment deposits to manage ADIB’s funding requirements.
- (v) *Real Estate* – principally manages, through MPM Properties and Burooj Properties, the acquisition, sale, leasing, development and ongoing management of land and buildings and all associated activities (see the “*Description of Abu Dhabi Islamic Bank – Subsidiaries*” section of this Shareholder Circular for further details on MPM Properties and Burooj Properties); and
- (vi) *Other Operations* – principally manages ADIB’s head office, subsidiaries, associates and joint ventures (save for as set out above), including unallocated costs.

These business divisions are managed from ADIB’s headquarters in Abu Dhabi and operated through an extensive network of branches located across the UAE and in ADIB’s six strategic markets outside the UAE. Cross-selling of products amongst the divisions is encouraged where relevant to provide customers with solutions to their investment and banking needs.

The divisions are supported by both a risk management unit, which focusses on credit, market and operational risks and which is overseen by the Group Governance and Risk Policy Committee, and by back and middle office units, which provide support in the areas of operations, information technology, *Shari’a*, legal, compliance and human resources. Liquidity risk is managed directly by the Treasury division with oversight from the Asset and Liability Committee. A description of the main divisions is provided below.

Global Retail Banking

Global Retail Banking is mainly comprised of two divisions: (i) “Retail Banking”; and (ii) “Business Banking”.

Retail Banking

ADIB aims to become one of the largest retail banks in the UAE and during 2017 it continued to expand into new customer segments, including the expatriates segment, whilst retaining focus on the core UAE national customer base. A continued emphasis on long-term customer relationships and selected industry segments, while remaining loyal to core UAE nationals; saw the number of active customers served by ADIB increase by over 62,000 to 980,000 customers in 2017 (with approximately half representing the UAE national segment and approximately half representing the expatriate segment).

Although 2017 was a year of significant competitor activity, ADIB produced a strong set of results with gains over 2016 in all key measures: total retail banking revenue increased by 5 per cent. (AED 170 million); total retail financing assets increased by 3 per cent. (AED 1,387 million); and total retail deposits rose by 3 per cent. (AED 1,697 million).

ADIB has 86 retail branches, and a network of 714 ATMs. 2017 also saw increased adoption of digital channels including the ADIB smartphone banking application which allows customers to perform a variety of transactions, apply for a number of services and was voted by customers as one of the most popular banking applications in the UAE. The application is now widely used by a large number of ADIB’s customers.

ADIB continues to invest in staff training programmes to strengthen the skills of its retail banking staff with respect to customer service, product development, processes and procedures and policies. This not only supports the growth of its people and the quality of the services it provides, but also reflects its commitment to ensure that its services are properly and ethically structured and delivered.

ADIB's performance was reflected in the number of awards won by ADIB during 2017: "Best Overall Bank for Customer Experience in the UAE" for the seventh consecutive year and 'Best Overall Call Centre in UAE' for the fourth consecutive year by Ethos Consultancy.

During 2018, ADIB has continued with its successful retail strategy and has focussed on strengthening its presence in the core UAE national segment. ADIB aims to maintain its leading position in key products such as home finance, personal finance and vehicle finance, whilst enhancing customer service and acquiring new customers via digital channels.

ADIB has also launched its ground-breaking digital bank "Smartbanking", the region's first Islamic bank targeted at millennial customers. Please refer to the "Description of Abu Dhabi Islamic Bank PJSC – Objective and strategy" section for further information on Smartbanking.

Business Banking

ADIB's Business Banking strategy is mainly focussed on three areas: growing non-assets income, growing digital channels growth and enhancing customer service. Business Banking achieved growth in non-assets income of 30 per cent. during 2017 driven by higher fees and foreign exchange income, an increase in customers' transactions via electronic channels by 54 per cent. during 2017 and the launch of "ADIB Business Branches" to provide dedicated branch services by experienced staff offering a wide range of services and transactional capabilities. Business Banking has been operating for over 10 years in the UAE market.

Business Banking will focus on growing its share of the SME market in selected business sectors with a greater emphasis on trade and working capital finance, transactional banking and cash management services. Additionally, as part of its corporate social responsibility strategy, Business Banking plans to offer the financial education services for startups and SMEs in the UAE to educate business owners and entrepreneurs on a range of relevant subjects

Global Wholesale Banking

Global Wholesale Banking manages the banking needs of public and private sector institutional customers by offering a comprehensive set of innovative products, services and solutions, including finance, advisory, cash management and trade solutions.

Global Wholesale Banking remains committed to its "2020 strategy" which includes greater capital efficiency, product cross-selling, tighter controls on the cost of credit and a strong expense control culture. In addition:

- ADIB continues to demonstrate a strong track record in financing and advising its clients on capital markets, mergers and acquisitions advisory, syndicated financing, cash management and global trade services;
- ADIB's corporate finance and investment banking credentials remain two of its core strengths in attracting clients;
- ADIB's dedicated team of real estate finance professionals continues to offer a full range of Islamic financing and advisory services;
- ADIB continues to organise its coverage model along industry lines in order to better serve its client base through industry specialisation; and
- ADIB remains on track to implement the "Project LEAP" initiative, which delivers enhanced product offerings to clients such as trade and cash management services. As part of this initiative, ADIB is undertaking a major shift in its processes and procedures to streamline the management of customers' trade finance needs. ADIB is also investing in new technologies to reduce paper usage and to support clients' day-to-day activities. These shifts will expedite turnaround times, create a seamless interaction between ADIB and its customers, improve efficiency and ensure regulatory compliance.

Two key divisions within Global Wholesale Banking – (i) Corporate Finance and Investment Banking ("CFIB"); and (ii) Global Transaction Banking ("GTB") – are further described below.

Corporate Finance & Investment Banking

The CFIB team advises on transactions ranging from structured and syndicated finance, sukuk, mergers and acquisitions to advisory products. CFIB arranges structured and syndicated finance deals on behalf of government related enterprises (“GREs”), major corporates and financial institutions.

In the Islamic capital markets, ADIB advises on sukuk issues for corporates, GREs and sovereigns. CFIB also advises on equity capital markets transactions such as initial public offerings, for which ADIB provides advisory, valuation and distribution expertise.

Global Transaction Banking

GTB caters to large and mid-size corporates, SMEs and financial institutions by providing cash management and trade finance products and solutions across the MENA region. GTB offers a host of efficient and cost-effective solutions for payments, collection, liquidity management and financing solutions for letters of credit and open account invoices that meet the working capital requirements of corporate and financial institutions, both domestically and globally across all industry segments. GTB also provides mobile and web access for the institutional customers that enable it to monitor and manage their accounts.

GTB focusses on:

- achieving strong revenue growth across various client segments. Recently, GTB launched an export finance product that will support both the corporate and financial institutions businesses;
- Project LEAP, which on completion will enable the launch of over 100 new products that will deliver *Shari'a*-compliant solutions. This is a major initiative that requires a multi-disciplinary approach to change the back-end, operations and online and mobile banking offerings of cash management and trade finance. As part of this project ADIB’s relationship managers, GTB sales and service personnel will have access to the latest customer relationship management software, which will enable ADIB to better serve its clients and support their needs in a more efficient manner;
- mobile banking, which has quickly become a pivotal product offering for ADIB’s customers, as evident from its rapid popularity across multiple business segments; and
- other initiatives, including the launch of ‘liquidity sweeping’ and trade risk participation sell downs.

Private Banking

Private Banking offers investment advisory and securities trading, deposits and financing services to high and ultra-high net worth individuals and families. Private Banking also offers wealth and bespoke investment products that are either developed by ADIB or sourced from external investment product providers.

Private Banking saw significant activity in 2017. Private Banking maintained a healthy financing portfolio whilst growing the wealth management side of the business through increased levels of client investments and the build-up of assets under management.

During 2017, Private Banking launched a series of initiatives to further its objective of positioning ADIB as the leading onshore-based private banking service provider in the UAE, while initiating discussions with the management of other ADIB footprint countries, such as the United Kingdom and Egypt, to evaluate the possibility of developing an integrated international private banking offering.

As Private Banking’s business has grown, ADIB has focussed on enhancing its clients’ experience and growing profitability and fee income. Private Banking has also sought to further diversify the business asset book, moving beyond traditional real estate financing and into investment finance solutions.

During 2017, ADIB’s *sukuk* leverage programme and margin trading products were further refined to improve client experiences. Such efforts complemented ADIB’s leading expertise and strength in local real estate financing and structuring. The business continues to expand its offering to high net worth individuals and family offices in the GCC region.

Treasury

ADIB Treasury provides its customers with access to global markets and exposure management solutions, invests funds for ADIB's own account and manages ADIB's market risk. ADIB Treasury is also responsible for managing ADIB's assets and liabilities and its overall financial structure.

ADIB Treasury continued its strong performance in 2017, through enhanced product capability and a close working relationships with the corporate and retail coverage teams. This led to yet another year of growth with higher volumes in profit rate hedging, foreign exchange and sukuk sales, resulting in a 22 per cent. increase in customer flow business. The trading desk also experienced a 35 per cent. increase over 2016 on the back of sukuk trading.

Subsidiaries

As at 30 June 2018, ADIB's consolidated subsidiaries comprised:

<i>Entity</i>	<i>Principal activity</i>	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>
ADIB Securities	Equity Brokerage Services	UAE	95%
Burooj Properties	Real Estate Investments	UAE	100%
MPM Properties	Real Estate Services	UAE	100%
ADIB Invest I	Equity Brokerage Service	British Virgin Islands	100%
Kawader Services	Manpower supply	UAE	100%
ADIB (UK) Limited	Islamic Banking	United Kingdom	100%
ADIB Holdings (Jersey) Ltd.* (under liquidation)	Special Purpose Vehicle	British Channel Islands	-
ADIB Sukuk Company Ltd.*	Special Purpose Vehicle	Cayman Islands	-
ADIB Sukuk Company II Ltd.*	Special Purpose Vehicle	Cayman Islands	-
ADIB Capital Invest 1 Ltd.*	Special Purpose Vehicle	Cayman Islands	-
ADIB Capital Invest 2 Ltd.*	Special Purpose Vehicle	Cayman Islands	-
ADIB Alternatives Ltd.*	Special Purpose Vehicle	Cayman Islands	-

* ADIB does not have any direct holding in ADIB Holdings (Jersey) Ltd., ADIB Sukuk Company Ltd., ADIB Sukuk Company II Ltd., ADIB Capital Invest 1 Ltd., ADIB Capital Invest 2 Ltd. or ADIB Alternatives Ltd. and each is considered to be a subsidiary by virtue of control.

ADIB Securities: originally established in February 2005 as Abu Dhabi Islamic Financial Services LLC and rebranded as ADIB Securities in 2010, the company operates in the UAE and provides brokerage services to the full range of investors on the ADX, the Dubai Financial Market and Nasdaq Dubai. ADIB Securities is currently an agency-only business, which also offers share finance to a select group of Private Banking clients, and its performance reflects its commitment to building a strong customer-orientated franchise. ADIB Securities produced a Net Profit of AED 27.4 million during the year ended 31 December 2017 (as compared with a Net Profit of AED 25.9 million during the year ended 31 December 2016). As at 30 June 2018, ADIB Securities was, by market share, both one of the largest share brokerage houses in the UAE (with a 5 per cent. share of the brokerage market) and the largest *Shari'a*-compliant broker in the UAE (based on its trading volume as a percentage of the combined trading volume of the ADX and Dubai Financial Market). As at 30 June 2018, ADIB held 95 per cent. of the share capital of ADIB Securities with the remaining 5 per cent. held by ADNTC.

Burooj Properties: a real estate company focussed on proprietary property development and investment, established in October 2005, which operates in the UAE and is 100 per cent. owned by ADIB (as at 30 June 2018). As at 30 June 2018, Burooj Properties had AED 1,090.2 million of investment properties and AED 837.4 million of land for development purposes in its property portfolio and had outstanding commitments of AED 4.4 million. The real estate investment and development property business of Burooj Properties is not an aligned

financial services business and, in line with the Central Bank’s guidelines, ADIB will ultimately reduce its holding in Burooj Properties. No specific date has been set for the reduction of ADIB’s investment in Burooj Properties, since this is contingent upon: (i) ADIB being satisfied that the recovery of the UAE real estate market is sustainable and allows for either the profitable development or sale of the land portfolio; and (ii) the investment properties delivering sustainable positive yields.

MPM Properties: MPM Properties is a wholly owned subsidiary which is part of the integrated financial service group and provides ADIB customers with access to real estate management, agency and valuation services. MPM Properties posted a Net Profit of AED 8.6 million for 2017, as compared to a Net Profit of AED 9.9 million in 2016.

ADIB Invest I: is an open-ended fund incorporated and registered in the British Virgin Islands in accordance with the Companies Law of the British Virgin Islands. The fund was established on 2 November 2004 and is currently dormant.

Kawader Services: a limited liability company, established in 2007, which operates in the UAE and which is 100 per cent. owned by ADIB as at 30 June 2018. Kawader Services is an outsource staffing office exclusively dedicated to assisting ADIB in its recruitment of non-professional manpower.

ADIB (UK) Limited: a limited liability company incorporated in the United Kingdom which is 100 per cent. owned by ADIB as at 30 June 2018. ADIB (UK) Limited has been granted a banking operations licence from the UK Financial Conduct Authority and offers a range of services to high-net-worth individuals from its office in Hyde Park, London.

ADIB Holdings (Jersey) Ltd.: a special purpose vehicle established in the British Channel Islands in anticipation of establishing a non-UAE Dirham-based trust business. The entity is currently dormant. ADIB does not have any direct holding in ADIB Holdings (Jersey) Ltd. and it is considered a subsidiary by virtue of control. As at 30 June 2018, ADIB Holdings (Jersey) Ltd. is in the process of liquidation.

ADIB Sukuk Company Ltd.: a special purpose vehicle established in the Cayman Islands for the purpose of ADIB’s US\$ 5,000,000,000 trust certificates issuance programme. ADIB does not have any direct holding in ADIB Sukuk Company Ltd. and it is considered a subsidiary by virtue of control.

ADIB Sukuk Company II Ltd.: a special purpose vehicle established in the Cayman Islands for the purpose of ADIB’s MYR 1,500,000,000 Malaysian trust certificates issuance programme. ADIB does not have any direct holding in ADIB Sukuk Company II Ltd. and it is considered a subsidiary by virtue of control.

ADIB Capital Invest 1 Ltd.: a special purpose vehicle established in the Cayman Islands for the purpose of the offering of US\$ 1,000,000,000 additional tier 1 capital certificates. ADIB does not have any direct holding in ADIB Capital Invest 1 Ltd. and is considered a subsidiary by virtue of control.

ADIB Capital Invest 2 Ltd.: a special purpose vehicle established in the Cayman Islands for the purpose of the offering of further additional tier 1 capital certificates. ADIB does not have any direct holding in ADIB Capital Invest 2 Ltd. and is considered a subsidiary by virtue of control.

ADIB Alternatives Ltd.: a special purpose vehicle established in the Cayman Islands for the purpose of dealing in *Shari’a*-compliant alternatives to derivative financial instruments with European and US counterparties. ADIB does not have any direct holding in ADIB Alternatives Ltd. and it is considered a subsidiary by virtue of control.

Investments in associates and joint ventures

As at 30 June 2018, ADIB’s investments in associates and joint ventures amounted to AED 1,003.1 million. As at 30 June 2018, placements with associates and joint ventures amounting to AED 562.0 million related to future capital and sukuk issues.

As at 30 June 2018, the ownership percentages of ADIB’s associates and joint ventures were as follows:

<i>Entity</i>	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>	<i>Principal activity</i>
Associates			

<i>Entity</i>	<i>Place of incorporation</i>	<i>Proportion of ownership interest</i>	<i>Principal activity</i>
ADNTC	UAE	42%	Islamic insurance
BBI	Bosnia and Herzegovina	27%	Islamic banking
Residential REIT	UAE	30%	Real estate fund
Joint Ventures			
ADIB Egypt	Egypt	49%	Banking (under conversion to Islamic bank)
SFC	Kingdom of Saudi Arabia	51%	Islamic retail finance
Arab Link (in liquidation)	UAE	51%	Currency exchange
ADIMAC	UAE	51%	Merchant acquiring

Associates

ADNTC: ADIB acquired a stake in ADNTC on 21 June 2003 and, as at 30 June 2018, held 42 per cent. of the shares of ADNTC, which represented an aggregate market value of AED 183.3 million as at 30 June 2018. ADNTC was listed on the ADX in 2005 (stock symbol: TKFL) and is headquartered in Abu Dhabi. ADNTC provides Islamic insurance products and services to its customers in the UAE.

BBI: ADIB acquired 27 per cent. of the shares of BBI in 2001. BBI provides Islamic banking services to its customers in Bosnia and Herzegovina.

The Residential REIT (IC) Limited (“Residential REIT”): ADIB acquired a stake in Residential REIT on 20 June 2017 and, as of 30 June 2018, ADIB held a 30 per cent. stake in Residential REIT. Residential REIT is a real estate fund established for investment in primarily residential real estate properties in a *Shari’a*-compliant manner. Residential REIT’s key objective is to generate stable *Shari’a* income from its property investments and has invested in properties situated in Abu Dhabi, Dubai and Ras Al Khaimah.

Joint ventures

ADIB Egypt: ADIB acquired 49 per cent. of the shares in the National Bank Development SAE on 29 July 2007 and its name was subsequently changed to “Abu Dhabi Islamic Bank – Egypt (S.A.E.)” on 4 April 2013. As at 30 June 2018, ADIB Egypt provided banking services in Egypt through 70 branches and is in the process of internal restructuring and conversion into an Islamic bank. ADIB is providing support and assistance in the restructuring and conversion process including, amongst other initiatives: (i) ongoing strategic development, which will result in ADIB Egypt’s business model being aligned with that of ADIB; (ii) the introduction of a suite of *Shari’a*-compliant retail and commercial banking customer financing and transacting products; and (iii) the development of a range of *Shari’a*-compliant deposit products, including retail sukuk. While significant progress has been made in converting ADIB Egypt to an Islamic banking institution, the process will not be completed until there are adequate liquidity management tools available to it, such as government-issued *Shari’a*-compliant treasury bills. While ADIB is actively engaged with the necessary regulatory authorities in Egypt to assist with the introduction of such products, there is no certainty as to when these may be introduced.

SFC: As at 30 June 2018, ADIB owns 51 per cent. of the share capital of SFC, a closed joint stock company incorporated in the Kingdom of Saudi Arabia and regulated by the Saudi Arabian Monetary Agency. SFC is a consumer finance company engaged in leasing, commercial financing, small and medium business financing and retail financing. Effective from 1 January 2014, ADIB has entered into a joint venture agreement to manage SFC.

Arab Link (in liquidation): On 17 February 2014, ADIB acquired a 51 per cent. stake in Arab Link, a private joint stock company incorporated in the UAE. Arab Link was a UAE-based currency exchange house offering a range of currency exchange and money transfer services for individuals and businesses. Whilst the original rationale for the acquisition was to help Arab Link to build scale and to allow ADIB to offer complementary services to its customers, this strategy was impacted by the challenging operating environment for the exchange

and remittance industry, resulting from a slowing regional economy and intense competition driving down fees and profitability. Having explored its strategic options, including a trade sale and restructuring, Arab Link's directors decided that liquidation would be the most appropriate course of action. As such, as at 30 June 2018, Arab Link is in the process of liquidation.

ADIMAC: As at 30 June 2018, ADIB holds 51 per cent. of the shares of ADIMAC, a limited liability company incorporated in the UAE which commenced operations in August 2014. The company provides payment solutions to the retail and other merchants in the UAE.

Operating performance and financial position

Basis of presentation

This section sets forth selected financial information for ADIB for the six-month periods ended 30 June 2017 and 30 June 2018, and the years ended 31 December 2015, 31 December 2016 and 31 December 2017 as follows:

- the selected financial data as at, and for the six-month period ended, 30 June 2018 appearing below have been extracted from the 2018 Interim Financial Statements;
- the selected financial data for the six month period ended 30 June 2017 appearing below have been extracted from the comparative financial information for the six-month period ended 30 June 2017 included in the 2018 Interim Financial Statements, and the selected financial data as at 30 June 2017 appearing below have been extracted from the 2017 Interim Financial Statements;
- the selected financial data as at, and for the year ended, 31 December 2017 appearing below have been extracted from the 2017 Financial Statements;
- the selected financial data as at, and for the year ended, 31 December 2016 appearing below have been extracted from the comparative financial information as at, and for the year ended, 31 December 2016 included in the 2017 Financial Statements; and
- the selected financial data as at, and for the year ended, 31 December 2015 appearing below have been extracted from the comparative financial information as at, and for the year ended, 31 December 2015 included in the 2016 Financial Statements.

Adoption of International Financial Reporting Standard 9

ADIB has adopted International Financial Reporting Standard 9 (Financial Instruments) ("**IFRS 9**"), which is effective for annual periods beginning on or after 1 January 2018. IFRS 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

The new impairment model under IFRS 9 replaces the International Accounting Standard 39 "incurred loss" model and introduces an "expected credit loss" model for the measurement of the impairment of financial assets. In contrast to the incurred loss model, under the expected credit loss model it is not necessary for a credit event to have occurred before a credit loss is recognised.

As at 1 January 2018, ADIB's transition adjustment to comply with IFRS 9 amounted to a positive increase of AED 21.4 million in ADIB's opening equity, which was equal to 0.017 per cent. of ADIB's total assets. ADIB continues to refine the impairment model under IFRS 9 and the related processes.

IFRS 9 also introduces increased disclosure requirements, which may vary the nature and extent of ADIB's disclosures regarding its financial instruments in 2018.

Operating segments of business

ADIB is primarily organised into five operating segments of business corresponding to the following five business divisions: (i) Global Retail Banking; (ii) Global Wholesale Banking; (iii) Private Banking; (iv) Treasury; and (v) Real Estate (including income received from Burooj Properties and MPM Properties, ADIB's real estate-focussed subsidiaries). Income received from activities conducted by ADIB's head office (such as

any income received from associate companies), foreign branches and subsidiaries is allocated to “other operations”.

The table below shows the contribution that each of these operating segments made to consolidated Net Profit and consolidated total assets as at, and for the six-month periods ended, 30 June 2017 and 30 June 2018:

	Global Retail banking	Global Wholesale banking	Private banking	Treasury	Real estate	Other operations	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
As at, and for the six months ended, 30 June 2018							
Segment revenues, net.....	1,719,756	509,618	71,642	221,358	41,263	165,159	2,728,796
Operating expenses excluding provision for impairment, net.....	(921,433)	(194,141)	(30,781)	(23,077)	(39,422)	(41,677)	(1,250,531)
Operating profit.....	798,323	315,477	40,861	198,281	1,841	123,482	1,478,265
Provision for impairment, net.....	(140,123)	(86,488)	(2,833)	4,805	-	(90,583)	(315,222)
Profit for the period	658,200	228,989	38,028	203,086	1,841	32,899	1,163,043
Non-controlling interest	-	-	-	-	-	(341)	(341)
Profit for the period attributable to equity holders of ADIB	658,200	228,989	38,028	203,086	1,841	32,558	1,162,702
Assets							
Segmental assets.....	57,518,097	30,501,100	3,410,571	21,723,085	2,659,059	7,126,236	122,938,148
Liabilities							
Segmental liabilities	65,014,956	25,622,364	3,535,321	8,436,798	312,443	3,475,112	106,396,994
As at, and for the six months ended, 30 June 2017							
Segment revenues, net.....	1,685,834	605,165	68,053	265,101	48,829	109,116	2,782,098
Operating expenses excluding provision for impairment, net.....	(871,685)	(196,990)	(27,512)	(20,551)	(40,261)	(115,257)	(1,272,256)
Operating profit.....	814,149	408,175	40,541	244,550	8,568	(6,141)	1,509,842
Provision for impairment, net.....	(286,772)	(77,010)	(2,161)	-	-	(14,826)	(380,769)
Profit (loss) for the period	527,377	331,165	38,380	244,550	8,568	(20,967)	1,129,073
Non-controlling interest	-	-	-	-	-	(834)	(834)
Profit (loss) for the period attributable to equity holders of ADIB.....	527,377	331,165	38,380	244,550	8,568	(21,801)	1,128,239
Assets							
Segmental assets.....	55,983,049	33,742,116	3,135,670	19,708,684	2,605,937	7,051,856	122,227,312
Liabilities							
Segmental liabilities	63,747,511	26,552,457	3,404,662	9,258,724	287,654	3,395,937	106,646,945

The table below shows the contribution that each of these operating segments made to consolidated Net Profit and consolidated total assets as at, and for the years ended, 31 December 2015, 2016 and 2017.

	Global Retail banking	Global Wholesale banking	Private banking	Treasury	Real estate	Other operations	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
As at, and for the year ended, 31 December 2017							
Segment revenues, net.....	3,406,214	1,262,587	139,236	530,731	111,612	181,932	5,632,312
Operating expenses excluding provision for impairment, net.....	(1,752,896)	(398,257)	(57,091)	(42,131)	(79,718)	(211,736)	(2,541,829)
Operating profit.....	1,653,318	864,330	82,145	488,600	31,894	(29,804)	3,090,483
Provision for impairment, net.....	(520,552)	(221,504)	99	-	(1,962)	(46,441)	(790,360)
Profit (loss) for the year	1,132,766	642,826	82,244	488,600	29,932	(76,245)	2,300,123
Non-controlling interest	-	-	-	-	-	(1,369)	(1,369)
Profit (loss) for the year attributable to equity holders of ADIB.....	1,132,766	642,826	82,244	488,600	29,932	(77,614)	2,298,754
Assets							
Segmental assets.....	56,883,659	32,278,505	3,031,995	21,051,686	2,632,381	7,399,373	123,277,599
Liabilities							
Segmental liabilities	61,838,840	26,152,414	3,362,854	11,788,985	300,368	3,260,974	106,704,435

	Global Retail banking	Global Wholesale banking	Private banking	Treasury	Real estate	Other operations	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
As at, and for the year ended, 31 December 2016							
Segment revenues, net.....	3,236,624	1,222,807	121,456	562,886	101,296	140,454	5,385,523
Operating expenses excluding provision for impairment, net.....	(1,744,378)	(380,998)	(53,997)	(41,832)	(82,146)	(158,649)	(2,462,000)
Operating profit.....	1,492,246	841,809	67,459	521,054	19,150	(18,195)	2,923,523
Provision for impairment, net.....	(621,225)	(372,359)	8,348	-	(6,231)	21,502	(969,965)
Profit for the year	871,021	469,450	75,807	521,054	12,919	3,307	1,953,558
Non-controlling interest	-	-	-	-	-	(1,294)	(1,294)
Profit for the year attributable to equity holders of ADIB	871,021	469,450	75,807	521,054	12,919	2,013	1,952,264
Assets							
Segmental assets.....	54,865,153	35,469,626	2,536,021	19,368,458	2,680,915	7,369,552	122,289,725
Liabilities							
Segmental liabilities	60,059,215	27,971,848	2,702,223	12,102,311	349,531	3,645,956	106,831,084
As at, and for the year ended, 31 December 2015							
Segment revenues, net.....	3,043,279	1,330,625	108,682	444,569	118,382	88,838	5,134,375
Operating expenses excluding provision for impairment, net.....	(1,619,242)	(360,448)	(59,346)	(42,765)	(86,262)	(212,315)	(2,380,378)
Operating profit.....	1,424,037	970,177	49,336	401,804	32,120	(123,477)	2,753,997
Provision for impairment, net.....	(501,687)	(187,768)	(11,862)	-	(5,156)	(113,481)	(819,954)
Profit (loss) for the year	922,350	782,409	37,474	401,804	26,964	(236,958)	1,934,043
Non-controlling interest	-	-	-	-	-	(2,348)	(2,348)
Profit (loss) for the year attributable to equity holders of ADIB.....	922,350	782,409	37,474	401,804	26,964	(239,306)	1,931,695
Assets							
Segmental assets.....	52,418,734	35,058,966	3,061,715	16,539,451	2,671,626	8,627,170	118,377,662
Liabilities							
Segmental liabilities	54,655,766	28,770,951	2,492,733	13,473,886	373,318	3,535,777	103,302,431

Set forth below is a brief discussion of ADIB's consolidated operating performance and financial position as at, and for the six months ended, 30 June 2018, as compared to the corresponding six months ended 30 June 2017, as well as ADIB's consolidated operating performance and financial position as at, and for the year ended, 31 December 2017, as compared to the years ended 31 December 2016 and 31 December 2015.

Six months ended 30 June 2018 as compared to six months ended 30 June 2017

Operating income

Operating income decreased by AED 29.0 million (US\$ 7.9 million), or 0.9 per cent., to AED 3,030.7 million (US\$ 825.2 million) for the six months ended 30 June 2018 from AED 3,059.7 million (US\$ 833.1 million) for the six months ended 30 June 2017.

The following factors contributed to this decrease:

- (i) a decrease in foreign exchange income of AED 28.9 million (US\$ 7.9 million), or 19.5 per cent., to AED 119.4 million (US\$ 32.5 million) for the six months ended 30 June 2018 from AED 148.3 million (US\$ 40.4 million) for the six months ended 30 June 2017;
- (ii) a decrease in fees and commissions income, net of AED 21.3 million (US\$ 5.8 million), or 4.3 per cent., to AED 477.7 million (US\$ 130.1 million) for the six months ended 30 June 2018 from AED 499.0 million (US\$ 135.9 million) for the six months ended 30 June 2017, primarily due to a decrease in risk participation and arrangement fees of AED 28.8 million (US\$ 7.9 million), or 31.3 per cent.; and
- (iii) a decrease in income from Islamic sukuk measured at amortised cost of AED 24.9 million (US\$ 6.8 million), or 13.8 per cent., to AED 155.3 million (US\$ 42.3 million) for the six months ended 30 June 2018 from AED 180.2 million (US\$ 49.1 million) for the six months ended 30 June 2017.

This decrease was partially offset by an increase in income from murabaha, mudaraba and wakala with financial institutions of AED 24.0 million (US\$ 6.5 million), or 90.7 per cent., to AED 50.4 million (US\$ 13.7 million) for the six months ended 30 June 2018 from AED 26.4 million (US\$ 7.2 million) for the six months ended 30 June 2017.

Operating expenses

Operating expenses (including provisions for impairment, net) decreased by AED 72.8 million (US\$ 19.8 million), or 4.4 per cent., to AED 1,563.4 million (US\$ 425.7 million) for the six months ended 30 June 2018 from AED 1,636.1 million (US\$ 445.5 million) for the six months ended 30 June 2017.

This decrease was primarily due to:

- (i) a decrease in general and administrative expenses of AED 51.0 million (US\$ 13.9 million), or 11.5 per cent., to AED 394.2 million (US\$ 107.3 million) for the six months ended 30 June 2018 from AED 445.2 million (US\$ 121.2 million) for the six months ended 30 June 2017; and
- (ii) a decrease in provision for impairment, net of AED 65.5 million (US\$ 17.8 million), or 17.2 per cent., to AED 315.2 million (US\$ 85.8 million) for the six months ended 30 June 2018 from AED 380.8 million (US\$ 103.7 million) for the six months ended 30 June 2017.

This decrease was partially offset by:

- (i) an increase in employees' costs of AED 24.8 million (US\$ 6.8 million), or 3.5 per cent., to AED 724.3 million (US\$ 197.2 million) for the six months ended 30 June 2018 from AED 699.5 million (US\$ 190.5 million) for the six months ended 30 June 2017; and
- (ii) an increase in depreciation of AED 19.1 million (US\$ 5.2 million), or 22.8 per cent., to AED 102.5 million (US\$ 27.9 million) for the six months ended 30 June 2018 from AED 83.5 million (US\$ 22.7 million) for the six months ended 30 June 2017.

Net Profit

Net Profit increased by AED 34.0 million (US\$ 9.2 million), or 3.0 per cent., to AED 1,163.0 million (US\$ 316.7 million) for the six months ended 30 June 2018 from AED 1,129.1 million (US\$ 307.4 million) for the six months ended 30 June 2017.

This increase was primarily due to a decrease in operating expenses (including provisions for impairment, net) which was partially offset by a decrease in operating income, each as described above.

Financial position

Total assets increased by AED 710.8 million (US\$ 193.6 million), or 0.6 per cent., to AED 122,938.1 million (US\$ 33,475.3 million) as at 30 June 2018 from AED 122,227.3 million (US\$ 33,281.8 million) as at 30 June 2017.

This increase in total assets was primarily due to:

- (i) an increase in investments measured at fair value of AED 936.6 million (US\$ 255.0 million), or 44.6 per cent., to AED 3,036.6 million (US\$ 826.8 million) as at 30 June 2018 from AED 2,099.9 million (US\$ 571.8 million) as at 30 June 2017;
- (ii) an increase in *ijara* financing of AED 799.2 million (US\$ 217.6 million), or 1.9 per cent., to AED 43,751.3 million (US\$ 11,913.2 million) as at 30 June 2018 from AED 42,952.0 million (US\$ 11,695.6 million) as at 30 June 2017;
- (iii) an increase in *murabaha and mudaraba* with financial institutions of AED 649.5 million (US\$ 176.9 million), or 70.3 per cent., to AED 1,573 million (US\$ 428.3 million) as at 30 June 2018 from AED 923.4 million (US\$ 251.4 million) as at 30 June 2017; and
- (iv) an increase in other assets of AED 594.1 million (US\$ 161.8 million), or 18.9 per cent., to AED 3,744.3 million (US\$ 1,019.6 million) as at 30 June 2018 from AED 3,150.2 million (US\$ 857.8 million) as at 30 June 2017.

This increase was partially offset by:

- (i) a decrease in *murabaha* and other Islamic financing of AED 1,253.9 million (US\$ 341.4 million), or 3.7 per cent., to AED 32,552.1 million (US\$ 8,863.7 million) as at 30 June 2018 from AED 33,806.0 million (US\$ 9,205.2 million) as at 30 June 2017;
- (ii) a decrease in balances and *wakala* deposits with Islamic banks and other financial institutions of AED 849.5 million (US\$ 231.3 million), or 24.5 per cent., to AED 2,622.7 million (US\$ 714.1 million) as at 30 June 2018 from AED 3,472.2 million (US\$ 945.5 million) as at 30 June 2017; and
- (iii) a decrease in investment in Islamic sukuk measured at amortised cost of AED 774.6 million (US\$ 210.9 million), or 7.3 per cent., to AED 9,817.5 million (US\$ 2,673.2 million) as at 30 June 2018 from AED 10,592.1 million (US\$ 2,884.2 million) as at 30 June 2017.

Total liabilities decreased by AED 250.0 million (US\$ 68.1million), or 0.2 per cent., to AED 106,397.0 million (US\$ 28,971.3 million) as at 30 June 2018 from AED 106,646.9 million (US\$ 29,039.3 million) as at 30 June 2017.

This decrease in total liabilities was primarily due to a decrease in amounts due to financial institutions of AED 1,118.6 million (US\$ 304.6 million), or 33.8 per cent., to AED 2,189.1 million (US\$ 596.1 million) as at 30 June 2018 from AED 3,307.6 million (US\$ 900.7 million) as at 30 June 2017.

This decrease was partially offset by an increase in amounts due to depositors' accounts of AED 1,151.2 million (US\$ 313.5 million), or 1.2 per cent., to AED 101,184.4 million (US\$ 27,551.9 million) as at 30 June 2018 from AED 100,033.1 million (US\$ 27,238.4 million) as at 30 June 2017.

Year ended 31 December 2017 as compared to year ended 31 December 2016

Operating income

Operating income increased by AED 221.0 million (US\$ 60.2 million), or 3.7 per cent., to AED 6,214.3 million (US\$ 1,692.1 million) for the year ended 31 December 2017 from AED 5,993.3 million (US\$ 1,631.9 million) for the year ended 31 December 2016.

The following factors contributed to this increase:

- (i) an increase in fees and commissions income, net of AED 189.9 million (US\$ 51.7 million), or 22.6 per cent., to AED 1,030.3 million (US\$ 280.5 million) for the year ended 31 December 2017 from AED 840.4 million (US\$ 228.8 million) for the year ended 31 December 2016, primarily due to an increase in fees and net commission income on cards of AED 100.8 million (US\$ 27.5 million), or 64.9 per cent., an increase in *takaful* related fees of AED 25.9 million (US\$ 7.1 million), or 28.1 per cent., an increase in trade related fees and commission of AED 5.1 million (US\$ 1.4 million), or 4.6 per cent., an increase in risk participation and arrangement fees of AED 6.1 million (US\$ 1.7 million), or 3.6 per cent., and an increase in account services fees of AED 15.4 million (US\$ 4.2 million), or 33.6 per cent;
- (ii) an increase in foreign exchange income of AED 131.1 million (US\$ 35.7 million), or 94.2 per cent., to AED 270.3 million (US\$ 73.6 million) for the year ended 31 December 2017 from AED 139.2 million (US\$ 37.9 million) for the year ended 31 December 2016; and
- (iii) an increase in income from Islamic sukuk measured at amortised cost of AED 66.8 million (US\$ 18.2 million), or 20.1 per cent., to AED 398.8 million (US\$ 108.6 million) for the year ended 31 December 2017 from AED 332.0 million (US\$ 90.4 million) for the year ended 31 December 2016.

This increase was partially offset by a decrease in income from *murabaha*, *mudaraba*, *ijara* and other Islamic financing from customers of AED 197.2 million (US\$ 53.7 million), or 4.4 per cent., to AED 4,291.5 million (US\$ 1,168.6 million) for the year ended 31 December 2017 from AED 4,488.7 million (US\$ 1,222.3 million) for the year ended 31 December 2016.

Operating expenses

Operating expenses (including provisions for impairment, net) decreased by AED 118.3 million (US\$ 32.2 million), or 3.5 per cent., to AED 3,299.5 million (US\$ 898.4 million) for the year ended 31 December 2017 from AED 3,417.8 million (US\$ 930.7 million) for the year ended 31 December 2016.

This decrease was primarily due to:

- (i) a decrease in provision for impairment net of AED 179.6 million (US\$ 48.9 million), or 18.5 per cent., to AED 790.4 million (US\$ 215.2 million) for the year ended 31 December 2017 from AED 970.0 million (US\$ 264.1 million) for the year ended 31 December 2016; and
- (ii) a decrease in depreciation of AED 17.9 million (US\$ 4.9 million), or 9.7 per cent., to AED 167.9 million (US\$ 45.7 million) for the year ended 31 December 2017 from AED 185.9 million (US\$ 50.6 million) for the year ended 31 December 2016.

This decrease was partially offset by an increase in general and administrative expenses of AED 69.8 million (US\$ 19.0 million), or 9.1 per cent., to AED 840.1 million (US\$ 228.8 million) for the year ended 31 December 2017 from AED 770.4 million (US\$ 209.8 million) for the year ended 31 December 2016.

Net Profit

Net Profit increased by AED 346.6 million (US\$ 94.4 million), or 17.7 per cent., to AED 2,300.1 million (US\$ 626.3 million) for the year ended 31 December 2017 from AED 1,953.6 million (US\$ 531.9 million) for the year ended 31 December 2016.

This increase was primarily due to an increase in operating income and a decrease in operating expenses (including provisions for impairment, net), each as described above.

Financial position

Total assets increased by AED 987.9 million (US\$ 269.0 million), or 0.8 per cent., to AED 123,277.6 million (US\$ 33,567.8 million) as at 31 December 2017 from AED 122,289.7 million (US\$ 33,298.8 million) as at 31 December 2016.

This increase in total assets was primarily due to:

- (i) an increase in cash and balances with central banks of AED 1,688.9 million (US\$ 459.9 million), or 8.5 per cent., to AED 21,467.2 million (US\$ 5,845.4 million) as at 31 December 2017 from AED 19,778.3 million (US\$ 5,385.5 million) as at 31 December 2016;
- (ii) an increase in *ijara* financing of AED 1,415.9 million (US\$ 385.5 million), or 3.4 per cent., to AED 43,280.3 million (US\$ 11,785.0 million) as at 31 December 2017 from AED 41,864.4 million (US\$ 11,399.4 million) as at 31 December 2016;
- (iii) an increase in investment in Islamic sukuk measured at amortised cost of AED 988.7 million (US\$ 269.2 million), or 10.9 per cent., to AED 10,052.0 million (US\$ 2,737.1 million) as at 31 December 2017 from AED 9,063.3 million (US\$ 2,467.9 million) as at 31 December 2016;
- (iv) an increase in other assets of AED 767.9 million (US\$ 209.1 million), or 28.5 per cent., to AED 3,463.5 million (US\$ 943.1 million) as at 31 December 2017 from AED 2,695.7 million (US\$ 734.0 million) as at 31 December 2016; and
- (v) an increase in *murabaha* and *mudaraba* with financial institutions of AED 362.5 million (US\$ 98.7 million), or 20.6 per cent., to AED 2,125.2 million (US\$ 578.7 million) as at 31 December 2017 from AED 1,762.8 million (US\$ 480.0 million) as at 31 December 2016.

This increase was partially offset by:

- (i) a decrease in *murabaha* and other Islamic financing of AED 3,096.8 million (US\$ 843.2 million), or 8.5 per cent., to AED 33,249.3 million (US\$ 9,053.6 million) as at 31 December 2017 from AED 36,346.1 million (US\$ 9,896.8 million) as at 31 December 2016.; and

- (ii) a decrease in balances and *wakala* deposits with Islamic banks and other financial institutions of AED 1,480.3 million (US\$ 403.1 million), or 34.9 per cent., to AED 2,765.9 million (US\$ 753.1 million) as at 31 December 2017 from AED 4,246.2 million (US\$ 1,156.2 million) as at 31 December 2016.

Total liabilities decreased by AED 126.6 million (US\$ 34.5 million), or 0.1 per cent., to AED 106,704.4 million (US\$ 29,055.0 million) as at 31 December 2017 from AED 106,831.1 million (US\$ 29,089.5 million) as at 31 December 2016.

This decrease in total liabilities was primarily due to a decrease in amounts due to financial institutions of AED 1,465.7 million (US\$ 399.1 million), or 28.4 per cent., to AED 3,688.6 million (US\$ 1,004.4 million) as at 31 December 2017 from AED 5,154.2 million (US\$ 1,403.5 million) as at 31 December 2016.

This decrease was partially offset by an increase in depositors' accounts of AED 1,189.9 million (US\$ 324.0 million), or 1.2 per cent., to AED 100,003.6 million (US\$ 27,230.4 million) as at 31 December 2017 from AED 98,813.8 million (US\$ 26,906.4 million) as at 31 December 2016.

Year ended 31 December 2016 as compared to year ended 31 December 2015

Operating income

Operating income increased by AED 242.3 million (US\$ 66.0 million), or 4.2 per cent., to AED 5,993.3 million (US\$ 1,631.9 million) for the year ended 31 December 2016 from AED 5,751.0 million (US\$ 1,566.0 million) for the year ended 31 December 2015.

The following factors contributed to this increase:

- (i) an increase in income from *murabaha*, *mudaraba*, *ijara* and other Islamic financing from customers of AED 126.2 million (US\$ 34.4 million), or 2.9 per cent., to AED 4,488.7 million (US\$ 1,222.3 million) for the year ended 31 December 2016 from AED 4,362.5 million (US\$ 1,187.9 million) for the year ended 31 December 2015;
- (ii) an increase in income from Islamic sukuk measured at amortised cost of AED 82.8 million (US\$ 22.6 million), or 33.2 per cent., to AED 332.0 million (US\$ 90.4 million) for the year ended 31 December 2016 from AED 249.2 million (US\$ 67.9 million) for the year ended 31 December 2015; and
- (iii) an increase in foreign exchange income, net of AED 59.5 million (US\$ 16.2 million), or 74.8 per cent., to AED 139.2 million (US\$ 37.9 million) for the year ended 31 December 2016 from AED 79.6 million (US\$ 21.7 million) for the year ended 31 December 2015.

This increase was partially offset by a decrease in fees and commission income, net of AED 70.9 million (US\$ 19.3 million), or 7.8 per cent., to AED 840.4 million (US\$ 228.8 million) for the year ended 31 December 2016 from AED 911.3 million (US\$ 248.1 million) for the year ended 31 December 2015, primarily due to a decrease in trade related fees and commission of AED 41.8 million (US\$ 11.4 million), or 27.6 per cent., and a decrease in risk participation and arrangement fees of AED 43.0 million (US\$ 11.7 million), or 20.2 per cent.

Operating expenses

Operating expenses (including provisions for impairment, net) increased by AED 223.8 million (US\$ 60.9 million), or 7.0 per cent., to AED 3,417.8 million (US\$ 930.7 million) for the year ended 31 December 2016 from AED 3,194.0 million (US\$ 869.7 million) for the year ended 31 December 2015.

This increase was primarily due to:

- (i) an increase in provision for impairment, net of AED 150.0 million (US\$ 40.8 million), or 18.3 per cent., to AED 970.0 million (US\$ 264.1 million) for the year ended 31 December 2016 from AED 820.0 million (US\$ 223.3 million) for the year ended 31 December 2015;
- (ii) an increase in depreciation of AED 40.3 million (US\$ 11.0 million), or 27.7 per cent., to AED 185.9 million (US\$ 50.6 million) for the year ended 31 December 2016 from AED 145.6 million (US\$ 39.6 million) for the year ended 31 December 2015; and

- (iii) an increase in employees' costs of AED 33.4 million (US\$ 9.1 million), or 2.4 per cent, to AED 1,436.9 million (US\$ 391.3 million) for the year ended 31 December 2016 from AED 1,403.5 million (US\$ 382.2 million) for the year ended 31 December 2015.

Net Profit

Net Profit increased by AED 19.5 million (US\$ 5.3 million), or 1.0 per cent., to AED 1,953.6 million (US\$ 531.9 million) for the year ended 31 December 2016 from AED 1,934.0 million (US\$ 526.6 million) for the year ended 31 December 2015.

This increase was primarily due to an increase in operating income, which was partially offset by an increase in operating expenses (including provisions for impairment, net), each as described above.

Financial position

Total assets increased by AED 3,912.1 million (US\$ 1,065.2 million), or 3.3 per cent., to AED 122,289.7 million (US\$ 33,298.8 million) as at 31 December 2016 from AED 118,377.7 million (US\$ 32,233.5 million) as at 31 December 2015.

This increase in total assets was primarily due to:

- (i) an increase in *ijara* financing of AED 1,862.0 million (US\$ 507.0 million), or 4.7 per cent., to AED 41,864.4 million (US\$ 11,399.4 million) as at 31 December 2016, from AED 40,002.5 million (US\$ 10,892.4 million) as at 31 December 2015;
- (ii) an increase in investment in Islamic sukuk measured at amortised cost of AED 1,780.9 million (US\$ 484.9 million), or 24.5 per cent., to AED 9,063.3 million (US\$ 2,467.9 million) as at 31 December 2016, from AED 7,282.4 million (US\$ 1,983.0 million) as at 31 December 2015;
- (iii) an increase in cash and balances with central banks of AED 1,149.0 million (US\$ 312.9 million) or 6.2 per cent., to AED 19,778.3 million (US\$ 5,385.5 million) as at 31 December 2016, from AED 18,629.4 million (US\$ 5,072.7 million) as at 31 December 2015; and
- (iv) an increase in balances and *wakala* deposits with Islamic banks and other financial institutions of AED 1,121.8 million (US\$ 305.5 million) or 35.9 per cent., to AED 4,246.2 million (US\$ 1,156.2 million) as at 31 December 2016, from AED 3,124.3 million (US\$ 850.7 million) as at 31 December 2015.

This increase was partially offset by a decrease in *murabaha* and other Islamic financing of AED 2,054.7 million (US\$ 559.5 million), or 5.4 per cent., to AED 36,346.1 million (US\$ 9,896.8 million) as at 31 December 2016, from AED 38,400.8 million (US\$ 10,456.3 million) as at 31 December 2015.

Total liabilities increased by AED 3,528.7 million (US\$ 960.8 million), or 3.4 per cent., to AED 106,831.1 million (US\$ 29,089.5 million) as at 31 December 2016 from AED 103,302.4 million (US\$ 28,128.6 million) as at 31 December 2015.

This increase in total liabilities was primarily due to:

- (i) an increase in amounts due to financial institutions of AED 2,048.6 million (US\$ 557.8 million), or 66.0 per cent., to AED 5,154.2 million (US\$ 1,403.5 million) as at 31 December 2016, from AED 3,105.6 million (US\$ 845.6 million) as at 31 December 2015; and
- (ii) an increase in depositors' accounts of AED 3,886.6 million (US\$ 1,058.3 million), or 4.1 per cent., to AED 98,813.8 million (US\$ 26,906.4 million) as at 31 December 2016, from AED 94,927.2 million (US\$ 25,848.1 million) as at 31 December 2015.

This increase was partially offset by a decrease in sukuk financing instruments of AED 1,836.3 million (US\$ 500.0 million), or 100 per cent., to AED 0.0 (US\$ 0.0) as at 31 December 2016, from AED 1,836.3 million (US\$ 500.0 million) as at 31 December 2015.

Funding

ADIB's main sources of funding are depositors' accounts and sukuk financing instruments issued under ADIB's AED 18.4 billion (US\$ 5,000,000,000) sukuk issuance programme, established in 2006.

In the first issuance under this programme in 2006, ADIB raised AED 2.9 billion through the issuance of US\$ 800,000,000 trust certificates due in 2011, the largest bank sukuk ever issued at that time. These trust certificates matured in 2011 and certificate holders were paid in full in December 2011.

In November 2010, ADIB raised AED 2.8 billion through the issuance of US\$ 750,000,000 trust certificates due in 2015, the second issuance under the sukuk programme. These trust certificates matured in 2015 and certificate holders were paid in full in November 2015.

In November 2011, ADIB raised an additional AED 1.8 billion through the issuance of US\$ 500,000,000 trust certificates due in 2016, the third issuance under the sukuk programme. These trust certificates matured in 2016 and certificate holders were paid in full in November 2016.

The trust certificates for each issuance have been listed on the London Stock Exchange.

In November 2012, ADIB raised AED 3.7 billion, through the issuance of US\$ 1 billion additional tier 1 capital certificates (the “**Tier 1 Sukuk (2012)**”). The Tier 1 Sukuk (2012) is a perpetual security in respect of which there is no fixed redemption date and constitutes direct, unsecured, subordinated obligations of ADIB. The Tier 1 Sukuk (2012) is callable by ADIB on 16 October 2018 or any profit payment date thereafter subject to certain conditions. From (and including) the issue date to (but excluding) 16 October 2018 the Tier 1 Sukuk (2012) bears an initial expected profit rate of 6.375 per cent. per annum payable semi-annually in arrear. On 16 October 2018 and every sixth year thereafter, the profit rate resets to a new expected profit rate based on the then six-year LIBOR rate plus an expected margin of 5.393 per cent.

The Tier 1 Sukuk (2012) is listed on the London Stock Exchange.

As at 30 June 2018, the aggregate amount of ADIB’s liabilities totalled AED 106.4 billion, including depositors’ accounts of AED 101.2 billion, respectively, compared to total liabilities of AED 106.6 billion, including depositors’ accounts of AED 100.0 billion, as at 30 June 2017.

The following table sets out the sources of funding for ADIB as at 30 June 2017 and 2018 and, 31 December 2015, 2016 and 2017.

Depositors’ accounts

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Current accounts	32,398,613	33,479,747	30,140,475	31,225,114	32,738,664
Investment accounts	67,144,303	67,142,640	64,392,321	67,134,219	66,743,153
Profit equalisation provision ⁽¹⁾	490,232	561,995	394,364	454,419	521,802
Total	100,033,148	101,184,382	94,927,160	98,813,752	100,003,619

(1) The “profit equalisation provision” is a reserve account created for certain types of deposit established in accordance with *Shari’a*, which can be used to pay profit to a depositor in specific circumstances, based on an agreed methodology.

As at 30 June 2018, ADIB’s 20 largest depositors accounted for 16.4 per cent. of ADIB’s total depositors’ accounts at that date (compared to 16.6 per cent. as at 30 June 2017). In accordance with *Shari’a*, returns cannot be paid or received for all types of current accounts. Therefore, deposit accounts (other than current accounts) are granted a profit distribution (from the actual generated profit, subject to the pre-agreed profit distribution percentages). Distributions of profit to depositors for the six months ended 30 June 2018 amounted to AED 301.9 million (as compared to AED 277.6 million for the six months ended 30 June 2017).

Amounts due to financial institutions

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Current accounts	1,242,166	810,637	1,404,404	1,027,616	1,538,954
Investment deposits	1,758,771	1,345,094	1,659,598	3,758,330	2,149,604
	3,000,937	2,155,731	3,064,002	4,785,946	3,688,558

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Current account – Central Bank of UAE	306,705	33,319	41,608	368,269	-
Total	3,307,642	2,189,050	3,105,610	5,154,215	3,688,558

Sukuk financing instruments

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Sukuk financing instruments	-	-	1,836,250	-	-

Other liabilities

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Other liabilities	3,306,155	3,023,562	3,433,411	2,863,117	3,012,258

Balance sheet maturity profile

The maturity profile of ADIB's assets and liabilities at the end of each financial year is based on contractual payment arrangements. The contractual maturities of assets and liabilities are based on the remaining period of the contractual payment obligations as at the date of the applicable balance sheet and do not take into account the behavioural maturities as indicated by ADIB's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure that adequate liquidity is maintained.

The tables below summarise the maturity profile of the Group's financial assets and liabilities at 31 December 2017, based on contractual maturities.

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
31 December 2017					
ASSETS					
Cash and balances with Central Banks	21,467,205	-	-	-	21,467,205
Balances and <i>wakala</i> deposits with Islamic banks and other financial institutions	1,585,102	147,182	967,480	66,139	2,765,903
<i>Murabaha</i> and <i>mudaraba</i> with financial institutions	1,957,846	167,403	-	-	2,125,249
<i>Murabaha</i> and other Islamic financing	2,739,342	8,825,479	15,025,234	6,659,260	33,249,315
<i>Ijara</i> financing	1,802,608	3,443,869	16,305,233	21,728,609	43,280,319
Investments in Islamic sukuk measured at amortised cost	613,001	742,326	5,090,151	3,606,550	10,052,028
Investment measured at fair value ..	-	1,519,282	7,208	-	1,526,490
<i>Investment in associates and joint ventures</i>	-	-	-	988,788	988,788
Other assets	2,267,267	55,427	189,486	12,964	2,525,144
Financial assets	<u>32,432,371</u>	<u>14,900,968</u>	<u>37,584,792</u>	<u>33,062,310</u>	<u>117,980,441</u>
Non-financial assets					<u>5,297,158</u>
Total assets					<u><u>123,277,599</u></u>
LIABILITIES					

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Due to financial institutions.....	3,681,580	6,978	-	-	3,688,558
Depositors' accounts.....	95,379,969	4,129,724	493,926	-	100,003,619
Other liabilities	1,907,644	339,150	765,464	-	3,012,258
Total liabilities	100,969,193	4,475,852	1,259,390	-	106,704,435

Gross financing portfolio

The following table summarises the types of ADIB's financing activities as at 30 June 2017 and 2018, and 31 December 2015, 2016 and 2017.

Financing Type	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
<i>Murabaha</i>	56,219,360	54,616,668	60,636,447	58,552,824	55,436,844
<i>Mudaraba</i>	60,581	40,487	1,213,861	1,128,518	46,681
<i>Istisna 'a</i>	137,667	122,083	146,377	136,097	130,322
<i>Ijara</i>	62,393,575	64,661,711	52,314,321	57,040,714	63,196,179
Other financing receivables	313,975	328,841	338,683	245,146	281,810
	119,125,158	119,769,790	114,649,689	117,103,299	119,091,836
		(40,147,640)			
Less: deferred income....	(39,388,786)	0	(33,251,319)	(35,734,114)	(39,341,841)
Total Customer Financing (Gross)	79,736,372	79,622,150	81,398,370	81,369,185	79,749,995
Less: provisions for impairment.....	(2,978,319)	(3,318,812)	(2,995,139)	(3,158,663)	(3,220,361)
Total Customer Financing (Net).....	76,758,053	76,303,338	78,403,231	78,210,522	76,529,634

As at 30 June 2018, ADIB's 20 largest financings accounted for 20.0 per cent. of ADIB's total net financing at that date (compared to 19.1 per cent. as at 30 June 2017).

Concentration of financial assets

The following tables set out the allocation by geographic region and industry sector of ADIB's portfolio of financial assets as at 31 December 2015, 2016 and 2017. The concentration of assets by geographical region is based primarily upon the location of the counterparty.

The distribution of the Group's financial assets subject to credit risk by geographic region and industry sector is as follows:

	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Geographic region:			
UAE.....	78,088,963	77,739,965	76,553,696
Rest of the Middle East	2,179,364	2,016,732	1,808,971
Europe	245,582	523,676	597,335
Others	884,461	1,088,812	789,993
Financial assets subject to credit risk.....	81,398,370	81,369,185	79,749,995
Industry sector:			
Government	451,890	-	752,339
Public sector	4,744,922	5,605,432	5,462,229
Corporates.....	26,661,976	25,500,849	22,564,139
Financial institutions.....	619,316	162,150	234,315

	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Individuals	46,113,645	48,330,588	49,766,164
Small and medium enterprises	2,615,442	1,467,632	862,828
Non-profit organizations.....	191,179	302,534	107,981
Financial assets subject to credit risk.....	<u>81,398,370</u>	<u>81,369,185</u>	<u>79,749,995</u>

Contingent liabilities and commitments

Credit-related commitments include commitments to extend Islamic credit facilities, standby letters of credit, guarantees and acceptances, which are designed to meet the requirements of ADIB's customers.

Commitments to extend Islamic credit facilities represent contractual commitments under Islamic financing contracts. Commitments generally have fixed expiration dates, or other termination clauses and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Standby letters of credit, guarantees and acceptances commit ADIB to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of contracts.

ADIB had the following credit-related commitments, contingencies and other capital commitments as at 30 June 2017 and 2018, and 31 December 2015, 2016 and 2017.

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Contingent Liabilities					
Letters of credit.....	2,686,549	2,582,369	2,083,463	2,025,680	3,215,199
Letters of guarantee	9,541,987	7,159,641	11,276,968	9,747,282	8,572,858
Total Contingent Liabilities	<u>12,228,536</u>	<u>9,742,010</u>	<u>13,360,431</u>	<u>11,772,962</u>	<u>11,788,057</u>
Commitments					
Undrawn facilities commitments.....	482,972	801,019	583,032	386,939	666,945
Future capital expenditure	318,722	125,026	70,776	312,738	174,699
Investment and development properties	9,183	4,384	74,057	11,436	6,108
Total Commitments	<u>810,877</u>	<u>930,429</u>	<u>727,865</u>	<u>711,113</u>	<u>847,752</u>
Total.....	<u>13,039,413</u>	<u>10,672,439</u>	<u>14,088,296</u>	<u>12,484,075</u>	<u>12,635,809</u>

The table below shows the contractual expiry by maturity of ADIB's contingent liabilities and commitments as at 31 December 2015, 2016 and 2017.

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
As at 31 December 2015					
Contingent liabilities.....	10,470,928	2,123,571	759,606	6,326	13,360,431
Commitments	-	52,439	92,394	-	144,833
Total.....	<u>10,470,928</u>	<u>2,176,010</u>	<u>852,000</u>	<u>6,326</u>	<u>13,505,264</u>
As at 31 December 2016					
Contingent liabilities.....	9,848,151	1,109,949	808,550	6,312	11,772,962
Commitments	-	11,436	125,292	-	136,728
Total.....	<u>9,848,151</u>	<u>1,121,385</u>	<u>933,842</u>	<u>6,312</u>	<u>11,909,690</u>
As at 31 December 2017					
Contingent liabilities.....	8,223,107	1,334,464	2,217,544	12,942	11,788,057

	Less than 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Commitments	-	180,807	-	-	180,807
Total	8,223,107	1,515,271	2,217,544	12,942	11,968,864

ADIB does not expect that all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Provisions for credit losses

The following table sets out the movements in provisions for credit losses as at 31 December 2015, 31 December 2016, 30 June 2017, 31 December 2017, and 30 June 2018.

	Murabaha and Other Islamic Financing	Ijara Financing	Total
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Balance as at 1 January 2015	1,402,030	1,351,313	2,753,343
Additional provision (reversal) during 2015.....	884,000	(113,359)	770,641
Written off during 2015	(425,180)	(103,665)	(528,845)
Balance as at 31 December 2015	1,860,850	1,134,289	2,995,139
Additional provision during 2016.....	755,636	212,934	968,570
Written off during 2016	(794,717)	(10,329)	(805,046)
Balance as 31 December 2016	1,821,769	1,336,894	3,158,663
Additional provision during the first six months of 2017	348,299	25,948	374,247
Other adjustments during the first six months of 2017	(124,900)	-	(124,900)
Written off during the first six months of 2017	(315,751)	(113,940)	(429,691)
Balance as at 30 June 2017	1,729,417	1,248,902	2,978,319
Additional provision during the last six months of 2017	313,073	78,618	391,691
Written off during the last six months of 2017	(146,353)	(3,296)	(149,649)
Balance as at 31 December 2017	1,896,137	1,324,224	3,220,361
Transition adjustment for IFRS 9	210,804	(258,406)	(47,602)
Balance as at 1 January 2018	2,106,941	1,065,818	3,172,759
Additional provision during the first six months of 2018	229,453	81,199	310,652
Written off during the first six months of 2018	(158,480)	(6,119)	(164,599)
Balance as at 30 June 2018	2,177,914	1,140,898	3,318,812

Investments

The fair value of the investments as at 30 June 2017 and 2018, and 31 December 2015, 2016 and 2017 is comprised of the following:

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Investment carried at					

fair value through profit or loss					
Equities	-	-	11,319	244	-
Sukuk	1,951,749	1,829,909	1,258,537	1,263,230	1,377,491
Total investment carried at fair value through profit or loss....	1,951,749	1,829,909	1,269,856	1,263,474	1,377,491
Investment carried at fair value through other comprehensive income					
Quoted investments					
Equities	570	40,647	846	756	42,307
Sukuk	-	1,058,163	-	-	-
	570	1,098,810	846	756	42,307
Unquoted investments					
Funds	54,559	50,896	51,363	52,088	53,619
Private equities	93,051	60,030	131,494	80,610	53,073
	147,610	110,926	182,857	132,698	106,692
Total investment carried at fair value through other comprehensive income..	148,180	1,209,736	183,703	133,454	148,999
	2,099,929	3,039,645	1,453,559	1,396,928	1,526,490
Less: provisions for impairment	-	(3,069)	-	-	-
Total investment carried at fair value	2,099,929	3,036,576	1,453,559	1,396,928	1,526,490
Investment carried at amortised cost					
Sukuk	10,592,065	9,817,473	7,282,409	9,063,314	10,052,028
	12,691,994	12,854,049	8,735,968	10,460,242	11,578,518

Related parties transactions

In the ordinary course of its activities, ADIB enters into transactions with related parties, comprising associates, directors, major shareholders, key management and their related concerns at commercial profits and commission rates. ADIB obtains collateral, including charges over real estate properties and securities, the extent of which is dependent on ADIB's assessment of the credit risk of the related party. All financing to related parties are performing financings and free of any provision for impaired financing. A related party exposure that is currently in excess of the regulatory limit, but is not in regulatory breach, is to be regularised by the end of 2018. Work is currently under way to achieve this.

During the six months ended 30 June 2017 and 2018, and the years ended 31 December 2015, 2016 and 2017, significant transactions with related parties included in the consolidated income statement are as follows:

	30 June 2017	30 June 2018	31 December 2015	31 December 2016	31 December 2017
	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>	<i>AED '000</i>
Income from <i>murabaha</i> , <i>mudaraba</i> and <i>wakala</i> with financial institutions	7,201	4,900	4,835	9,290	14,394
Income from <i>murabaha</i> , <i>mudaraba</i> , <i>ijara</i> and other Islamic financing from customers	72,658	67,523	196,473	142,855	135,117
Income from investments measured at fair value	-	-	63	-	-
Fees and commissions income, net	2,160	2,759	11,287	3,541	3,734

	<u>30 June 2017</u> <i>AED '000</i>	<u>30 June 2018</u> <i>AED '000</i>	<u>31 December 2015</u> <i>AED '000</i>	<u>31 December 2016</u> <i>AED '000</i>	<u>31 December 2017</u> <i>AED '000</i>
Operating expenses	216	216	432	432	687
Distribution to depositors and sukuk holders	570	965	748	893	1,471

As at 30 June 2017 and 2018, and 31 December 2015, 2016 and 2017, balances with related parties included in the consolidated statement of financial position were as follows:

	<u>30 June 2017</u> <i>AED '000</i>	<u>30 June 2018</u> <i>AED '000</i>	<u>31 December 2015</u> <i>AED '000</i>	<u>31 December 2016</u> <i>AED '000</i>	<u>31 December 2017</u> <i>AED '000</i>
Balances and <i>wakala</i> deposits with Islamic banks and other financial institutions	1,088,253	771,392	1,354,353	1,087,153	918,817
<i>Murabaha</i> and <i>mudaraba</i> with financial institutions <i>Murabaha, mudaraba,</i> <i>ijara</i> and other Islamic financing	135,459	167,723	171,611	163,765	167,059
Other assets	6,167,020	6,137,498	6,261,045	6,194,935	6,098,086
	262,297	293,148	197,241	248,978	272,474
	<u>7,653,029</u>	<u>7,369,761</u>	<u>7,984,250</u>	<u>7,694,831</u>	<u>7,456,436</u>
Due to financial institutions	22,415	21,200	30,180	47,457	31,019
Depositors' accounts	305,914	216,262	334,635	413,883	326,955
Other liabilities	4,543	8,368	267	2,537	3,633
	<u>332,872</u>	<u>245,830</u>	<u>365,082</u>	<u>463,877</u>	<u>361,607</u>

Risk management

The role of risk management is to support business growth while ensuring the quality of ADIB's portfolios in accordance with the defined risk appetite and risk policies of ADIB. The objective is to control earnings volatility and protect the bank's capital base, which is achieved by setting clear risk-taking parameters and institutionalising robust risk management processes. Risk management is one of the core focus areas for ADIB and ADIB is working to ensure that it adopts global best practices in all risk management areas. This commitment is pursued by investing both in systems and people.

ADIB faces a variety of risks in its operations (including credit, market, liquidity, operational and legal risks) in respect of which it has established risk management functions to identify, evaluate and manage such risks.

Credit risk management

CRM ensures an objective risk-based assessment of opportunities, supervises efficient allocation of capital and ensures earnings are predictable and sustainable. Risk is managed at the transaction, obligor and portfolio levels. Related policies are regularly evaluated against market and regulatory requirements.

Credit approval process

ADIB maintains documented risk management procedures and controls. Proposals for credit approvals are originated by the respective business unit, assigned a risk rating and are initially considered by the business unit. Credit applications above set limits and credit parameters are independently evaluated by CRM. All proposals above a specified limit require the approval of the Group Risk and Investment Approval Committee. Proposals entailing significant amounts or exposure are submitted to the Board of Directors.

ADIB strictly complies with Central Bank regulations relating to large exposures, which provide for the maximum total exposure per counterparty (and its related Group exposures) in relation to any bank's prevailing capital base.

Collateral management

In respect of collateralised financings, CRM, together with the respective business units, are responsible for the evaluation and maintenance of collateral. Customers will be contacted by ADIB when the value of its collateral falls below the required level of coverage in order to remedy such shortfall.

Limits on financing

ADIB has established country and geographic limits, as well as obligor and industry limits on financing. The limit for any country or sector may be increased or decreased by the Group Risk and Investment Approval Committee in accordance with specific business requirements or due to any significant development in the respective country or sector (e.g. changes in the outlook or growth prospects of that country or sector).

Finance portfolio

Corporate facilities are reviewed regularly by CRM, at least annually. This review includes an analysis of the customer (based on its latest financial statements, its compliance with any covenants and its payment and facility usage patterns), its industry and its business, and also uses external data.

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio to facilitate focussed risk management and comparison of credit exposures across all products, business lines and geographic regions. Financial and qualitative analysis and processed market information provide the primary inputs for measuring counterparty risk.

All internal risk ratings are tailored to the relevant category and calculated in accordance with the Group's risk rating policy. Risk ratings models are assessed and updated regularly and ADIB introduced a number of new ratings models aligned to specific business segments during the course of the year. The Moody's equivalent risk ratings are relevant only for certain exposures in each class.

ADIB uses a 22-grade risk rating system ranging from AAA to D/10. Risk ratings AAA to B+ are considered good credit, although reducing in quality from "Investment Grade" (AAA) to "Speculative Grade" (B+). Risk ratings B to CCC+ are considered higher risk credit, but with a limited margin of safety. Risk ratings CCC to D/10 are considered vulnerable and comprise classified credits reducing in quality from "Watch-list" (CCC) to "Loss" (D/10). Although Loss is considered uncollectible under the risk rating system, it does not imply that the assets have zero recovery or salvage value.

The table below shows a breakdown of ADIB's gross finance portfolio as at 30 June 2018 (in AED thousands):

<i>Business Group</i>	<i>Performing Financing Assets</i>	<i>Non-Performing Financing Assets</i>	<i>Total</i>
Corporate/Government	26,544,935	1,709,432	28,254,367
Retail	44,927,659	1,670,003	46,597,662
Private Banking	3,766,273	1,003,848	4,770,121
Total	75,238,867	4,383,283	79,622,150

ADIB's 20 largest non-performing exposures classified as Stage 3 under International Financial Reporting Standards, as at 30 June 2018, amounted to AED 2.1 billion. Profit in suspense relating to these accounts amounted to AED 157 million and provisions for impairment against these accounts amounted to AED 600 million. The financial data in this paragraph is derived from ADIB's unaudited management data.

Financing and recovery

ADIB adopts a rigorous approach to managing its bad and doubtful customer financings. Its managers maintain effective contact with non-performing customers with a view to maximising recoveries. The Group Special Asset Management team ("GSAM") within CRM is responsible for recovery of the financing through either negotiation with the customer or by litigation with the support and involvement of ADIB's Legal Department. GSAM is headed by a senior executive who is supported by a team of recovery officers and recovery supervisors.

Retail portfolio

ADIB has adopted a simplified approach to approving retail credit applications, which comprise the bulk of finance applications received by ADIB. As a preliminary step, the applicant's credit history (if any) with ADIB and any records relating to the applicant held by the Central Bank are checked. The Central Bank has established an online "Risk Bureau Customer Rating System" for individuals seeking financing of up to AED 250,000. ADIB reviews the credit history and credit exposure information available therein to ensure compliance with Central Bank regulations.

ADIB has developed various retail products which have specific parameters which, *inter alia*, define the maximum level of permitted finance. Such parameters may depend on salary, credit score and debt service ratio (defined as the ratio of total of monthly instalments to net monthly salary received in the customer's account with ADIB), among other things.

ADIB offers both secured financing schemes (such as real estate and car financing, secured against the asset being financed) and unsecured financing schemes (such as personal financings and covered cards).

Market risk management

Market risk is ADIB's exposure to adverse changes in the market value of its portfolios and positions in financial instruments caused by changes in market prices. Market risk management is an independent risk function. The aim is to make the market risk profile transparent to the senior management and regulators. The market risk governance structure includes two policy making committees, the Asset Liability Committee and the Market Risk Policy Committee, which set appropriate limits in line with defined risk appetite and allocated capital.

Liquidity risk management

Liquidity risk is the risk that ADIB will be unable to meet its funding requirements, which can be caused by a number of factors, such as political uncertainty, market disruptions or a downgrade in ADIB's credit rating. To address this risk, ADIB's liquidity risk management function seeks to diversify funding sources and to match the growth of its assets with funding.

Operational risk management

Operational risk for ADIB is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Whilst ADIB cannot expect to eliminate all operational risks, ADIB's operational risk management function aims to manage risks through regular assessment of its processes, including the use of process review tools, mitigation, monitoring, reporting and staff education. Further, in order to mitigate this risk and to ensure continued growth, ADIB aims to further enhance and upgrade its production environment capabilities to manage capacity, scalability and business continuity.

Legal risk management

Legal risk is the risk of losses occurring due to legal or regulatory action that precludes performance by ADIB or its counterparty under the terms of its contractual agreements. ADIB's legal risk management function aims to mitigate this risk through properly reviewed documentation and by seeking legal advice when appropriate. ADIB has a highly qualified full-time in-house legal team which deals with both routine and more complex legal issues. Situations of higher complexity and sensitivity are referred to external firms of lawyers, either in the UAE or overseas, as appropriate.

Recent developments

In June 2018, the Central Bank published "Risk Management Regulation" and "Risk Management Standards" for UAE banks. The purpose of these regulations and standards is to establish a prudential framework for risk management in banks and to strengthen risk management across the banking sector. The areas covered by these regulations and standards are: (i) the risk management function; (ii) risk measurement and use of models; (iii) stress testing; (iv) information systems; (v) strategic and operational decisions; (vi) group risk management; (vii) disclosures; and (viii) Islamic banking.

ADIB conducted a self-assessment against these regulations and standards and concluded that its policies and procedures are largely compliant. ADIB identified two areas where further enhancements may be required: (i)

ADIB's group risk management function, including the introduction of the role of the Chief Risk Officer; and (ii) ADIB's policies and systems in relation to risk data aggregation and reporting. The Board of Directors is aware of the findings of ADIB's self-assessment and a plan is being formulated to resolve the areas where ADIB is not in full compliance.

Capital management/adequacy

Basel III

ADIB's capital adequacy ratio is calculated in accordance with its internal guidelines and the Central Bank's instructions. The Central Bank has issued Basel III capital adequacy regulations (the "Basel III Regulations"), which came into effect from 1 February 2017, introducing minimum capital requirements at three levels: common equity tier 1, tier 1 and total capital.

The Central Bank has also introduced capital buffers which must be maintained in addition to the minimum common equity tier 1 requirement of 7 per cent.: (i) the capital conservation buffer which, following transitional arrangements, must be maintained at 2.5 per cent. of risk weighted assets and (ii) the countercyclical capital buffer which, following transitional arrangements, must be maintained at a level determined by the Central Bank, between 0 – 2.5 per cent. of risk weighted assets.

The Basel III Regulations provide for transitional arrangements for 2017 and 2018. During 2017, the capital conservation buffer was required to be maintained at 1.25 per cent. of risk weighted assets. During 2018, the capital conservation buffer is required to be maintained at 1.875 per cent. and from 2019 it will be required to be maintained at 2.5 per cent. of risk weighted assets. The countercyclical capital buffer is not yet in effect and was not required to be maintained for 2017. Therefore, the combined buffer requirement applicable to ADIB as at the date of this Shareholder Circular comprises only the capital conservation buffer.

The minimum capital requirements for 2017, 2018, 2019 and onward under the Basel III Regulations are set out below:

<i>Capital Ratio</i>	<i>Minimum requirements as of 1 January 2017</i>	<i>Minimum requirements as of 1 January 2018</i>	<i>Minimum requirements as of 1 January 2019 and onward</i>
Total capital adequacy ratio	11.75%	12.375%	13.0%
Total Tier 1	9.75%	10.375%	11.0%
Common Equity Tier 1 including capital conservation buffer	8.25%	8.875%	9.50%

The following table shows ADIB's risk assets and their risk-weighted values for capital adequacy ratio purposes under Basel III as at 30 June 2018 and 31 December 2017:

	<i>30 June 2018</i>	<i>31 December 2017</i>
	<i>AED '000</i>	<i>AED '000</i>
Capital Base	16,376,131	15,905,909
Risk-weighted Assets		
Credit Risk	85,169,332	87,382,347
Market Risk	2,256,125	2,211,598
Operational Risk	9,887,839	9,259,729
Total risk-weighted assets	97,313,296	98,853,674
Total common equity Tier 1 capital*	10.28%	9.40%
Total Tier 1 capital*	15.74%	15.06%
Total regulatory capital*	16.83%	16.09%

* Expressed as a percentage of total risk weighted assets.

Therefore, as at 30 June 2018, ADIB fulfilled its capital conservation buffer requirement with a margin of 1.41 per cent.

Basel II

Basel II, which was replaced by Basel III, was in effect until 31 December 2017. The minimum requirements prescribed by the Central Bank under Basel II for the capital adequacy ratio and tier 1 ratio were 12 per cent. and 8 per cent. respectively.

The following table shows the risk assets and their risk-weighted values for capital adequacy ratio purposes under Basel II as at 30 June 2017, and 31 December 2015, 2016 and 2017:

	30 June 2017	31 December 2015	31 December 2016	31 December 2017
	AED '000	AED '000	AED '000	AED '000
Capital Base	15,307,892	14,754,386	15,211,575	16,192,983
Risk-weighted Assets ...				
Credit Risk	86,852,244	87,712,261	89,544,880	85,419,783
Market Risk	1,983,673	2,218,921	1,802,581	2,211,598
Operational Risk.....	9,259,729	7,549,954	8,402,813	9,259,729
Total risk-weighted assets	<u>98,095,646</u>	<u>97,481,136</u>	<u>99,750,274</u>	<u>96,891,110</u>
Total Tier 1 capital*	<u>15.00%</u>	<u>14.59%</u>	<u>14.61%</u>	<u>16.18%</u>
Total regulatory capital*	<u>15.61%</u>	<u>15.14%</u>	<u>15.25%</u>	<u>16.71%</u>

* Expressed as a percentage of total risk weighted assets.

Tier 1 sukuk – Government of Abu Dhabi

In Abu Dhabi, government-owned institutions assisted certain Abu Dhabi banks during 2008 in strengthening their capital base through the subscription of mandatory convertible securities. In April 2009, the Abu Dhabi Government (acting through its Department of Finance) subscribed for an AED 2 billion tier 1 sukuk issued by ADIB. In aggregate, the Abu Dhabi Government subscribed for a sum of AED 16 billion in subordinated tier 1 capital notes/sukuk issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi (now First Abu Dhabi Bank following its merger with First Gulf Bank), Abu Dhabi Commercial Bank, First Gulf Bank (now First Abu Dhabi Bank following its merger with National Bank of Abu Dhabi), Union National Bank and ADIB.

Operations and technology

The Operations and Technology team acts as an enabler for the Group in pursuit of achieving ADIB's strategic objective for its customers, shareholders and employees (see the "Description of Abu Dhabi Islamic Bank – Objective and strategy" section of this Shareholder Circular).

The Operations and Technology team provides consistent operational support to the Group and enacts strong governance and control mechanisms across the business lines, with a focus on delivering lower operational costs, building digital capabilities and increasing efficiency, automation and customer-centric processes to deliver an enhanced customer experience.

The Operations and Technology team establishes, develops and implements technology refresh programmes to upgrade ADIB's systems and technologies and enable its digital transformation. Recent initiatives include: (i) an information security transformation programme – aimed at centralising and comprehensively managing ADIB's information and cyber-security controls to build resilience to internal and external security threats; (ii) business continuity management team – a team and robust platform to enhance automation and data integrity in the context of business continuity management; and (iii) digitalisation programmes – investments in several strategic programmes to improve time to market for innovative ways of banking.

Competition

ADIB faces competition in all of its business areas from both domestic and foreign banks operating in the UAE. As at 30 December 2017, there were 49 banks holding full commercial banking licences in the UAE.

As at 30 June 2018, the Islamic banking sector in the UAE included seven Islamic banks, comprising ADIB, Dubai Islamic Bank, Sharjah Islamic Bank, Emirates Islamic Bank, Noor Bank, Al Hilal Bank and Ajman Bank. In addition, a number of conventional banks have established Islamic windows through which they provide

Shari'a-compliant products and services establishing Islamic banking offerings, including First Abu Dhabi Bank, Abu Dhabi Commercial Bank, Mashreq Bank, Union National Bank and Standard Chartered Bank.

Property

During 2018, ADIB moved into its new headquarters, occupying one tower of the 12-storey twin-tower building. The other tower has been leased to a third party. The building conforms to the standard for a new construction within the “LEED Green Building Rating System”, which encourages global adoption of sustainable green building and development practices.

As at 30 June 2018, ADIB’s property and equipment had a total net book value of AED 2,159 million.

Industry regulation and supervision

ADIB is licensed and regulated by the Central Bank, which is the principal source of banking regulation in the UAE. The Central Bank provides prudential supervision to each bank’s capital adequacy, liquidity and anti-money laundering measures. Monitoring by the Central Bank is undertaken by way of regular inspections of banks and their records and the requirement for regular submission of data, including, but not limited to, deposited funds, financing business, liquidity status, risk profile and suspicious reports filing.

As a public joint stock company listed on the ADX, ADIB is subject to the rules and regulations of the ADX including the disclosure requirements of both SCA and the ADX.

Regulatory compliance

The Group is committed to building and maintaining a culture of ethical behaviour, corporate governance and regulatory compliance. ADIB’s Global Head of Compliance, who reports directly to the Group Audit Committee, manages the Group Compliance Department (“GCD”) to identify, assess and monitor compliance risk faced by the Group and to advise and report directly to senior management. The GCD, which comprises a team of qualified professionals, ensures the preservation of the reputation and integrity of ADIB and its subsidiaries through compliance with applicable laws, regulations and ethical standards in each market in which it operates.

In 2014 ADIB became aware of certain financial transactions relating to US dollar payments that potentially breached United States of America sanctions laws in effect at that time. After learning of these potential breaches, ADIB appointed external legal advisers to assist it in reviewing these transactions and reviewing its compliance with United States of America sanctions laws and its compliance processes generally. Following this review, ADIB submitted its findings to relevant regulators in the UAE and the United States of America in early 2017. This review also assisted ADIB in identifying additional steps to ensure compliance with applicable sanctions laws, and ADIB enhanced its processes accordingly. As at the date of this Shareholder Circular, the relevant regulators have not responded following receipt of ADIB’s findings and, as such, the likely outcome of their review remains unknown.

Anti-money laundering policies

The GCD has established a separate anti-money laundering unit and implemented a transaction monitoring system to identify and continually review suspicious transactions, as well as to establish anti-money laundering and “know your client” policies (as per the Central Bank’s requirements and internationally accepted standards). The anti-money laundering unit conducts regular training to ensure that ADIB and its subsidiaries are always in compliance with requisite policies.

ADIB believes that it is in compliance with the Central Bank’s requirements in relation to anti-money laundering and counter-terrorism financing. To date, neither ADIB, nor any of its subsidiaries has been subject to sanctions or punitive actions related to anti-money laundering or counter terrorism financing by any regulator or law enforcement authorities. In support of its determination to remain compliant with any applicable economic sanctions laws and to ensure that it takes full advantage of control mechanisms in respect to dealing with sanctioned persons, entities, and countries, ADIB undertakes comprehensive reviews, with the assistance of external parties, of its US dollar-denominated transactions involving countries or parties subject to US economic sanctions. To the extent that these reviews assist ADIB in the identification of any additional steps that can be taken to ensure compliance with applicable sanctions laws, ADIB enhances its processes accordingly.

Internal audit

The Group Audit and Risk Review division (“**GARR**”) comprises a team of qualified auditors who perform internal audits of all of the branches and departments of ADIB and provide an independent appraisal function. It advises the Board of Directors, the Group Audit Committee, the management team and ADIB’s subsidiaries and associated companies. GARR has a direct reporting line to the Group Audit Committee. Each internal audit function within each of ADIB’s subsidiary companies reports to or coordinates with GARR.

GARR adopts the Internal Audit Standards requirements, including the risk-based approach in line with the best practices in the financial industry.

Ratings

Fitch Ratings Ltd. (“**Fitch**”) has assigned ADIB a long-term issuer default rating of ‘A+’ with stable outlook and a short-term rating of F1. Moody’s Investors Service Ltd. (“**Moody’s**”) has assigned ADIB a long-term rating of A2 with stable outlook and a short-term rating of P1.

Fitch is established in the European Union and was registered under Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the “**CRA Regulation**”) on 31 October 2011. Moody’s was registered under the CRA Regulation on 31 October 2011. A list, published by the European Securities and Markets Authority, of credit rating agencies registered or certified in accordance with the CRA Regulation can be found at the following website: <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>.

DIRECTORS, MANAGEMENT AND EMPLOYEES

In accordance with applicable federal UAE and Abu Dhabi laws and ADIB's by-laws, ADIB's executive management is currently comprised of a Board of Directors and a number of appointed committees.

Board of Directors

The Board of Directors derives its authority to act from the Articles of Association and the laws governing companies and banks in the UAE and Abu Dhabi. Its responsibilities include:

- the supervision of the management of the business affairs of ADIB;
- providing leadership in the development and implementation of ADIB's vision and mission, both within the UAE and as ADIB expands abroad; and
- the establishment and oversight of ADIB's risk management framework and ensuring that business is conducted within this framework.

The Board of Directors is comprised of a chairman, vice chairman and five other members (each a "**Director**" and together the "**Directors**"). The majority of the Directors are UAE nationals (as required by the UAE Federal Law No. 2 of 2015 on Commercial Companies and the Articles of Association).

The Board of Directors is appointed for three-year renewable terms and is required to meet at least four times per annum. The details of the current Directors, elected or re-elected by the General Assembly on 21 April 2016, are set out below.

<i>Name</i>	<i>Positions</i>	<i>Appointment</i>
H.E. Jawaan Awaidha Suhail Al Khaili	Chairman of the Board of Directors since March 2008 and Director since February 2008.	Appointed by the Board of Directors and appointment confirmed by the General Assembly.
Mr. Khamis Mohamed Buharoon	Director since August 2007 and has been the Acting Chief Executive Officer of ADIB since March 2017 (the " Acting CEO "). He is also the Chairman of both ADNTC and ADIB Securities.	Appointed by the Board of Directors and appointment confirmed by the General Assembly.
Mr. Juma Khamis Al Khaili	Director since April 2004.	Elected by the General Assembly.
Mr. Ragheed Najeeb Al Shanti	Director since April 2007.	Elected by the General Assembly.
Dr. Sami Ali Al Amri	Director since March 2009.	Elected by the General Assembly.
Mr. Abdulla Bin Aqueeda Al Muhairi	Director since April 2010.	Elected by the General Assembly.
Mr. Khalifa Matar Al Mheiri	Director since April 2016.	Elected by the General Assembly.

The Board of Directors carries out its responsibilities and duties either directly or indirectly, through its Board Committees (as set out below). ADIB also has a *Shari'a* Supervisory Board, of which the members are nominated by the Board of Directors and appointed by the shareholders.

Board Committees

As part of ADIB's corporate governance programme, the Board of Directors has appointed six committees which have specific mandates, consisting of certain Directors, the Acting CEO, group heads and external independent experts in their relevant fields ("**Subject Matter Experts**"), as follows:

- (i) Group Audit Committee;

- (ii) Group Strategy Committee;
 - (iii) Group Governance and Risk Policy Committee;
 - (iv) Group Remuneration Committee;
 - (v) Group Nomination Committee; and
 - (vi) Group Risk and Investment Approval Committee
- (together, the “**Board Committees**”).

The Subject Matter Experts have a diversity of backgrounds aimed at ensuring that undue reliance is not placed on any one individual. The purpose of the Board Committees and their members are set out below.

Group Audit Committee

The Group Audit Committee is comprised of the following members: Mr. Abdulla Bin Aqueeda Al Muhairi, Chairman; Mr. Khamis Mohamed Buharoon, Member; Dr. Sami Ali Al Amri, Member; and Munther Dajani, Subject Matter Expert.

The Group Audit Committee’s mandate is to:

- assist the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of the Group’s consolidated financial statements and financial reporting process;
- review the financial and internal control systems, quality assurance and risk management framework;
- review the performance of the internal audit function;
- review the internal controls over financial reporting and annual independent audit of the Group’s consolidated financial statements;
- recommend to the Board of Directors the engagement of the external auditors and evaluation of their qualifications, independence and performance; and
- ensure compliance by the Group with legal and regulatory requirements as pertaining to its business activities.

Group Strategy Committee

The Group Strategy Committee is comprised of the following members: Dr. Sami Ali Al Amri, Chairman; Mr. Khamis Mohamed Buharoon, Member; and Mr. Khalifa Matar Al Mheiri, Member.

The Group Strategy Committee’s mandate is to:

- review, consider, discuss and challenge the recommendations submitted by the executive management with regard to business strategy, budgets and annual plans;
- work with management to make recommendations to the Board of Directors on the business strategy and long term strategic objectives of ADIB, including all subsidiaries and associates;
- review the financial performance of each business group on a quarterly basis and make recommendations should action be required;
- review and recommend capital allocation within the Group to the Board of Directors;
- review the organisational structure of ADIB and make recommendations to the Board of Directors on any changes deemed necessary; and
- review proposals from management for the establishment or disposal of branches, subsidiaries and new joint ventures, referring them to the Group Risk and Investment Approval Committee for final decision.

Group Governance and Risk Policy Committee

The Group Governance and Risk Policy Committee is comprised of the following members: Mr. Khalifa Matar Al Mheiri, Chairman; Mr. Juma Khamis Al Khaili, Member; Dr. Sami Ali Al Amri, Member; Mr. Abdulla Bin Aqueeda Al Muhairi, Member; and Mr. Brian Belcher, Non-voting member.

The Group Governance and Risk Policy Committee's mandate is to:

- review the risk profile of the Group at the enterprise level;
- make recommendations to optimise the risk profile of the Group at the enterprise level, in accordance with applicable regulations, ratings considerations and overall business strategy;
- review the corporate governance and risk management frameworks for the Group; and
- make recommendations on these matters to the Board of Directors, in alignment with the requirements of the Basel Committee on Banking Supervision, and in compliance with all local regulatory requirements.

Group Remuneration Committee

The Group Remuneration Committee is comprised of the following members: Mr. Juma Khamis Al Khaili, Chairman; Dr. Sami Ali Al Amri, Member; and Mr. Khalifa Matar Al Mheiri, Member.

The Group Remuneration Committee's mandate is to:

- review the selection criteria and number of executive and employee positions required by ADIB;
- approve the overall manpower of ADIB based on reports submitted by the Acting CEO, taking into consideration the advice of an independent and recognised consulting firm; and
- review on an annual basis the policy for the remuneration, benefits, incentives and salaries of all ADIB employees, including bank and non-bank subsidiaries and affiliates, as submitted by the Acting CEO, taking into consideration the advice of an independent and recognised consulting firm.

Group Nomination Committee

The Group Nomination Committee is comprised of the following members: H.E. Jawaan Awaidha Suhail Al Khaili, Chairman; Mr. Juma Khamis Al Khaili, Member; and Dr. Sami Ali Al Amri, Member.

The Group Nomination Committee's mandate is to:

- identify and nominate, for approval of the Board of Directors, candidates for appointment to the Board of Directors;
- make recommendations on succession plans for Directors;
- provide input on the renewal of the terms of office of non-executive Directors;
- assist with membership of Board of Directors' committees, in consultation with the Board of Directors' Chairman and the Chairmen of such committees;
- guide on matters relating to the continuation in office of any Director at any time;
- make recommendations on appointments and re-appointments to the boards of major subsidiaries and controlled affiliated companies;
- ensure the independence of the independent directors and any qualified subject matter expert appointed to a Board Subcommittee; and

- regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board of Directors and make recommendations to the Board of Directors with regard to any changes.

Group Risk and Investment Approval Committee

The Group Risk and Investment Approval Committee is comprised of the following members: H.E. Jawaan Awaidha Suhail Al Khaili, Chairman; Mr. Juma Khamis Al Khaili, Member; Mr. Khalifa Matar Al Mheiri, Member; and Mr. Ragheed Najeeb Al Shanti, Member.

The Group Risk and Investment Approval Committee's mandate is to:

- review and approve significant credit and other risk exposures;
- review the credit portfolio on a periodic basis in order to assess alignment with the approved credit strategy and risk appetite of the Group;
- review actions undertaken by management with regard to remedial activities;
- monitor general and specific provisions;
- approve significant and high value transactions with regard to acquisitions and divestures, new business initiatives and proprietary investments, international business and mergers and acquisitions;
- review and recommend to the Board of Directors approval for those investment proposals requiring such approval due to regulations;
- approve high value transactions in respect of capital expenditure, IT projects and procurement of equipment and materials for ADIB's operations; and
- review and make recommendations to the Board of Directors on any material non-credit related party transactions.

Senior management

ADIB's senior management structure comprises senior members heading different divisions and departments within ADIB. With the exception of ADIB's Group Financial Controller, who reports to ADIB's Chief of Staff, they all report to the Acting CEO who in turn reports to the Board of Directors. The senior managers and their positions are as follows:

<i>Name</i>	<i>Position</i>
Khamis Mohamed Buharoon	Acting CEO
Abdul Hakim Kanan	Group Head – Audit and Risk Review
Abdul Qadir Khanani	Group Treasurer
Abdul Rahman Abdulla	Head of Strategic Clients and Community Banking
Adel Ahmed Al Zarouni	General Manager, Real Estate and Administration
Ahsan Ahmed Akhtar	Group Financial Controller
Sami Al Afghani	Group Head – Wholesale Banking
Ghaith Mismar	Global Head – Legal Services and General Counsel
Brian Belcher	Global Head – Risk
Martin Roland Corfe	Global Head – Human Resources
Abdulla Al Shehhi	Global Head – International Banking and Financial Institutions
Osaid M.A. Kailani	Global Head – <i>Shari'a</i>
Hassan Adel Khalifa	Head of Operations
Philip King	Global Head – Retail Banking
Syed Aamir Zahidi	Chief of Staff and Group Governance
Hasan Abdullah Al Zaabi	Head of Human Resources, UAE
Mamoun Alhomssey	Chief Information Officer
Sarhat Yildirim	Chief Digital Officer

The address of each of the Directors and the members of senior management named above is P.O. Box 313, Abu Dhabi, UAE.

As at the date of this Shareholder Circular, none of the Directors, the Acting CEO, or any member of senior management or member of any supervisory body stated above has any actual or potential conflict of interest between his duties to ADIB and his private interest or other duties.

The registered office of ADIB is Al Bateen Building, King Abdullah bin Abdulaziz Street, P.O. Box 313, Abu Dhabi, UAE. ADIB's headquarters are currently located at Sheikh Rashid Bin Saeed Al Maktoum Street (Old Airport Road), opposite Hilton Capital Grand Hotel, Tower 1, P.O. Box 313, Abu Dhabi, UAE (telephone: +971 2 610 0000).

Below is a brief summary of the qualifications and experience of ADIB's key senior management:

Khamis Mohamed Buharoon – Acting CEO: Mr. Buharoon is the Acting CEO and Vice Chairman of ADIB. Mr. Buharoon holds a Bachelor of Arts in Business and Accounting. He was appointed Acting CEO in March 2017 after holding various leadership positions for more than 30 years in the banking and finance sector. Mr. Buharoon currently holds various positions in the UAE and MENA region, including: as Chairman of ADNTC and ADIB Securities; and as a board member of Etihad Capital, Naeem Holding Company in Egypt and Agthia Group. Mr. Buharoon has held key positions in the banking sector, including Chief Executive Officer of Commercial Bank International, where his role was to establish and oversee the implementation of strategy, and Managing Director of two of its group companies, Takamul Real Estate Company and International Brokerage Company; Head of Domestic Banking at National Bank of Abu Dhabi; and General Auditor of First Gulf Bank. Mr. Buharoon was also previously Chairman of Abu Dhabi National Leasing Company and National Development Bank in Egypt; a board member of Abu Dhabi National Hotels Company, the Emirates Institute for Banking and Financial Studies (and a member of its human resources committee), CEMEA VISA International, Seera Bank (Bahrain) and the General Council for Islamic Banks and Financial Institutions. Mr. Buharoon began his career in 1987 as an accountant and auditor in the Central Bank, becoming Assistant Director of the finance and internal audit divisions.

Abdul Hakim Kanan – Global Head – Audit and Risk Review: Mr. Kanan joined ADIB on 18 April 2010. He holds a Certified Public Accountant designation from the State Board of Accountancy, New Hampshire, United States of America. Mr. Kanan also holds the following professional qualifications: Certified Internal Auditor, Certified Information Systems Auditor, Certified Information Technology Professional, Certified Financial Services Auditor and Certified Fraud Examiner and is certified in the Governance of Enterprise IT. Mr. Kanan has over 30 years' experience in internal audit. His previous position was Group Chief Internal Auditor of Dubai Islamic Bank.

Abdul Qadir Khanani – Group Treasurer: Mr. Khanani joined ADIB on 28 August 2012 and has over 25 years' experience in treasury and financial markets. He holds a Bachelor of Commerce degree from the University of Karachi and is a Chartered Financial Analyst and a Certified Financial Risk Manager. Mr. Khanani previously worked for National Commercial Bank, Saudi Arabia's largest bank and one of the largest banking groups in the Middle East, where he was Head of Investment and responsible for money market, anti-money laundering, foreign exchange and treasury operations for Bahrain and Beirut. Prior to working at National Commercial Bank, Mr. Khanani headed several treasury business units at Samba Financial Group.

Abdul Rahman Abdulla – Head of Strategic Clients and Community Banking: Mr. Abdulla joined ADIB on 12 September 1998. He holds an undergraduate degree in science and his previous position was Deputy Head of the Private Banking Department at the National Bank of Abu Dhabi (now First Abu Dhabi Bank) (1980-1998).

Adel Ahmed Al Zarouni – General Manager, Real Estate and Administration: Mr. Al Zarouni joined ADIB in November 1998. He holds a certificate of Master Financial Professional from the American Academy of Financial Management. Mr. Al Zarouni also holds a Master's Certificate in Project Management from The George Washington University. Mr. Al Zarouni has 20 years of banking experience across different divisions and projects.

Ahsan Ahmed Akhtar – Group Financial Controller: Mr. Akhtar joined ADIB on 9 April 2008. He is a Chartered Accountant from the United Kingdom and holds a Bachelor of Science degree in Accounting and Finance from the London School of Economics and Political Science. He has previously worked with PricewaterhouseCoopers (1991-1998) and more recently Citibank (1998-2008), where he was Chief Financial Officer (Pakistan).

Sami Al Afghani – Group Head – Wholesale Banking: Mr. Al Afghani joined ADIB on 25 December 2017 as the Global Head of the Wholesale Banking Division. He is responsible for driving the growth of the division by building on its track record of innovation and banking excellence. He joined ADIB with over 30 years' experience in the financial services and banking industry, occupying leadership roles in several banks in the Middle East and Asia. He has extensive experience in risk management, corporate finance, capital markets and transaction banking. Prior to joining ADIB, from 2009 Mr. Al Afghani was the Chief Executive Officer of Al Safwa Islamic Bank in Jordan, where he contributed to the growth of the bank towards achieving a leading position in the Jordanian market. Mr. Al Afghani is a graduate of University of Southern California and has a Master of Business Administration degree from Northrop University.

Dr. Ghaith Mismar – Global Head – Legal Services and General Counsel: Dr. Mismar joined ADIB in September 2014. He holds a PhD in law from the University of London. He has over 28 years' legal experience, of which he served 15 years as a judge in the civil and commercial courts in Jordan. Subsequently, he worked at Arab Bank as the Group General Counsel and Company Secretary for 13 years, which enabled him to gain extensive legal knowledge and experience in the civil law, common law and *Shari'a* law legal systems.

Brian Belcher – Group Head – Risk Management: Mr. Belcher joined ADIB on 1 April 2014 as Head of Risk Management. He joined ADIB from National Commercial Bank, Saudi Arabia's largest bank and one of the largest banking groups in the Middle East, where he was the Chief Risk Officer. Prior to working at National Commercial Bank, Mr. Belcher spent almost 20 years at Citibank working in the United Kingdom, Poland, Norway, Africa and the United States of America in a variety of risk management roles in the Corporate and Investment Banking Unit.

Martin Roland Corfe – Group Head – Human Resources: Mr. Corfe joined ADIB on 24 June 2018 and is responsible for the strategy, development and management of ADIB's human resources division across all markets. He has extensive international human resources experience across financial services, having worked for Standard Chartered Bank, Nomura International, GE Capital and in professional services. Prior to joining ADIB he was the Global Head of Human Resources for commercial and private banking, wealth management, risk, compliance and legal at Standard Chartered, based in Singapore. Mr. Corfe is qualified with the Chartered Institute of Personnel and Development and holds a Bachelor of Arts in Organisational Behaviour from Lancaster Management School, a Master of Arts in Organisation Studies from Warwick Business School and a Master of Arts in Personnel and Development from Westminster Business School in the United Kingdom.

Abdulla Al Shehhi – Global Head – International Banking and Financial Institutions: Mr. Al Shehhi joined ADIB in November 1998 and holds a Master of Business Administration degree from UAE University. Mr. Al Shehhi is also a board member of the Council of Islamic Banks and Financial Institutions and is a director of the Emirates Banking Association. His previous position was a branch manager for Oman Housing Bank.

Dr. Osaid M.A. Kailani – Global Head – Shari'a: Dr. Kailani has a PhD in comparative Islamic jurisprudence, a postgraduate diploma in Islamic *Shari'a* and a Bachelor of Arts in *Shari'a* and Law. In addition to law generally, Dr. Kailani specialises in *Shari'a* law, Islamic banking, Islamic finance, Islamic insurance and *Shari'a* auditing. He worked for the Faculty of *Shari'a* and Law in UAE University, before joining ADIB. He has 19 years' experience in Islamic banking, particularly in structuring Islamic finance transactions including syndications and sukuk, developing Islamic products and investment tools, in addition to training in the field of Islamic banking. He is a member of the *Shari'a* Council of Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) in Bahrain, the Higher *Shari'a* Authority of the UAE, the Advisory Board of International Centre of Islamic Economy in Dubai, the *Shari'a* Supervisory Board of International Islamic Liquidity Management in Malaysia, the *Shari'a* Supervisory Board of BBI, and the *Shari'a* Standards Committee of AAOIFI. He is also serving as an expert in the International Islamic Fiqh Academy (Jeddah), and as an executive member of the *Shari'a* Committee of ADNTC. Dr. Kailani has authored several research papers and presentations in the field of Islamic banking and Takaful, in addition to his participation in many regional and international conferences and seminars especially on Islamic banking and Takaful.

Hassan Adel Khalifa – Head of Operations: Mr. Khalifa joined ADIB in September 2014. He holds a Bachelor of Commerce Certificate with Accounting as major from Cairo University, Egypt. Mr. Khalifa has over 38 years' experience across various banking fields. His position prior to joining ADIB was the Regional Senior Country Operations Officer, Managing Director at Citibank based in Dubai, UAE.

Philip King – Group Head – Retail Banking: Mr. King joined ADIB on 3 June 2013 with over 30 years' banking experience across Europe, the Americas and the Middle East. He leads ADIB's full retail banking proposition comprising liabilities and wealth management, assets, distribution, cards, SMEs, e-channels, UAE

marketing, expat strategic business unit, segments and customer experience. Prior to joining ADIB, Mr. King managed various retail franchises for Citibank (including five years in Poland, which had over 86 branches), ABN Amro (which included Saudi Hollandi Bank in Saudi Arabia with 41 branches) and ABN Amro Latin America. Most recently, he was responsible for the start-up and growth of retail banking for International Bank of Qatar, based in Doha. Mr. King is a graduate of Bristol University in the United Kingdom and has a Master of Business Administration from London Business School.

Syed Aamir Zahidi – Chief of Staff and Group Governance: Mr. Zahidi joined ADIB on 7 October 2014. He is a member of the Institute of Chartered Accountants in England & Wales, and he has over 30 years of experience in international banking. Prior to joining ADIB, he spent seven years with Fullerton Financial Holdings, Singapore (2006-2013), as Executive Vice President Corporate Development and Chief Financial Officer. During this period, he helped Fullerton Financial Holdings establish a banking presence in seven countries in South East Asia, China and the UAE. He joined Fullerton Financial Holdings from Gulf Banking Consultants (2002-2006), a consulting and advisory firm, focusing on mergers and acquisitions advisory services to commercial banks and sovereign wealth funds. He has also worked with Citibank (1982-2002) as Chief Financial Officer and M&A Head (Citibank CEEMEA Group) and Head of Planning for Citibank Emerging Markets.

Hasan Abdullah Al Zaabi – Head of Human Resources, UAE: Mr. Al Zaabi joined ADIB in March 2018 from ADNOC where he was the SVP of Administration for ADNOC Fertilizers (a joint venture between ADNOC and Total). He worked for ADNOC Fertilizers from 1987, designing and implementing human resources strategies and policies in partnership with the Chief Executive Officer. At ADIB, he is responsible for further enhancing ADIB's recruiting, training and professional development programmes, including ADIB's local talent management strategy. He is also the Chairman and Chief Executive Officer of Kawader Services, ADIB's manpower outsourcing company. Mr. Al Zaabi is qualified with the Chartered Institute of Personnel and Development and graduated from the UAE University in Accounting and Business Administration.

Mamoun Taisir Salim Alhomssey – Chief Information Officer: Mr. Alhomssey has been associated with ADIB since 4 March 2006. His experience spans over 25 years of working with local and global financial institutions such as Citibank and Standard Chartered Bank at various offices in the region. His professional experience includes: integrating expertise in banking information technology and e-solutions; consulting, managing and implementing advanced technology projects, including core banking solutions and financial management; and leading various information technology projects in the MENA region. Mr. Alhomssey holds an undergraduate degree in Computer Science (Programming & Systems Analysis) from the University of Jordan.

Serhat Yildirim – Chief Digital Officer: Mr. Yildirim joined ADIB on 28 June 2018 with over 20 years' experience in digital banking. Prior to joining, he was the digital strategy consultant for Finansbank, one of the largest banks in Turkey, where he was responsible for leading a payment systems and processes digitalisation project. His previous experience includes managing Akbank Direct, Turkey's fastest growing digital banking platform, with primary responsibility for managing and developing self-service banking channels including ATM, internet and mobile platforms. He also spent over 10 years with Finansbank presiding over channel development, customer acquisition and digital. Mr. Yildirim holds a degree in Finance Management from Istanbul University.

Shari'a Supervisory Board

The Board of Directors nominates at least three and no more than five members to the *Shari'a* Supervisory Board and they are appointed by the General Assembly for one-year terms. The responsibilities of the *Shari'a* Supervisory Board comprise:

- (a) the supervision and control of ADIB's activities to ensure that they comply with Islamic principles and rules;
- (b) issuing Fatwas pertaining to ADIB's activities at the request of ADIB's executive management or Board of Directors;
- (c) the submission of any objections in writing to the Board of Directors with respect to any of ADIB's activities not complying with Islamic principles;

- (d) the review of all forms of contracts and agreements pertaining to any of ADIB's transactions to ensure their compliance with Islamic principles; and
- (e) the review from a *Shari'a* compliance perspective at any time of all of ADIB's transactions and all of ADIB's books, records and documents, the status of ADIB's assets and liabilities and the ability, at any time, to request any information deemed necessary to ensure compliance with Islamic *Shari'a* principles.

A majority of the members of the *Shari'a* Supervisory Board should be present by principal or by proxy to constitute a quorate meeting. In the event that the *Shari'a* Supervisory Board is unable to discharge its duties, it reports this in writing to the Board of Directors.

A brief summary of the members and their main qualifications and experience is set out below:

Sheikh Muhammad Taqi Al Uthmani (Chairman): Sheikh Al Uthmani is an expert in the fields of Islamic Jurisprudence (fiqh), economics and hadith. He graduated from Punjab University, Pakistan in 1970 and also holds a Law Degree (LL.B.) from Karachi University, Pakistan. Prior to these, he completed the specialisation course of Islamic Fiqh and Fatwa (Islamic Jurisprudence) from Jamia Darul Uloom, Pakistan. He served as a judge on the Federal Shariat Court of Pakistan from 1981 to 1982 and the Shariat Appellate Bench of the Supreme Court of Pakistan between 1982 and 2002. He is the Chairman of *Shari'a* Council of AAOIFI, Bahrain. He is also Chairman of other institutions, financial and non-financial, including of the *Shari'a* Board of Arcapita Investment Fund, Bahrain, the *Shari'a* Board of Meezan Bank Ltd. Pakistan, the *Shari'a* Board of Pak-Kuwait Takaful Pakistan, the *Shari'a* Board of Pak-Qatar Takaful Pakistan, and the Centre for Islamic Economics Pakistan. He is a Board member of the Unified *Shari'a* Board of Islamic Development Bank Jeddah, the *Shari'a* Board Guidance Financial Group, USA, the Islamic Fiqh Academy of Rabita-al-'Alam-e-Islami, Makkah, and a Permanent Member of the International Islamic Fiqh Academy, Jeddah, sponsored by OIC (Organisation of Islamic Countries). He is also Vice President and Shaikul-Hadith of Jamia Darul Uloom, Pakistan. Sheikh Al Uthmani and has authored many books and articles on Islamic Finance and other *Shari'a* subjects in Arabic, English and Urdu languages.

Professor Jasem Ali Al Shamsi (Vice Chairman): Professor Al Shamsi is the former Dean of the Faculty of *Shari'a* and Law and former Professor of Civil Law at UAE University, a member of the Higher *Shari'a* Authority – UAE, a practising lawyer and an ex-member of the *Shari'a* Standards Committee of AAOIFI in Bahrain. He is the Chairman of the *Shari'a* Supervisory Board of Sharjah Islamic Bank – UAE, and of Arab Bank for Investment & Foreign Trade (Al Masraf) – UAE. Professor Al Shamsi is also Deputy Chairman of the *Shari'a* Supervisory Board of Ajman Bank, UAE. Professor Al Shamsi holds a Diploma in *Shari'a* and in Private Law from Ein Shams University and a PhD. in Law from Cairo University.

Sheikh Dr. Nizam Muhammad Ya'koubi (member): Dr. Nizam is a PhD candidate at the University of Wales (*Shari'a* & Law) and has a Masters degree from the University of McGill, Montreal, Canada (Economics and Comparative Religion). Dr. Nizam holds several academic degrees under the guidance of a number of *Shari'a* scholars within and outside Bahrain. He is a Member of the AAOIFI *Shari'a* Council, Chairman of the *Shari'a* Board of Mawarid Finance Company Dubai, Member of the Higher *Shari'a* Board of Central Bank of Bahrain, Member of the *Shari'a* Committee of Saadiq (Standard Chartered Bank), Member of the Central *Shari'a* Committee of HSBC (Saudi), Member of the Islamic Supervisory Boards for the Islamic Investment Banking Unit of The Ahli United Bank (UK) PLC, London, and several other Islamic banks and institutions. He has also authored a number of publications such as *Risalah fi al Tawbah* and *Irshad al Uqala ila Hukm al Qira h min al Mushaf fi al Salah*. The numerous awards received by Dr. Nizam include the First Degree Award of Capability for Islamic services within and outside Bahrain 2007 from the King of Bahrain, the Euro Money Award for innovation in Islamic banking supervision, and the 2007 Malaysia Award for contribution to Islamic banking.

Sheikh Dr. Muhamed Elqari (member): Dr. Elqari is a member of the Board of Trustees of AAOIFI and of numerous *Shari'a* Boards of Islamic Banks including those of Arab National Bank, Banque Saudi Fransi, Bank Al Jazira, Citi Islamic Investment Bank, HSBC, Islamic Development Bank, National Commercial Bank, Riyad Bank, Samba Financial Group, Saudi British Bank and Saudi Holland Bank. Dr. Elqari also sits on the *Shari'a* Boards of International Islamic Fund Market, Islamic Dow Jones Index, Merrill Lynch and Saudi American Bank and is an expert at the Islamic Jurisprudence Academy of OIC and the Islamic Jurisprudence Academy of the Islamic World League and an ex- member of the *Shari'a* Council of AAOIFI. Dr. Elqari is a member of the editorial board of several academic publications in the field of Islamic finance and jurisprudence and has written several books and published numerous articles on Islamic finance. Dr. Elqari holds a PhD in Economics from the University of California, USA, was a former professor of Islamic Economics, director of the Centre for

Research in Islamic Economics at King Abdulaziz University, Jeddah, the Kingdom of Saudi Arabia, and is the recipient of many Islamic finance awards including KLIFF Award and Euromoney's Award for most outstanding contribution to Islamic finance.

Sheikh Esam Mohamed Ishaq (member): Sheikh Esam is the Deputy Chairman of the Governance and Ethics Board of AAOIFI. He graduated from McGill University, Montreal, Canada in 1983 and has been a member of the *Shari'a* supervisory boards of various financial institutions including: Al Baraka Islamic Bank, Al Hilal Bank (Abu Dhabi), Al Meezan Islamic Bank, ADNTC, Al Hilal Takaful, Islamic Finance House (Abu Dhabi), and the Maldives Monetary Authority. Sheik Esam is a member of the *Shari'a* Panel of International Islamic Financial Markets and Chairman of the *Shari'a* Supervisory Boards of Seerah Investment Bank, Investment Dar Bank, Family Bank and EcoIslamic Bank.

Litigation Statement about Directors and Senior Management

Within the period of five years preceding the date of this Shareholder Circular, none of the Directors or members of senior management of ADIB:

- has any convictions in relation to fraudulent offences;
- save as set out below, has been a director or senior manager of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

Certain of ADIB's Directors and members of senior management currently hold, or have previously held, equivalent roles at Arab Link, which is undergoing voluntary liquidation. Please refer to the "*Description of Abu Dhabi Islamic Bank PJSC – Joint Ventures*" section of this Shareholder Circular for further information on the circumstances leading to the voluntary liquidation of Arab Link.

Human resources

ADIB aims to attract, develop and retain highly skilled, motivated and experienced staff. ADIB's human resources function works to formulate and execute relevant strategies, policies and processes that enable ADIB to engage its workforce in order to achieve ADIB's strategic ambitions. Following its internal restructuring in 2008, ADIB has brought together a strong senior management team of bankers with extensive expertise in banking and finance both at ADIB and domestic, regional and international banks.

As at 31 December 2017, ADIB employed 2,039 staff members. Learning and development training is a priority within ADIB and, in addition to the mandatory core skills training programmes, a major focus is placed on customer service and relationship management training in all areas of business. Training programmes are mainly delivered via ADIB's banking academy to cover corporate finance, credit, anti-money laundering, compliance, governance and ethics, and product training as well as various areas of Islamic banking, interpersonal skills and use of the core banking system of ADIB. As part of the Banking Academy, ADIB also provides in depth training for branch staff in its "virtual branch". Other entry level courses are provided to call centre and sales staff. External training programmes are sourced in line with business requirements and include formal training courses, conferences, workshops and seminars, conducted both locally and overseas.

ADIB received the talent management award at the "GCC HR Awards" in 2017, recognising its commitment to providing ongoing training and development programmes, coaching and mentoring, assessing and developing leadership capabilities, monitoring talent and measuring talent development.

Performance and reward

ADIB operates a variable bonus scheme for eligible employees under which performance bonuses are awarded against annual performance criteria. The bonuses paid to employees are based on a combination of their performance in line with their objectives and appraisals, the performance of their respective business unit and the overall performance of ADIB. Numerous variable incentive plans are in place for sales managers, team leaders, sales agents and related support staff, based on the product and segment focus of the teams. Collections and branch staff also participate in incentive programmes based on the achievement of key metrics.

ADIB applies recognition schemes such as promotions, salary increments, bonuses, recognition certificates and other rewards for teams. ADIB has an annual performance appraisal scheme for all staff. The general compensation and remuneration policy, as well as senior management compensation and remuneration, are approved by the Group Remuneration Committee.

Pension scheme

For all employees who are UAE nationals, the pension scheme is governed by the Abu Dhabi Retirement Pensions and Benefits Fund. ADIB contributes 15 per cent. of the salary of each eligible employee, and along with the 5 per cent. of salary contribution from the concerned employee, submits this sum to the relevant authority. For the purpose of calculating contributions, an individual's salary is deemed to comprise basic salary, housing allowance and national allowance.

Employees who are not UAE nationals are covered by a fully funded end-of-service benefits scheme that is accrued on the basis of 30 days' basic salary for each year for the first five years of continuous service and 45 days' basic salary for each year of service thereafter.

There are no pension liabilities accrued to date since ADIB makes the required payment on a monthly basis.

Emiratization

ADIB has adopted an "Emiratization" scheme in the UAE which is intended to attract talented UAE national candidates at all professional levels. Although ADIB provides equal employment opportunities to all nationalities, it is required to achieve certain UAE national recruitment targets set by external regulatory bodies and these are incorporated into an annual strategic plan.

The proportion of UAE nationals employed in its UAE banking business was 37.2 per cent. of ADIB's workforce as of 30 June 2018, and ADIB is on target in terms of the Central Bank's current Emiratization points system. A centralised Emiratization team within the human resources function manages the Emiratization process and priorities under the supervision of the Head of Human Resources for the UAE and the guidance of the Global Head of Human Resources. The Emiratization plan is prepared in conjunction with the annual plan after the staffing requirements for all divisions have been determined. The annual targets for Emiratization are proportionately broken down for and communicated to each division for implementation.

In addition to hiring experienced UAE national staff for all positions in ADIB, there is also a focus on hiring undergraduate and graduate candidates for relevant positions. ADIB has long-term relationships with a number of universities and educational institutions in an ongoing effort to recruit local graduates and introduce undergraduates to the attractions of a career in banking. ADIB has been sponsoring UAE national candidates in higher education within the UAE by paying them a monthly stipend from their second year of university study and by providing them with one month of vocational training and a work placement.

ADIB has established the "Abu Dhabi Islamic Bank Leadership Programme" to offer talented UAE staff a structured training programme. Examples include the "Tamkeen" programme for Emirati female talent and the "Qiyadat" programme for male and female Emirati talent. The aim is to prepare these employees to advance in Islamic banking with a clear understanding of the industry and role and leadership requirements within a *Shari'a*-inspired organisation such as ADIB.

ADIB has been recognised for its continued commitment to Emiratization and for the training and development of UAE nationals, both through ADIB's internal training programmes as well as through the Emirates Institute of Banking and Financial Studies. For example, in 2017 ADIB was presented with the "Human Resource Excellence" award and in 2018 received the "Human Resource Development" award, both recognising ADIB's efforts and achievements in the field of Emiratization and UAE national employment, training and development.

SUMMARY OF ADIB'S ARTICLES OF ASSOCIATION

The Articles of Association contain, amongst other things, provisions to the following effect:

Objects

The Articles of Association provide that ADIB may undertake all forms of banking, investment, trading and service activities in compliance with the Islamic *Shari'a*, including, but not limited to, providing all banking services and operations allowed by applicable laws and regulations, offering all types of trading and investment services and operations, undertaking all types of industrial, tourism, agricultural and real estate activities and projects, offering financial and economic consulting services and feasibility studies, receiving public and private securities subscriptions during the phases of formation, increasing capital, and management of issuance processes for public and private companies, purchasing and selling securities, investment certificates, and similar securities, in addition to brokering the selling and buying operations on behalf of other parties and managing all types of portfolio, including personal, trading and investment portfolios and establishing or participating in the establishment of companies and enterprises which operate or invest in such types of activities. The Articles of Association provide that ADIB shall carry out all its business and perform its activities in conformity with the principles of the Islamic *Shari'a*.

Shareholding structure

The Articles of Association impose foreign ownership restrictions on the shareholdings of ADIB. Article 7 of the Articles of Association provides that 75 per cent. of the shares of ADIB must be owned by UAE nationals and while non-UAE nationals are permitted to own shares, they must not own more than 25 per cent. of the shares of ADIB. The General Assembly has authorised the Board of Directors to set a period of time to implement Article 7. The Board of Directors initiated the regulatory approval process required to implement Article 7. As at the date of this Shareholder Circular, the procurement of regulatory approval is still in process and the Board of Directors has not set a period of time to implement Article 7.

The Articles of Association provide that no dealing or assignment of any share of ADIB shall be registered if the transferee is, or would become as a result of such dealing, the owner, directly or indirectly, of more than 5 per cent. of the capital of ADIB, unless the transferee is EIIC in its capacity as strategic shareholder.

Management and Board of Directors

The management of ADIB vests in the Directors. At least one third of the Directors must be independent directors, while the majority of the Directors must be non-executive directors elected through secret ballot by the General Assembly. The chairman of the Board of Directors and a majority of the Directors must be UAE nationals. The chairman of the Board of Directors and ADIB's chief executive officer must not be the same person.

The chairman and vice chairman of the Board of Directors are elected by the Board of Directors from amongst its members. The Directors are listed in the "*Directors, Management and Employees*" section of this Shareholder Circular. Each Director is to be appointed for a term of three years.

Meetings of the Board of Directors must be held at least every three months, upon a written request of the chairman of the Board of Directors (or his deputy in his absence), or upon a written request from at least two of the Directors. No meeting of the Board of Directors shall be valid unless attended by the majority of the Directors.

***Shari'a* Supervisory Board**

The Board of Directors must nominate at least three and no more than five members to the *Shari'a* Supervisory Board, who are then appointed by the General Assembly. Each member of the *Shari'a* Supervisory Board is appointed for a term of one year.

Each member of the *Shari'a* Supervisory Board must be a fully competent adult Muslim, a scholar of distinguished knowledge in the jurisprudence of financial transactions, economic or Islamic banking rules and principles, eligible to render consultations on Islamic principle.

The chairman and vice chairman of the *Shari'a* Supervisory Board are elected by the *Shari'a* Supervisory Board from amongst its members. The meetings of the *Shari'a* Supervisory Board are not valid unless attended by a

majority of its members, whether by principal or by proxy. The decisions and recommendations of the *Shari'a* Supervisory Board shall be passed by majority voting and, in the event the votes are equal, its chairman shall have the casting vote.

Share capital increases and reductions

In accordance with the Articles of Association, ADIB may increase its share capital by issuing new shares at not less than their nominal value, after obtaining the approval of the SCA, the Central Bank and the Department of Economic Development, by way of a Special Resolution of the General Assembly and in accordance with a proposal of the Board of Directors. The existing shareholders have a priority right to subscribe to such increase.

ADIB may reduce its share capital after obtaining the approval of the SCA, by way of a Special Resolution of the General Assembly, in accordance with a proposal of the Board of Directors and an auditor's report.

General Assembly

All ADIB's General Assembly meetings shall be held in Abu Dhabi. Each shareholder of ADIB shall have the right to attend a General Assembly meeting and shall be entitled to a number of votes equal to the number of shares which he holds. General Assembly meetings shall be duly convened by publishing an announcement in two daily Arabic language newspapers in the UAE and by sending a notice of meeting to shareholders by registered letter (including the agenda for such meeting) at least 15 days prior to the meeting being convened, with a copy to the SCA and the Department of Economic Development.

A General Assembly meeting shall be chaired by the chairman of the Board of Directors or in his absence, by the vice chairman or, if both the chairman and the vice chairman are absent, any shareholder elected by a vote of other shareholders by any means determined by the General Assembly for that purpose.

The quorum for a General Assembly meeting is shareholders representing no less than half of ADIB's issued share capital. If this quorum is not achieved at the first meeting, a second meeting should be held after at least 5 days from the date of the first meeting and in any case not later than 15 days from the date of the first meeting. The second meeting shall be valid, regardless of the number of those present.

Certain resolutions require the unanimous consent of the shareholders or the approval of the shareholders by way of a Special Resolution, as specified in the Articles of Association. Otherwise, resolutions at a General Assembly meeting shall be passed by the majority of those Shares represented at the meeting.

Dividends

Dividends due on a share, whether in cash or otherwise, shall be paid to the holders registered in ADIB's share register on the fifth day following the date of the General Assembly at which such distribution was approved. Dividends on profits shall be paid to the shareholders at the time and place specified by the Board of Directors.

The Articles of Association provide for the net annual profits of ADIB, after deduction of general expenses and other costs, to be distributed in the following manner:

- 10 per cent. to be contributed towards the statutory reserve account (until such time when the reserve equates to 50 per cent. of ADIB's paid up share capital);
- an amount not to exceed 10 per cent. to be contributed towards a voluntary reserve (if recommended by the Board of Directors and approved by the General Assembly);
- an amount not to exceed 5 per cent. of the issued and fully paid value of the shares, to be distributed amongst the shareholders as a first dividend (if recommended by the Board of Directors and approved by the General Assembly);
- an amount not to exceed 10 per cent. of the remaining profit, to be allocated as remuneration for the Board of Directors (as determined annually by the General Assembly); and
- the remaining Net Profits, upon the recommendation of the Board of Directors, to either be distributed, in whole or in part, among the shareholders as an additional dividend on profits, carried over to the

following year or utilized to establish an extraordinary reserve, as may be decided by the Board of Directors.

The reserves shall be used by the Board of Directors in such ways as may achieve the interests of ADIB. While it is not permissible to distribute the statutory reserve amongst the shareholders, it is permissible to use the excess over one half of the paid up capital of ADIB for distribution of profits among the shareholders in an amount not exceeding five per cent. of the issued and fully paid capital in years in which the distribution of such percentage of the issued and fully paid capital is not permitted.

Transfer of Shares

Shares may be transferred, sold, assigned, mortgaged or otherwise disposed of in accordance with the provisions of the Articles of Association.

Winding up of ADIB

ADIB was incorporated for a term of 100 Gregorian years, to automatically continue for similar consecutive periods unless a Special Resolution is passed terminating ADIB.

ADIB shall cease to exist upon the occurrence of any of the following events: (a) the expiration of the specified term of ADIB, unless it is renewed in accordance with the rules set out in its Articles of Association; (b) the expiration of the objects for which ADIB was established; (c) the issuance of a Special Resolution to terminate the duration of ADIB; or (d) the amalgamation of ADIB with another company.

In the event ADIB's losses amount to at least half the capital of ADIB, the Board of Directors shall invite the General Assembly to consider the continuation or dissolution of ADIB. No resolution to dissolve ADIB prior to the end of its term as stated in its Articles of Association or to shorten the term of ADIB shall be effective unless adopted by way of a Special Resolution.

TAXATION

The following comments are general in character and are based on the current applicable tax regime in the UAE and the current practice of the UAE authorities as at the date of this Shareholder Circular. The comments do not purport to be a comprehensive analysis of all the tax consequences applicable to all types of shareholders and do not relate to any taxation regime outside the UAE. If you are in any doubt as to your own tax position, you should seek independent professional advice without delay.

The UAE is a federation of seven Emirates. There is no corporate tax legislation at the federal UAE level. However, corporate tax legislation has been enacted in some of the Emirates through their own decrees. These tax decrees are currently only enforced on foreign oil companies and branches of foreign banks. However, it should be noted that there is no guarantee that tax will not be enforced on other corporate entities at some time in the future since there is no specific legislation that grants an exemption from tax to entities which are not foreign oil companies and branches of foreign banks.

In accordance with the above practice, ADIB is not currently subject to corporate income tax in the UAE.

There is currently no personal tax levied on individuals in the UAE.

Completion of the Rights Issue is likely to be characterised for UAE tax purposes as a purchase of shares by the Registered Shareholders or other Eligible Persons who accept all or part of their allocation of New Shares in the Rights Issue. If a Registered Shareholder or other Eligible Person is tax resident outside the UAE and/or is subject to tax in another jurisdiction, the Rights Issue may be characterised differently and may be subject to tax in that other jurisdiction.

Based on the tax practice within the UAE outlined above, the purchase of the New Shares should not result in any tax liabilities for Registered Shareholders or other Eligible Persons who are individuals tax resident in, or corporations incorporated in, the UAE provided they are not subject to taxation in jurisdictions outside the UAE.

Registered Shareholders or other Eligible Persons who are tax resident in jurisdictions outside the UAE, as well as Registered Shareholders or other Eligible Persons resident in the UAE but also subject to tax in jurisdictions outside the UAE (both corporate and individual) should consult their own tax advisors as to the tax implications of the purchase of New Shares under the relevant applicable local laws in those jurisdictions.

Based on the same principles as outlined above, UAE-resident Registered Shareholders or other Eligible Persons who are not subject to tax in the UAE or jurisdictions outside the UAE (both corporate and individual) should not currently be taxed on the receipt of dividend income and gains on the future sale of the New Shares.

Registered Shareholders or other Eligible Persons who are subject to tax in the UAE by virtue of being tax resident in jurisdictions outside the UAE, as well as Registered Shareholders or other Eligible Persons tax resident in the UAE but also subject to tax in jurisdictions outside the UAE (both corporate and individual) should consult their own tax advisors as to the taxation of dividend income and gains on the future sale of the New Shares under the relevant applicable local laws in those jurisdictions.

There is currently no withholding tax in the UAE and as such any dividend payments made by ADIB should be made free of UAE withholding tax, unless the applicable tax regime in the UAE changes.

Value Added Tax

The UAE has announced the adoption of the VAT, effective 1 January 2018. On 23 August 2017, the government published Federal Decree-Law No. (8) of 2017 on VAT (the “**VAT Law**”). On 28 November 2017, the UAE Federal Tax Authority released Cabinet Decision No. (52) of 2017 on the Executive Regulation of Federal Decree-Law No. (8) of 2017 on VAT (the “**Executive Regulations**”). The Executive Regulations set out detailed rules in accordance with the VAT Law. The document clarifies the VAT treatment of fundamental aspects of the VAT Law including the application of VAT to UAE free zones.

VAT is applied on the sale of goods and services in the UAE and on imports into the UAE. Unless a supply of goods and services falls within a category that is specifically exempt or is subject to the zero rate of VAT, VAT is applied at the standard rate of 5 per cent.

The supply of goods or services by VAT registered businesses is subject to VAT at either the standard rate of 5 per cent. or the zero rate. Businesses are entitled to claim a credit for VAT paid on their purchases if they relate to a supply that is standard rated or zero-rated. However, any VAT incurred in connection with a supply that is exempt from VAT cannot be reclaimed.

VAT is a new tax in the UAE and uncertainty remains as to how the UAE Federal Tax Authority will interpret VAT legislation. Accordingly, the practical application of the VAT Law remains open to testing by the UAE Federal Tax Authority and examination by courts within the UAE.

Implication on financial services

Article 46 of the VAT Law and Article 42 of the Executive Regulations set out the VAT treatment of financial services to be exempt from VAT.

Article 42(1) of the Executive Regulations provide the definition of equity security as “*any interest in or right to a share in the capital of a body corporate, or any option to acquire any such interest or right*”.

Article 42(2) and (3) of the Executive Regulations provides explanation and examples of financial services which are classified as exempt supplies for VAT purposes, i.e. buying and selling of shares (under Article 42(3) of the Executive Regulations) and dividends and capital gains (under Article 42(2)(i) of the Executive Regulations). Based on these provisions, the trading of shares (i.e. buying and selling) and distribution of dividends to the shareholders shall be treated as exempt financial activities. Consequently, from the perspective of the shareholders, there should not be any VAT charged on these transactions.

GENERAL INFORMATION

Significant or material change

There has been no significant change in the financial or trading position of ADIB and its subsidiaries and there has been no material adverse change in the prospects of ADIB and its subsidiaries, in each case since 30 June 2018.

Litigation

None of ADIB nor any of its subsidiaries is or has been involved in any material governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ADIB is aware) in the twelve months preceding the date of this Shareholder Circular which may have or have in such period had a significant effect on the financial position or profitability of ADIB or any of its subsidiaries.

Auditors

The Audited Financial Statements have been audited in accordance with International Standards on Auditing by Ernst & Young, as stated in their reports attached thereto. Ernst & Young has no material interest in ADIB. Ernst & Young are independent auditors regulated by, and registered to practice as auditors with, the SCA in the UAE.

Information incorporated by reference

The documents set out below are incorporated by reference in this Shareholder Circular, so as to ensure that shareholders as at the Eligibility Date are aware of all information which is necessary to enable them to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of ADIB, and of the rights attaching to the New Shares. The following documents are available on ADIB's website (www.adib.ae):

- the 2018 Interim Financial Statements;
- the 2017 Interim Financial Statements;
- the 2017 Financial Statements; and
- the 2016 Financial Statements.

To the extent any information in any document incorporated by reference in this Shareholder Circular is inconsistent or contradicts any information contained in this Shareholder Circular, the information contained in the document incorporated by reference shall prevail and supersede any information contained in this Shareholder Circular.

DEFINITIONS

In this Shareholder Circular, unless the context otherwise requires, capitalized terms have the meanings defined below:

- “**2016 Financial Statements**” means the audited consolidated financial statements of ADIB as at, and for the year ended, 31 December 2016 (together with the audit report thereon), as defined in the “*Presentation of financial and other information*” section of this Shareholder Circular;
- “**2017 Financial Statements**” means the audited consolidated financial statements of ADIB as at, and for the year ended, 31 December 2017 (together with the audit report thereon), as defined in the “*Presentation of financial and other information*” section of this Shareholder Circular;
- “**2017 Interim Financial Statements**” means the unaudited interim condensed consolidated financial statements of ADIB as at and for the six-month period ended 30 June 2017 (together with the review report thereon), as defined in the “*Presentation of financial and other information*” section of this Shareholder Circular;
- “**2018 Interim Financial Statements**” means the unaudited interim condensed consolidated financial statements of ADIB as at and for the six-month period ended 30 June 2018 (together with the review report thereon), as defined in the “*Presentation of financial and other information*” section of this Shareholder Circular;
- “**AAOIFI**” means the Accounting and Auditing Organization for Islamic Financial Institutions;
- “**Acting CEO**” means Mr. Khamis Mohamed Buharoon, in his capacity as the Acting Chief Executive Officer of ADIB;
- “**ADIB**” means Abu Dhabi Islamic Bank PJSC, as defined on the cover page of this Shareholder Circular;
- “**ADIB CFIB**” means Abu Dhabi Islamic Bank Corporate Finance and Investment Banking;
- “**ADIB Egypt**” means Abu Dhabi Islamic Bank – Egypt (S.A.E.), as defined in the section titled *Risk Factors* of this Shareholder Circular;
- “**ADIB Securities**” means Abu Dhabi Islamic Securities Company LLC, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**Additional New Shares**” means, in relation to an Eligible Person, any New Shares applied for in addition to the New Shares subscribed for pursuant to each Right held, as defined on the cover page of this Shareholder Circular;
- “**ADIMAC**” means Abu Dhabi Islamic Merchant Acquiring Company LLC, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**ADNTC**” means Abu Dhabi National Takaful Company PJSC, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**ADX**” means the Abu Dhabi Securities Exchange;
- “**AED**” means United Arab Emirates Dirham, the lawful currency of the UAE, and “**Dirham**” and “**UAE Dirham**” have the same meaning;
- “**Arab Link**” means Arab Link Money Transfer PSC, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**Articles of Association**” means the articles of association of ADIB, which were passed at the general assembly of ADIB on 21 April 2016;
- “**ATM**” means automated teller machine;

- “**Audited Financial Statements**” means the 2016 Financial Statements and the 2017 Financial Statements, as defined in the “*Presentation of financial and other information*” section of this Shareholder Circular;
- “**Basel Committee**” means the Basel Committee on Banking Supervision;
- “**Basel II**” means the Basel II Accord, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**Basel III Regulations**” means the Basel III capital adequacy regulations, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**BBI**” means Bosna Bank International D.D., as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**Board Committees**” means the committees set out under “*Directors, Management and Employees*” section of this Shareholder Circular;
- “**Board of Directors**” means the board of directors of ADIB, as defined on the cover page of this Shareholder Circular;
- “**Burooj Properties**” means Burooj Properties LLC, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**Central Bank**” means the Central Bank of the UAE;
- “**CFIB**” means Corporate Finance and Investment Banking, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**CRA Regulation**” means Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies;
- “**CRM**” means the Credit Risk Management team, as defined in the “*Risk Factors*” section of this Shareholder Circular;
- “**Directors**” means the directors of ADIB, whose names are set out in the “*Directors, Management and Employees*” section of this Shareholder Circular;
- “**EIIC**” means Emirates International Investment Company LLC;
- “**Eligibility Date**” means 13 September 2018, as defined on the cover page of this Shareholder Circular;
- “**Eligible Persons**” means all holders of Rights, whether Registered Shareholders or persons who purchased the Rights during the Trading Period, as defined on the cover page of this Shareholder Circular, and “**Eligible Person**” means any one of them;
- “**Ernst & Young**” means Ernst & Young Middle East (Abu Dhabi Branch);
- “**Executive Regulations**” means Cabinet Decision No. (52) of 2017 on the Executive Regulation of Federal Decree-Law No. (8) of 2017 on Value Added Tax;
- “**Financial Advisor and Lead Manager**” means ADIB CFIB, in its capacity as the financial advisor and lead manager, as defined on the cover page of this Shareholder Circular;
- “**Financial Statements**” means the Audited Financial Statements and the Interim Financial Statements, as defined in the “*Presentation of financial and other information*” section of this Shareholder Circular;
- “**Fitch**” means Fitch Ratings Ltd;
- “**GARR**” means the Group Audit and Risk Review division, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;

- “**GCC**” means the Gulf Cooperation Council;
- “**GCD**” means the Group Compliance Department established by ADIB, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**General Assembly**” means the general assembly of ADIB as defined on the cover page of this Shareholder Circular;
- “**Government**” herein are to the government of Abu Dhabi;
- “**Group**” means ADIB together with its consolidated subsidiaries, as well as their respective predecessor companies or entities, as applicable;
- “**GSAM**” means the Group Special Asset Management team, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**IFRS 9**” means International Financial Reporting Standard 9 (Financial Instruments), promulgated by the International Accounting Standards Board, as defined in the “*Risk Factors*” section of this Shareholder Circular;
- “**Interim Financial Statements**” means the 2017 Interim Financial Statements and the 2018 Interim Financial Statements, as defined in the “*Presentation of financial and other information*” section of this Shareholder Circular;
- “**Issue Price**” means the issue price per New Share, as defined on the cover page of this Shareholder Circular;
- “**Kawader Services**” means Kawader Services Company LLC, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**LIBOR**” means the London Inter-bank Offered Rate;
- “**MENA**” means Middle East and North Africa;
- “**Moody’s**” means Moody’s Investors Service Ltd.;
- “**MPM Properties**” means MPM Properties LLC, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**MYR**” means the Malaysian Ringgit, the lawful currency of Malaysia;
- “**New Shares**” means the 464,000,000 new shares issued pursuant to the Rights Issue and the resolutions passed at the General Assembly meeting, as defined on the cover page of this Shareholder Circular;
- “**Receiving Bank**” means ADIB in its capacity as the receiving bank for the Rights Issue, as defined on the cover page of this Shareholder Circular;
- “**Registered Shareholder**” means each shareholder listed in ADIB’s register of shareholders as at the close of business of the ADX on the Eligibility Date, as defined on the cover page of this Shareholder Circular;
- “**Rights**” means the tradable securities issued to Registered Shareholders pursuant to the Rights Issue, as defined on the cover page of this Shareholder Circular, and “**Right**” means any one of them;
- “**Rights Issue**” means the increase in ADIB’s issued share capital by way of a rights issue authorised by the General Assembly, as defined on the cover page of this Shareholder Circular;
- “**SCA**” means the Securities and Commodities Authority;
- “**Securities Act**” means the United States Securities Act of 1933, as amended;

- “**SME**” means small and medium enterprises, which are businesses with an annual turnover below AED 100 million;
- “**SFC**” means Saudi Finance Company JSC(C), as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**Shares**” means the current share capital of ADIB, as defined on the cover page of this Shareholder Circular;
- “**Shari’a Supervisory Board**” means ADIB’s Fatwa and *Shari’a* Supervisory Board;
- “**Special Resolution**” means a resolution issued by the majority votes of shareholders holding at least 75 per cent. of the shares represented at the General Assembly meeting;
- “**Subscription Period**” means the period during which subscription for the New Shares will take place, as defined on the cover page of this Shareholder Circular;
- “**Tier 1 Sukuk (2012)**” means the US\$ 1 billion additional Tier 1 capital certificates issued by ADIB in November 2012, as defined in the “*Description of Abu Dhabi Islamic Bank PJSC*” section of this Shareholder Circular;
- “**Trading Period**” means the period during which trading in the Rights will take place, as defined on the cover page of this Shareholder Circular;
- “**UAE**” means the United Arab Emirates;
- “**UAE FTS**” means the UAE Central Bank Fund Transfer System, as defined on the cover page of this Shareholder Circular;
- “**Union Law**” means Union Law No. (10) of 1980 Concerning the Central Bank, the Monetary System and Organization of Banking;
- “**US\$**” means the lawful currency of the United States of America, as defined in the “*Certain Publicly Available Information*” section of this Shareholder Circular, and “**\$**” has the same meaning;
- “**VAT**” means value added tax; and
- “**VAT Law**” means Federal Decree-Law No. (8) of 2017 on Value Added Tax.

PARTICIPATING BRANCHES OF ADIB

Telephone (UAE): 600 543 216

Telephone (International): +971 2 610 0600

Abu Dhabi (Central Area)

<u>Branch</u>	<u>Location</u>
Najda Street	Al Najda, Fatima Bint Mubarak Street
Muroor	Al Muroor Street (near UNB)
Al Wahda Mall	Al Wahda Mall (opposite to bus station)
Sheikh Zayed HQ	Airport Road, Al Bateen Airport

Abu Dhabi (Eastern Area)

<u>Branch</u>	<u>Location</u>
Baniyas	Al Marfaq Street (near Etisalat)
Binal Jesrain	Binal Jesrain Co-operative Society (new extension), Al Maqta
Abu Dhabi International Airport	Abu Dhabi International Airport
Dalma Mall	Dalma Mall, Musafah Industry
Khalifa A City	Villa of Sayiah Sultan Al Mansoori, Khalifa City (A), South West
Bawabat Al Sharq Mall	Bawabat Al Sharq Mall, Baniyas
Shahama	Ground Floor, Abu Dhabi Islamic Bank Building, 13th Street, Shahama
Deerfields Townsquare	Unit G13C, Ground Floor, Deerfields Town Square, Al Bahiya
Al Shamkha Mall	Makany Mall, Al Shamkha
Yas Mall	Yas Mall, Yas Island

Abu Dhabi (Western Region)

<u>Branch</u>	<u>Location</u>
Madinat Zayed	Dhafra Co-operative Society, Madinat Zayed
Gayathi	Abu Dhabi Islamic Bank Building, Gayathi, Plot P96
Ruwais Mall	Ruwais Mall, Ruwais

Abu Dhabi (Corniche Area)

<u>Branch</u>	<u>Location</u>
Khalidiya Gents	Mubarak Bin Mohammed Street, Al Khaldeiya (near Choithrams)
Al Bateen	Baynunah Street, Al Bateen
Marina Mall	Marina Mall, Breakwater, Corniche
Nation Towers	Nation Tower, Corniche Street

Dubai

<u>Branch</u>	<u>Location</u>
Nad Al Hamar	Al Rebat Street, Nad Al Hammar
Al Warqaa	Aswaq, Al Geria Street, Al Warqaa 2
Al Muhaisnah	Etihad Mall, Muhaisnah Area

Al Mamzar	Al Wahaida Street, Royal House Building
Al Twar	Al Nahda Street, Al Twar Centre

Bur Dubai

<u>Branch</u>	<u>Location</u>
Sheikh Zayed Road	Emarat Atrium, Sheikh Zayed Road
Dubai Mall	Dubai Mall, Zabeel, Mohamed bin Rashid Boulevard
Al Barsha	Al Barsha Mall, Al Barsha 2, 23rd Street

East Coast Area

<u>Branch</u>	<u>Location</u>
Ras Al Khaimah	Al Muntasir Street (opposite Al Manar Mall), Ras Al Khaimah
Al Hamra Mall	E11, Sheikh Mohammad Bin Salem Road, Al Jazirah, Al Hamra, Ras Al Khaimah
Fujairah City Centre	Masafi Road, Fujairah
Fujairah	Hamad Bin Abdulla Street, Fujairah
Khorfakkan	Khorfakkan Corniche, Fujairah

Al-Ain

<u>Branch</u>	<u>Location</u>
Al Ain	Mutawa (near clock tower)
Al Jimi	Hamdan Bin Mohammed Street, Al Jimi (near Immigration Office)
Al Murabbaa	Al Kuwaitat, Central District (opposite Al Ain Mall)
Al Hili Mall	Al Hili Mall, Al Hili (near Hili Rayhaan Rotana Hotel)
Al Bawadi Mall	Zayed Bin Sultan Street (137th Street), Al Kharair (near Zayed II Military College)

Sharjah and Northern Emirates

<u>Branch</u>	<u>Location</u>
Sharjah	Al Musalla (opposite Etisalat), Sharjah
Wasit Street	Wasit Street, Sharjah
Sahara Centre	Al Nahda Street (near Ramada Hotel Apartments), Sharjah
Al Buhairah	Shera Al Emarat Building, Al Buhaira, Sharjah
Al Qarayen	Sharjah Cooperative Society, Al Qarayen, Sharjah
Ajman	Ajman
Umm Al Qaiwain	King Faisal Street, Umm Al Qaiwan

ABU DHABI ISLAMIC BANK PJSC

P.O. Box 313
Abu Dhabi
United Arab Emirates

FINANCIAL ADVISOR AND LEAD MANAGER

**Abu Dhabi Islamic Bank
Corporate Finance and Investment Banking**

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