

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 30 SEPTEMBER 2017

**Abu Dhabi Islamic Bank net profit increases by 13.0%  
in 9 months of 2017 to AED 1,693.0 million  
Group net revenues for 9 months of 2017 increased by 4.0%**

**Group Financial Highlights**

**Income Statement: 9 months of 2017 vs. 9 months of 2016**

- Group net profit for first nine months of 2017 increased by 13.0% to AED 1,693.0 million vs. AED 1,498.4 million in first nine months of 2016.
- Group net revenues for first nine months of 2017 increased by 4.0% to AED 4,204.4 million vs. AED 4,041.3 million in first nine months of 2016.
- Credit provisions and impairments for first nine months of 2017 decreased by 13.1% to AED 623.4 million vs. AED 717.8 million in first nine months of 2016.

**Income Statement: Q3 2017 vs. Q3 2016 (and Q2 2017)**

- Group net profit for Q3 2017 increased by 10.8% to AED 563.9 million vs. AED 508.9 million in Q3 2016 (and increased by 2.2% vs. AED 551.6 million in Q2 2017).
- Group net revenues for Q3 2017 increased by 3.9% to AED 1,422.3 million vs. AED 1,369.1 million in Q3 2016 (and increased by 1.0% vs. AED 1,408.0 million in Q2 2017).
- Credit provisions and impairments for Q3 2017 decreased by 9.3% to AED 242.7 million vs. AED 267.7 million for Q3 2016.

**Balance Sheet: 30 September 2017 vs. 30 September 2016 and 31 December 2016**

- Total assets as of 30 September 2017 were AED 121.3 billion, representing a decrease of 1.1% from AED 122.6 billion at the end of 30 September 2016 (and a decrease of 0.8% from AED 122.3 billion at 31 December 2016).
- Net customer financing decreased by 2.3% to AED 76.8 billion, from AED 78.6 billion at the end of 30 September 2016 (and decreased 1.8% from AED 78.2 billion at 31 December 2016).
- Customer deposits grew 0.5% to AED 99.1 billion, from AED 98.6 billion at the end of 30 September 2016 (an increase of 0.3% from AED 98.8 billion at 31 December 2016).

**Capital adequacy and liquidity: 30 September 2017 vs. 30 September 2016 and 31 December 2016**

- The capital adequacy ratio under Basel II is 16.28% at 30 September 2017 vs. 15.03% at 30 September 2016 (15.25% at 31 December 2016).

- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 81.1% at 30 September 2017, vs. 85.3% at 30 September 2016 (85.1% at 31 December 2016) and an advances to deposits ratio of 77.5% at 30 September 2017, vs. 79.7% at 30 September 2016 (79.1% at 31 December 2016).

## Group Financial highlights - Four-year performance

As at 30 September

All figures are in AED millions

Balance sheet	Q3 2014	Q3 2015	Q3 2016	Q3 2017	3 YR (CAGR)
Total assets	108,962	116,919	122,589	121,269	3.6%
Gross customer financing	74,909	80,123	81,869	79,937	2.2%
Customer deposits	82,936	89,434	98,610	99,094	6.1%
Total equity	13,439	14,714	15,593	16,142	6.3%
Capital adequacy ratio - Basel II	14.3%	14.7%	15.0%	16.3%	
Tier 1 ratio - Basel II	13.9%	14.1%	14.4%	15.7%	
Common Equity Tier 1 ratio	7.8%	8.6%	9.0%	10.1%	
Customer financing to deposit ratio	86.4%	86.4%	79.7%	77.5%	
Income statement	Q3 2014	Q3 2015	Q3 2016	Q3 2017	3 YR (CAGR)
Net revenue	1,170.8	1,284.2	1,369.1	1,422.3	6.7%
Operating profit (margin)	664.3	698.6	780.9	812.9	7.0%
Credit provisions and impairment charge	186.8	193.0	267.7	242.7	9.1%
Net profit after zakat & tax	476.8	503.2	508.9	563.9	5.8%
Total non-performing accounts to gross financing assets ratio	6.2%	4.0%	4.4%	5.1%	
Provision coverage ratio	71.2%	90.0%	90.2%	76.3%	
Cost to income ratio	43.3%	45.6%	43.0%	42.8%	
Network - UAE	Q3 2014	Q3 2015	Q3 2016	Q3 2017	3 YR (CAGR)
Total customers	752,168	855,468	903,669	969,256	8.8%
Branches	85	88	88	81	-1.6%
ATMs	656	757	780	731	3.7%

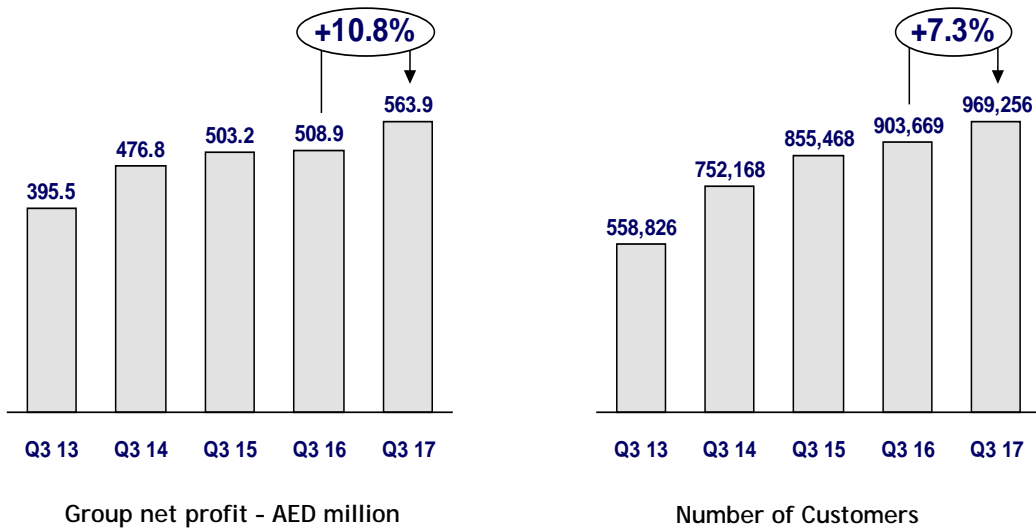
**Abu Dhabi, UAE - 22 October 2017:** The Abu Dhabi Islamic Bank (ADIB) Group delivered a solid set of results for the first nine months of 2017 with net profit up 13.0% year-on-year to AED 1,693.0 million and up 10.8% in Q3 2017 from Q3 2016 to AED 563.9 million. Revenues increased by 4.0% for the first nine months of 2017 to AED 4,204.4 million driven by growth in Fees, FX and investment income.

Given the uncertainties in the macroeconomic environment, ADIB has maintained its conservative approach on credit extension and capital management. This led to a year-on-year decrease of 2.3% in customer financing assets to AED 76.8 billion at the end of 30 September 2017.

ADIB's customer-centric strategy continued to deliver an award-winning banking experience to over 969,000 customers through a large branch network and market-leading digital channels. This has seen customer deposits increase by 0.5% year-on-year to reach AED 99.1 billion at the end of 30 September 2017. As a result, ADIB remains one of the most liquid banks in the UAE, with advances to deposits ratio of 77.5%.

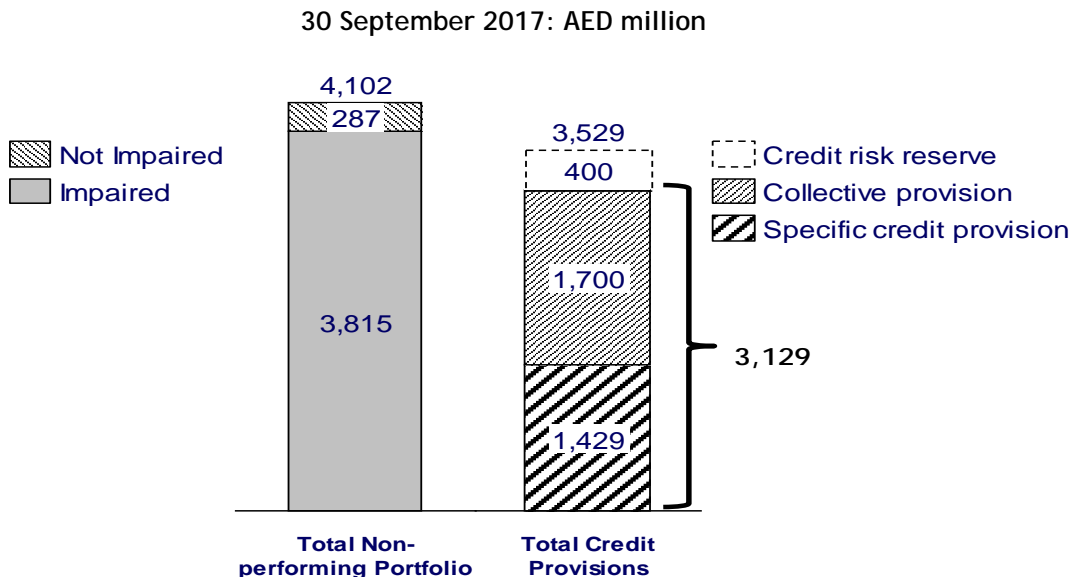
**Business highlights for Q3 2017 were:**

- Continued emphasis on customer service saw the number of active customers served by ADIB increase by over 7.3% year-on-year to 969,256.
- Total revenues increased by 3.9% y-o-y to AED 1,422.3 million driven by fee income (mainly from cards, wealth management, Takaful products), FX and investment income.
- Cost of credit improved as total credit provision and impairment decreased by 9.3% to AED 242.7 million in Q3 2017. Notwithstanding, the Group continued its conservative practice of building provisions and booked AED 229.0 million in total credit provisions to maintain the pre-collateral non-performing coverage ratio at 76.3% of the total non-performing portfolio and 82.0% of the impaired portfolio.
- Continued focus on productivity has resulted in the cost-to-income ratio dropping to 42.8% for Q3 2017. This is notwithstanding the fact that the Group has further enhanced its competencies in the risk, compliance, governance, digital, and control areas which are necessary infrastructure and capabilities to deliver leadership in its chosen customer segments, services, industries and geographies.
- ADIB continued to focus on innovation and automation, and to maintain its market leading position in digital banking. Over 91% of financial transactions were carried out on ADIB's digital platforms during the first nine months of 2017, including an average of 1.5 million mobile transactions every month. Our Mobile Banking App continues to be recognized as a market leader, with more than 54,000 new users in the first three quarters of 2017.



**Risk management**

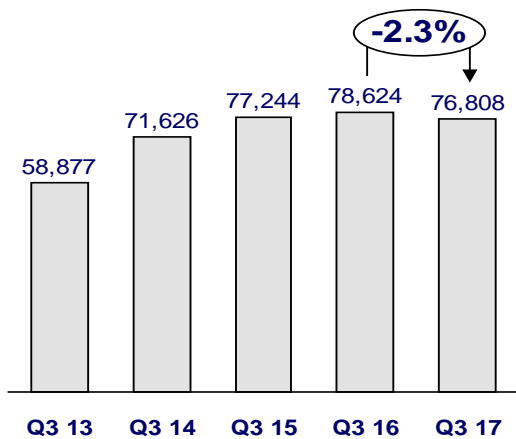
ADIB continued its prudent approach to credit risk management, Non-performing assets ratio stood at 5.1% with non-performing assets now totaling AED 4,102.2 million. In Q3 2017, ADIB took an additional AED 229.0 million in provisions. Total credit provisions, net of write-offs, stand at AED 3,129.4 million. Specific and collective provisions now represent a pre-collateral coverage ratio of 76.3% of the total non-performing portfolio and 82.0% of the impaired portfolio. Furthermore, collective provisions now represent 1.97% of total credit risk weighted assets. This is well above the 1.5% set out in regulatory guidelines.



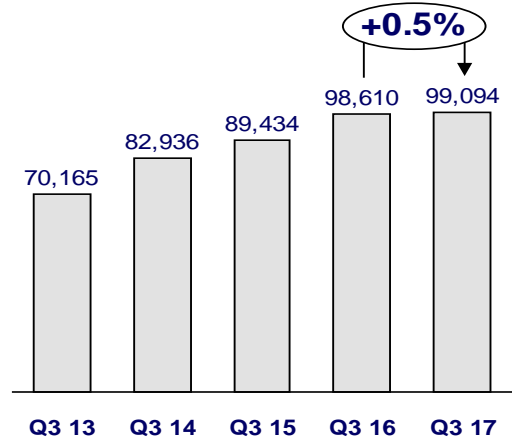
**Asset and Liability Management**

ADIB recorded healthy customer financing-to-deposits ratio of 77.5%. The bank maintained its position as one of the most liquid financial institutions in the UAE. The main driver of the best-in-market customer-to-deposits ratio remains ADIB’s continued focus on building long-term relationships which saw customer deposits increase by 0.5% year-on-year to reach AED 99.1 billion at 30 September 2017.

Customer financing assets saw minor contraction as ADIB continued to focus on capital conservation at a time when the economy is encountering stress.



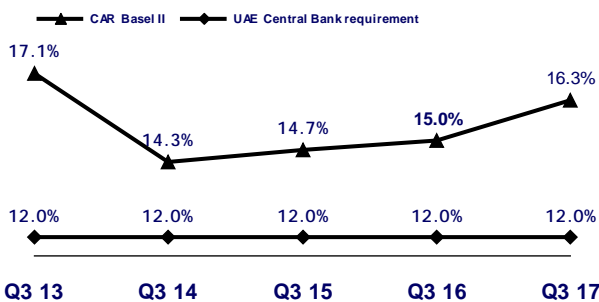
Net Customer Financing Growth - AED million



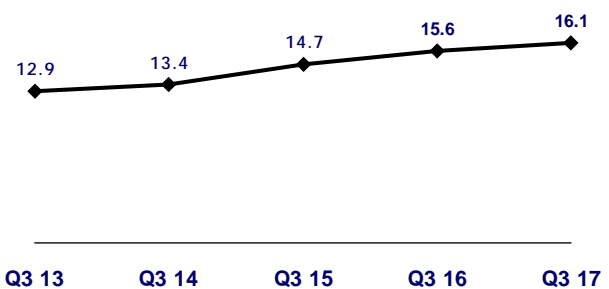
Customer Deposit Growth - AED million

### Capital strength

Total equity (including Tier 1 capital instruments) was AED 16.1 billion at 30 September 2017. This represents an increase of 3.5% year-on-year and a 3-year compounded growth rate of 6.3%. ADIB's capital adequacy ratio under Basel II principles now stands at 16.28% with the Basel II Tier 1 capital ratio at 15.68% and a common equity tier 1 ratio of 10.06%, well above Central Bank of the UAE's prescribed minimums of 12% for capital adequacy and 8% for Tier 1 under Basel II. Similar capital ratios under Basel III are also above the minimum regulatory thresholds which were recently advised by Central Bank of the UAE.



Capital Adequacy Ratio - %



Total Equity - AED billion

### Cost management

In line with ADIB's growth strategy, the Group has maintained its focus on putting in place infrastructure necessary to support this approach. Emphasis remains on recruiting and retaining top talent, building infrastructure to deliver award-winning customer experience and investing appropriately in expanding business capabilities across all targeted customer segments. Specifically, ADIB has continued to enhance its digital capabilities across all businesses and processes in line with its ambition to be the customers' favourite digital bank. It is focusing on service excellence and convenience, while building and diversifying

its fee income capabilities in line with identified customer needs. The bank is also upgrading all aspects of its infrastructure to ensure the Group operates in a stable and secure operating environment.

Furthermore, in line with the Group's ambition of being a leader in the application of regulatory and related governance best practices, ADIB has increased its investment in risk, control and compliance capabilities.

Despite the ongoing high levels of investment required to achieve the Group's growth ambitions, the focus on productivity saw the cost-to-income ratio for Q3 2017 decline to 42.8% from 43.0% in 30 September 2016 helped by cost control measures implemented during the year.

### Human resources

In line with the Group's 2020 strategic ambition, ADIB has continued to selectively recruit the necessary talent required to service a comprehensive range of client segments and selective industries through a broad range of products and solutions while also enhancing governance structures. The bank's headcount in the UAE was 2,090 at the end of the third quarter of 2017.

ADIB remains one of the leading banks in advocating the recruitment, development and promotion of local talent in all the markets in which it operates. The Bank now employs 810 Nationals in the UAE.

ADIB has already started adopting a new points-based system that was approved by the UAE government and the UAE Central Bank to promote the entry of UAE nationals into the financial sector and promote career development.

### Corporate Social Responsibility

ADIB has launched and supported numerous CSR initiatives in 2017 to reinforce and maximise its contribution to society, including blood donation campaigns, sponsoring mass weddings and organising a range of activities during Ramadan. In alignment with the UAE's Year of Giving, the bank has supported numerous causes across the UAE with employees across ADIB giving up their personal time to serve their local communities. Such charitable principles continue to demonstrate ADIB's role within society and complement the bank's business objectives.

### Management comment

On behalf of the Board of Directors and the management team, Khamis Mohamed Buharoon, ADIB's Vice Chairman and acting CEO, said: Our third quarter results provide a good summary of where ADIB stands today, a growing bank that is attracting new customers based on a high-quality banking experience and trusted corporate values which place customers' needs first. In Q3 2017, ADIB has continued to deliver strong growth in revenues and making good progress in managing costs. This has resulted in a healthy 10.8% year-on-year increase in our net profit in the third quarter of the year.

“We have seen revenue increases across many of the key products we have been investing in, coupled with an improved cost of credit and a customer centric strategy. This helped us to welcome approximately 66,000 new customers in the last 12 months.

ADIB’s investment in innovation to modernise our technology architecture and ensure that we are at the forefront of services in banking has been a key driver of customer growth. Our digital and innovation agenda is about enhancing the customer experience, making it simpler, faster and more cost effective for customers, while ensuring that they continue to receive a highly-personalised level of service.

Despite heavy investment in core areas that will help us achieve further growth in the future, including enhancing customer experience and advancing our digital capabilities, we demonstrated a strong expense discipline with the Group’s cost-to-income ratio decreasing by 0.2% when compared to 2016. This is in line with management targets and it will enable us to invest further to support our future growth.

We remain comfortable about our risk appetite and impairment trends as we were able to achieve improved profitability whilst continuing on prudently managing risk and credit extension. We also delivered a further improvement in asset quality with the non-performing asset ratio reducing to 5.1%.

It is pleasing to note that the continued improvement in resolving our non-performing asset portfolio and the stabilisation of the business environment coupled with our focus in asset quality has led to higher recoveries and lower impairment allowances, down 9.3% from last year. While there are some encouraging signs of recovery we will continue with our conservative approach in building provisions where our total credit provisions and impairments have increased to AED 3,129.4 million. This is complemented by improvements in our funding position with customer deposits increasing by 0.5% year-on-year to AED 99.1 billion.

ADIB has always been at the forefront of banks in the UAE when it comes to capital management with a capital adequacy ratio under Basel II of 16.28%. Capital ratios under Basel III are also above the minimum regulatory thresholds recently advised by Central Bank of the UAE. We therefore fully expect to be able to support our continued growth in the most effective and efficient manner.

### **Outlook**

Notwithstanding the potential return of volatility in global financial markets and ongoing geopolitical concerns in multiple regions, we remain positive about the UAE’s economic outlook and will continue to invest in growing our market share in an increasing number of segments by delivering an award-winning customer experience in the most convenient manner, be it through our people or our digital channels. ADIB well-positioned to take advantage of opportunities that are expected to arise as the pace of economic diversification accelerates.

**Gratitude**

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

  
Khamis Mohamed Buharoon  
Vice Chairman &  
Acting Chief Executive Officer



## Financial summaries

### ADIB Group Financial summary - 3 months and 9 months summary

Financials	Consolidated Group									
	Q3 2015	Q3 2016	Q3 2017	Chg Q3 16 vs. Q3 15	Chg Q3 17 vs. Q3 16	YTD 2015	YTD 2016	YTD 2017	Chg YTD 16 vs. YTD 15	Chg YTD 17 vs. YTD 16
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	934.4	984.4	961.9	5.4%	-2.3%	2,794.4	2,939.7	2,834.6	5.2%	-3.6%
Fees & Commissions	224.2	221.9	248.0	-1.0%	11.7%	660.2	654.5	747.0	-0.9%	14.1%
Investment income	90.2	103.3	146.6	14.6%	41.9%	251.5	365.9	398.8	45.5%	9.0%
FX	24.7	45.1	65.7	82.9%	45.7%	43.8	65.2	213.9	48.7%	228.2%
Other	10.9	14.3	0.2	31.8%	-98.9%	12.5	16.0	10.0	28.5%	-37.5%
<b>Total Revenues</b>	<b>1,284.2</b>	<b>1,369.1</b>	<b>1,422.3</b>	<b>6.6%</b>	<b>3.9%</b>	<b>3,762.5</b>	<b>4,041.3</b>	<b>4,204.4</b>	<b>7.4%</b>	<b>4.0%</b>
<b>Total Expenses</b>	<b>585.6</b>	<b>588.2</b>	<b>609.4</b>	<b>0.4%</b>	<b>3.6%</b>	<b>1,730.8</b>	<b>1,813.1</b>	<b>1,864.8</b>	<b>4.8%</b>	<b>2.8%</b>
<b>Operating profit (margin)</b>	<b>698.6</b>	<b>780.9</b>	<b>812.9</b>	<b>11.8%</b>	<b>4.1%</b>	<b>2,031.7</b>	<b>2,228.2</b>	<b>2,339.6</b>	<b>9.7%</b>	<b>5.0%</b>
Credit Provisions and Impairment	193.0	267.7	242.7	38.7%	-9.3%	570.7	717.8	623.4	25.8%	-13.1%
<b>Net Profit before Zakat &amp; Tax</b>	<b>505.6</b>	<b>513.2</b>	<b>570.2</b>	<b>1.5%</b>	<b>11.1%</b>	<b>1,461.0</b>	<b>1,510.4</b>	<b>1,716.2</b>	<b>3.4%</b>	<b>13.6%</b>
Zakat & Tax	2.4	4.3	6.3	75.2%	48.7%	4.4	11.9	23.2	174.2%	94.6%
<b>Net Profit after Zakat &amp; Tax</b>	<b>503.2</b>	<b>508.9</b>	<b>563.9</b>	<b>1.1%</b>	<b>10.8%</b>	<b>1,456.6</b>	<b>1,498.4</b>	<b>1,693.0</b>	<b>2.9%</b>	<b>13.0%</b>
Total Assets in AED (Billion)	116.9	122.6	121.3	4.8%	-1.1%	116.9	122.6	121.3	4.8%	-1.1%
Customer Financing in AED (Billion)	77.2	78.6	76.8	1.8%	-2.3%	77.2	78.6	76.8	1.8%	-2.3%
Customer Deposits in AED (Billion)	89.4	98.6	99.1	10.3%	0.5%	89.4	98.6	99.1	10.3%	0.5%

-Ends-

**About ADIB:**

Abu Dhabi Islamic Bank (ADIB) was established on 20<sup>th</sup> May 1997 as a Public Joint Stock Company following the Emiri Decree No. 9 of 1997. The Bank commenced commercial operations on 11<sup>th</sup> November 1998, and was formally inaugurated by His Highness Sheikh Abdullah Bin Zayed Al Nahyan on 18<sup>th</sup> April 1999.

ADIB's vision is to be a top-tier, global Islamic financial services group and its mission is to provide Islamic financial solutions to the global community.

The Bank carries out all contracts, operations and transactions in accordance with Islamic Shari'a principles.

ADIB's core values, reflected in all its activities are: Simple and Sensible; Transparent; Mutual Benefit; Hospitality and Tolerance; and Shari'a inspired. It brings to its customers banking as it should be.

**Awards**

1. Global Islamic Business Award by Department of Economic Development.
2. Best Islamic Bank in the UAE by Global Finance Magazine.
3. Best Emiratization initiative by NASEEBA.
4. Best Online Banking Service from Banker Middle East.
5. Best Performance Campaign' by MENA Digital Awards.
6. Best Home Finance in the Middle East by Asian Banker.
7. Best Sport CSR initiative of the year by SPIA.
8. Best Youth Development Program by SPIA.
9. Best Islamic Bank in the Middle East by Executive Magazine.
10. Best Islamic Bank in the UAE by Banker Magazine FT.
11. Excellence in CSR Initiatives for Islamic Banks.
12. Best Private bank in the UAE by Banker Magazine
13. Sheikh Khalifa Excellence Award 2016 - Gold category.
14. Best bank in customer experience by Ethos Consultancy.

**For media information, please visit [www.adib.ae](http://www.adib.ae) or contact:**

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