

**MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 31 MARCH 2018**

**ADIB Q1 2018 Net Profit up 2.2% to reach AED 590.4 million**

**Group Financial Highlights**

**Income Statement:**

**Q1 2018 vs. Q1 2017 (and Q4 2016)**

- Group net profit for Q1 2018 increased by 2.2% to AED 590.4 million vs. AED 577.5 million in Q1 2017.
- Group net revenues for Q1 2018 decreased by 0.7% to AED 1,363.9 million vs. AED 1,374.1 million in Q1 2017.
- Credit provisions and impairments for Q1 2018 decreased by 8.8% to AED 149.9 million vs. AED 164.4 million for Q1 2017 (and decreased by 10.2% vs. AED 166.9 million for Q4 2017).

**Balance Sheet:**

**31 March 2018 vs. 31 March 2017 and 31 December 2017**

- Total assets as of 31 March 2018 were AED 124.1 billion, representing an increase of 1.3% from AED 122.5 billion at the end of 31 March 2017 (and an increase of 0.7% from AED 123.3 billion at 31 December 2017).
- Net customer financing decreased by 1.7% to AED 76.0 billion, from AED 77.3 billion at the end of 31 March 2017 (and decreased 0.7% from AED 76.5 billion at 31 December 2017).
- Customer deposits grew 1.2% to AED 102.2 billion, from AED 101.0 billion at the end of 31 March 2017 (an increase of 2.2% from AED 100.0 billion at 31 December 2017).

**Capital adequacy and liquidity:**

**31 March 2018 vs. 31 March 2017 and 31 December 2017**

- The capital adequacy ratio under Basel III at 31 March 2018 is 16.02% vs. 16.09% at 31 December 2017 after adjusting for 2017 Dividend.
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 80.4% at 31 March 2018, vs. 81.8% at 31 March 2017 (80.0% at 31 December 2017) and an advances to deposits ratio of 74.4% at 31 March 2018, vs. 76.6% at 31 March 2017 (76.5% at 31 December 2017).

## Group Financial highlights - Four-year performance

As at 31 March

All figures are in AED millions

| <b>Balance sheet</b>                | <b>Q1 2015</b> | <b>Q1 2016</b> | <b>Q1 2017</b> | <b>Q1 2018</b> | <b>3 YR (CAGR)</b> |
|-------------------------------------|----------------|----------------|----------------|----------------|--------------------|
| Total assets                        | 114,061        | 119,179        | 122,511        | 124,129        | 2.9%               |
| Gross customer financing            | 75,132         | 81,407         | 80,415         | 79,228         | 1.8%               |
| Customer deposits                   | 87,602         | 95,994         | 101,005        | 102,208        | 5.3%               |
| Total equity                        | 14,075         | 15,510         | 16,001         | 16,125         | 4.6%               |
| Customer financing to deposit ratio | 82.6%          | 81.6%          | 76.6%          | 74.4%          |                    |

| <b>Income statement</b>                                  | <b>Q1 2015</b> | <b>Q1 2016</b> | <b>Q1 2017</b> | <b>Q1 2018</b> | <b>3 YR (CAGR)</b> |
|--|----------------|----------------|----------------|----------------|--------------------|
| Net revenue  | 1,224.3        | 1,317.3        | 1,374.1        | 1,363.9        | 3.7%               |
| Operating profit (margin)                                | 654.4          | 702.3          | 746.0          | 740.5          | 4.2%               |
| Credit provisions and impairment charge                  | 202.6          | 216.2          | 164.4          | 149.9          | -9.6%              |
| Net profit after zakat & tax                             | 450.8          | 482.0          | 577.5          | 590.4          | 9.4%               |
| Total impaired financing to gross financing assets ratio | 3.7%           | 3.4%           | 4.2%           | 5.1%           |                    |
| Provision coverage ratio                                 | 89.4%          | 96.1%          | 77.9%          | 79.4%          |                    |
| Cost to income ratio                                     | 46.5%          | 46.7%          | 45.7%          | 45.7%          |                    |

| <b>Network - UAE</b> | <b>Q1 2015</b> | <b>Q1 2016</b> | <b>Q1 2017</b> | <b>Q1 2018</b> | <b>3 YR (CAGR)</b> |
|----------------------|----------------|----------------|----------------|----------------|--------------------|
| Total customers      | 796,959        | 892,728        | 938,072        | 996,587        | 7.7%               |
| Branches             | 88             | 88             | 82             | 80             | -3.1%              |
| ATMs                 | 709            | 783            | 740            | 716            | 0.3%               |

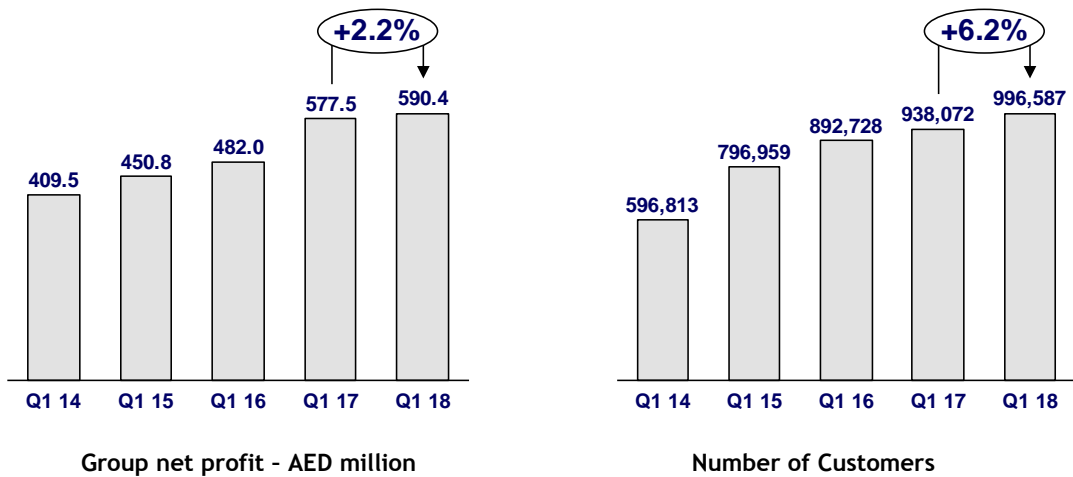
**Abu Dhabi, UAE - 23 April 2018:** Abu Dhabi Islamic Bank (ADIB) today reported a net profit of AED 590.4 million for the first quarter 2018, up 2.2% from the same period in 2017, driven by higher fees & commissions, as well as disciplined expense and credit-loss management. Revenues fell 0.7% year-on-year to AED 1.36 billion but the bank benefited from lower credit provisions and impairments decreasing by 8.8% to AED 149.9 million.

ADIB's customer-centric strategy continued to deliver an award-winning banking experience to over 996,500 customers through a large branch network and market-leading digital channels. This supported growth in customer deposits by 1.2% year-on-year to reach AED 102.2 billion at the end of 31 March 2018. As a result, ADIB remains one of the most liquid banks in the UAE, with advances to deposits ratio of 74.4%.

ADIB has maintained its conservative approach on credit extension and capital management. This led to a year-on-year decrease of 1.7% in customer financing assets to AED 76.0 billion at the end of 31 March 2018.

**Business highlights for Q1 2018 were:**

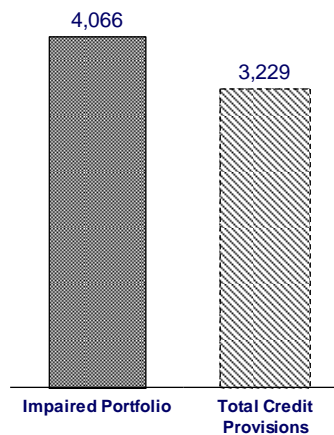
- ADIB's focus on delivering a high-quality customer experience saw the number of active customers served by ADIB increase by over 6.2% year-on-year to 996,587 as at 31 March 2018.
- Cost of credit improved as total credit provision and impairment decreased by 8.8% to AED 149.9 million in Q1 2018. The credit provision is calculated based on the expected credit loss methodology required as per the newly adopted IFRS 9.
- Continued focus on productivity has resulted in the cost-to-income ratio remaining stable at 45.7% for Q1 2018 vs. Q1 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 has launched and supported numerous CSR initiatives in 2018, the UAE's Year of Zayed, which celebrates the legacy of the nation's founding father. The bank has been focused on reinforcing and maximising its positive contribution within local communities, including the Mother of the National Festival, blood donation campaigns and the sponsoring of a number of youth-focused sporting and educational initiatives for which the bank has received prestigious awards.
- 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 754 Nationals in the UAE. The bank has adopted a new points-based system approved by the UAE Central Bank to promote the entry of Emiratis into the financial sector while also enhancing career development opportunities.



**Risk management**

As per the newly adopted IFRS 9, the customer financing which is classified under Stage 3 stands at 5.1% with these assets now totaling AED 4,065.7 million. In Q1 2018, ADIB took additional provisions of AED 144.9 million for customer financing. Total credit provisions stands at AED 3,228.7 million and now represents a coverage ratio of 79.4% of the impaired portfolio.

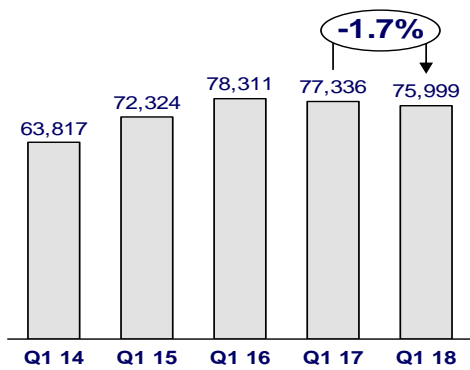
31 March 2018: AED million



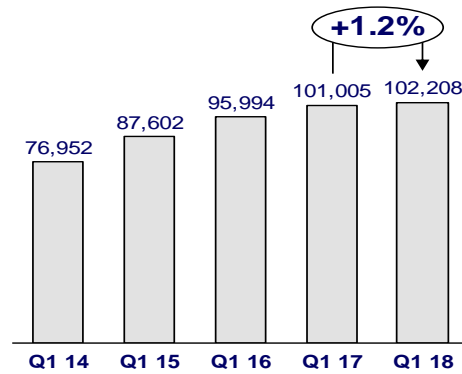
**Asset and Liability Management**

ADIB recorded healthy customer financing-to-deposits ratio of 74.4%. 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 financing-to-deposits ratio remains ADIB’s continued focus on building long-term relationships which saw customer deposits increase by 1.2% year-on-year to reach AED 102.2 billion at 31 March 2018.

Customer financing assets saw minor contraction as ADIB continued to focus on capital conservation to manage an unpredictable macroeconomic environment.



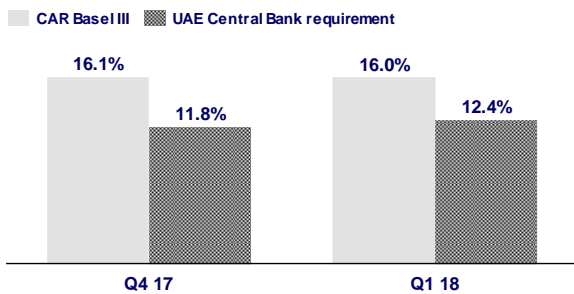
Net Customer Financing Growth - AED million



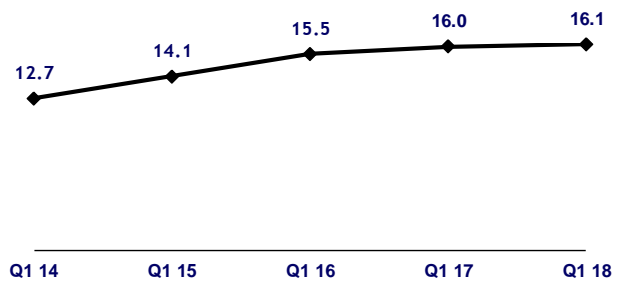
Customer Deposit Growth - AED million

**Capital strength**

Total equity (including Tier 1 capital instruments) was AED 16.1 billion at 31 March 2018. This represents an increase of 0.8% year-on-year and a 3-year compounded growth rate of 4.6%. ADIB’s capital adequacy under Basel III principles are: capital adequacy ratio is at 16.02%, Tier 1 capital ratio is at 14.93% and a common equity tier 1 ratio is at 9.73%. All capital ratios under Basel III principles are above the minimum regulatory thresholds 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 the necessary infrastructure 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’ favorite 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.

The ongoing high levels of investment required to achieve the Group's growth ambitions, helped by cost control measures implemented during the period, saw the cost-to-income ratio remain at 45.7% unchanged from Q1 2017.

### **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 2,040 at the end of 31 March 2018.

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 754 Nationals in the UAE. The bank has adopted a new points-based system approved by the UAE Central Bank to promote the entry of Emiratis into the financial sector while also enhancing career development opportunities.

### **Management comment**


On behalf of the Board of Directors and the management team, Mr. Khamis Buharoon, ADIB Vice Chairman and acting CEO, said: "ADIB delivered a good performance in the first quarter of 2018 with net profit increasing 2.2% to AED 590.4 million. We continue to attract new customers to the bank and are now on the brink of crossing the one million customer milestone having added 58,000 over the last year. People increasingly understand the benefits of Islamic banking and we are growing market share in this expanding segment of the financial industry. This has supported a 1.2% year-on-year increase in customer deposits to AED 102.2 billion while we have adopted a prudent approach to customer financing and maintaining a strong balance sheet to manage any macroeconomic challenges. We have also strengthened our advances to deposits ratio which now sits at 74.4%.

"ADIB's focus on enhancing its digital capabilities across all businesses has allowed us to enhance productivity. We have invested heavily in digital innovation for individual and corporate banking to ensure that we remain at the forefront of the UAE banking sector. The implementation of technology, such as in our new generation of ADIB Express branches, our mobile app, has also enabled us to control expenses, which fell by 0.7 percent. We continue to deliver an award-winning banking experience, launching highly competitive products and services which meet customer demand, thus our revenue from fees & commissions increased 2.6% year-on-year to AED 231.3 million.

“Despite operating in the region’s most competitive banking environment, we believe ADIB is well positioned to take advantage of the UAE’s economic development and diversification, ensuring that our financial strength and focus on innovation delivers a compelling offering to customers. We cannot ignore that global economic uncertainties remain, and that there are concerns about the pressures of a rising rate environment on major segments of the UAE economy. We will therefore maintain our conservative approach to balancing the risk and reward of new credit extension.”

**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 Buhareon  
Vice Chairman &  
Acting Chief Executive Officer

## Financial summaries

### ADIB Group Financial summary

| Financials                               | Q1 2017        | Q1 2018        | Chg Q1 18 vs. Q1 17 |
|--|----------------|----------------|---------------------|
|  | AED Mn         | AED Mn         | %                   |
| Net Revenue from Funding                 | 954.2          | 948.4          | -0.6%               |
| Fees & Commissions                       | 225.4          | 231.3          | 2.6%                |
| Investment income                        | 123.0          | 117.7          | -4.3%               |
| FX income                                | 71.4           | 60.5           | -15.3%              |
| Other income                             | 0.1            | 6.1            | 7568.4%             |
| <b>Total Revenues</b>                    | <b>1,374.1</b> | <b>1,363.9</b> | <b>-0.7%</b>        |
| Expenses                                 | 628.1          | 623.4          | -0.7%               |
| <b>Operating profit (margin)</b>         | <b>746.0</b>   | <b>740.5</b>   | <b>-0.7%</b>        |
| Credit Provisions and Impairment         | <b>164.4</b>   | <b>149.9</b>   | <b>-8.8%</b>        |
| <b>Net profit before Zakat &amp; Tax</b> | <b>581.6</b>   | <b>590.6</b>   | <b>1.5%</b>         |
| Zakat & Tax                              | <b>4.1</b>     | <b>0.2</b>     | <b>-93.9%</b>       |
| <b>Net profit after Zakat &amp; Tax</b>  | <b>577.5</b>   | <b>590.4</b>   | <b>2.2%</b>         |
| Total Assets in AED (Billion)            | 122.5          | 124.1          | 1.3%                |
| Customer Financing in AED (Billion)      | 77.3           | 76.0           | -1.7%               |
| Customer Deposits in AED (Billion)       | 101.0          | 102.2          | 1.2%                |

-Ends-



**Awards**

1. Global Islamic Business Award by Department of Economic Development.
2. Best Islamic Bank in the UAE by Middle East Banking Awards.
3. Best Islamic Bank in UAE by EMEA Finance.
4. Best Islamic Bank in the UAE by Banker FT.
5. IFSB Award for best Islamic SME Bank in Egypt.
6. Innovator of the year by Global Finance Magazine.
7. Excellence in Digital Banking Award by Lafferty Global Awards.
8. Gitex Award for Mobile Trading App by Dubai Financial Market.
9. Best Overall Bank in customer Experience by Ethos Consultancy.
10. Best Overall Call Center in the UAE by Ethos Consultancy.
11. Property Consultancy of the Year by African & Arabian Property Awards.
12. Real Estate Agency of the Year by African & Arabian Property Awards.
13. Syndicated Deal of the Year for The FINCO Ijarah Syndication by Islamic Finance news Awards.
14. UAE Deal of the year for The FINCO Ijarah Syndication by Islamic Finance news Awards.
15. Local Currency Deal of the Year Bonds, Loans & Sukuk Middle East Awards.
16. Project Financing Deal of the Year Bonds, Loans & Sukuk Middle East Awards.
17. Best Islamic Bank in Egypt by Global Finance Magazine.
18. Best Islamic Digital Bank by Global Finance Magazine.
19. Best Islamic Bank in Egypt by Islamic Bank and Finance Magazine.
20. IFSB Award for best Islamic Retail Bank in Egypt.
21. Best Islamic Private Bank by Islamic Finance news Awards.
22. Best Private bank in the Middle East for Islamic Finance by Private Banker International Magazine.
23. Best Private Bank in the UAE by Banker FT.
24. EIBFS Human Resources Development Award.
25. Best Emiratization Initiative by Naseeba.
26. Best in Talent Management by MENA HR Excellence Awards.
27. Best Home Finance in the Middle East by Asian Banker.
28. Best Sport CSR Initiative of the Year by SPIA.
29. Best Youth Development Program by SPIA.
30. Excellence in CSR Initiatives for Islamic Banks by Regional Network Consultancy.

**About ADIB:**

ADIB is a leading bank in the UAE with more than AED 124 billion in assets. Its 996,500 customers benefit from the third largest distribution network in the UAE with 80 branches and more than 710 ATMs. The bank also offers world-class online, mobile and phone banking services, providing clients with seamless digital access to their accounts 24 hours a day. ADIB provides retail, corporate, business, private banking and wealth management solutions. The bank was established in 1997 and its shares are traded on the Abu Dhabi Securities Exchange (ADX).

In the UAE, the Bank has more than 2,000 employees and remains one of the leading banks in the recruitment, development and promotion of local talent in all the markets in which it operates. The bank has one of the highest Emiratisation ratios with approx. 37 percent of the bank's workforce being UAE Nationals.

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

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

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

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