

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 30 JUNE 2018

ADIB H1 2018 Net Profit up 3.0% to reach AED 1,163.0 million

Group Financial Highlights

Income Statement: First half 2018 vs. First half 2017

- Group net profit for H1 2018 increased by 3.0% to AED 1,163.0 million vs. AED 1,129.1 million in H1 2017.
- Group net revenues for H1 2018 decreased by 1.9% to AED 2,728.8 million vs. AED 2,782.1 million in H1 2017.
- Credit provisions and impairments for H1 2018 decreased by 17.2% to AED 315.2 million vs. AED 380.8 million in H1 2017.

Income Statement: Q2 2018 vs. Q2 2017

- Group net profit for Q2 2018 increased by 3.8% to AED 572.7 million vs. AED 551.6 million in Q2 2017.
- Group net revenues for Q2 2018 decreased by 3.1% to AED 1,364.9 million vs. AED 1,408.0 million in Q2 2017.
- Credit provisions and impairments for Q2 2018 decreased by 23.6% to AED 165.3 million vs. AED 216.4 million for Q2 2017.

Balance Sheet: 30 June 2018 vs. 30 June 2017 and 31 December 2017

- Total assets as of 30 June 2018 were AED 122.9 billion, representing an increase of 0.6% from AED 122.2 billion at the end of 30 June 2017 (and a decrease of 0.3% from AED 123.3 billion at 31 December 2017).
- Net customer financing decreased by 0.6% to AED 76.3 billion, from AED 76.8 billion at the end of 30 June 2017 (and decreased 0.3% from AED 76.5 billion at 31 December 2017).
- Customer deposits grew 1.2% to AED 101.2 billion, from AED 100.0 billion at the end of 30 June 2017 (an increase of 1.2% from AED 100.0 billion at 31 December 2017).

Capital adequacy and liquidity: 30 June 2018 vs. 30 June 2017 and 31 December 2017

- The capital adequacy ratio under Basel III at 30 June 2018 is 16.83% 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 81.5% at 30 June 2018, vs. 81.0% at 30 June 2017 (80.0% at 31 December 2017) and an advances to deposits ratio of 75.4% at 30 June 2018, vs. 76.7% at 30 June 2017 (76.5% at 31 December 2017).

Group Financial highlights - Four-year performance

As at 30 June

All figures are in AED millions

Balance sheet	Q2 2015	Q2 2016	Q2 2017	Q2 2018	3 YR (CAGR)
Total assets	115,077	121,507	122,227	122,938	2.2%
Gross customer financing	77,310	82,787	79,736	79,622	1.0%
Customer deposits	89,084	97,375	100,033	101,184	4.3%
Total equity	13,722	15,081	15,580	16,541	6.4%
Customer financing to deposit ratio	83.7%	81.8%	76.7%	75.4%	
Income statement	Q2 2015	Q2 2016	Q2 2017	Q2 2018	3 YR (CAGR)
Net revenue	1,254.0	1,355.0	1,408.0	1,364.9	2.9%
Operating profit (margin)	678.6	745.0	780.8	740.2	2.9%
Credit provisions and impairment charge	175.1	234.0	216.4	165.3	-1.9%
Net profit after zakat & tax	502.6	507.5	551.6	572.7	4.4%
Total impaired financing to gross financing assets ratio	4.1%	4.0%	5.2%	5.5%	
Provision coverage ratio	88.3%	94.1%	71.7%	75.7%	
Cost to income ratio	46.0%	45.0%	44.5%	45.8%	
Network - UAE	Q2 2015	Q2 2016	Q2 2017	Q2 2018	3 YR (CAGR)
Total customers	815,215	931,352	951,284	1,007,036	7.3%
Branches	88	88	81	82	-2.3%
ATMs	737	771	726	714	-1.1%

Abu Dhabi, UAE - 15 July 2018: Abu Dhabi Islamic Bank (ADIB) today reported a net profit of AED 1,163.0 million for the first half 2018, up 3.0% from the same period in 2017, driven by stable revenues, amid a challenging environment, disciplined cost management as well as lower cost of credit.

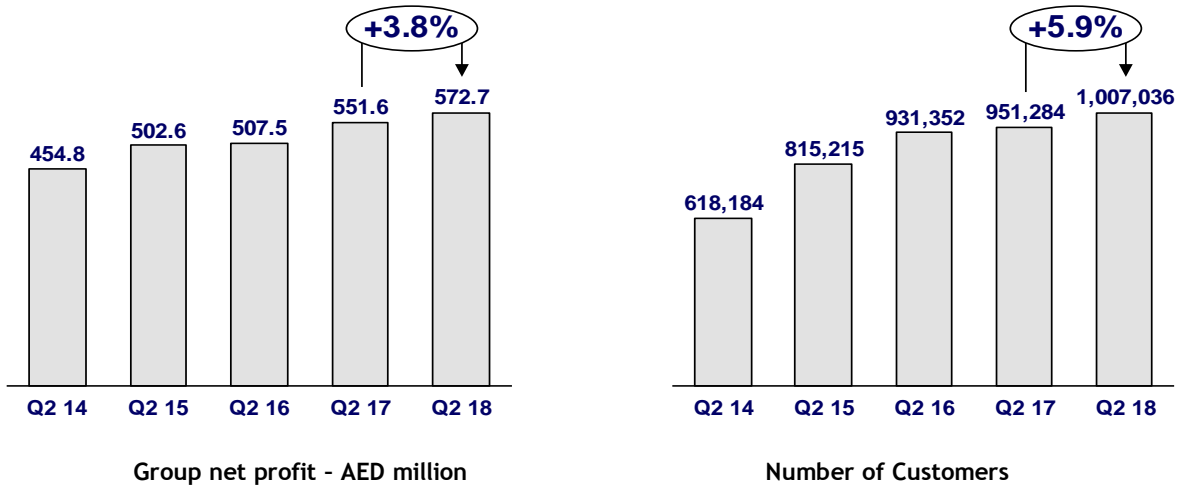
ADIB's customer-centric strategy continued to deliver an award-winning banking experience to over 1 million customers through a large branch network and market-leading digital channels. This supported growth in customer deposits by 1.2% year-on-year to reach AED 101.2 billion at the end of 30 June 2018. As a result, ADIB remains one of the most liquid banks in the UAE, with an advance to deposits ratio of 75.4%.

ADIB has maintained its conservative approach on credit extension and capital management. This led to a year-on-year decrease of 0.6% in customer financing assets to AED 76.3 billion at the end of 30 June 2018.

Key Business highlights for Q2 2018 were:

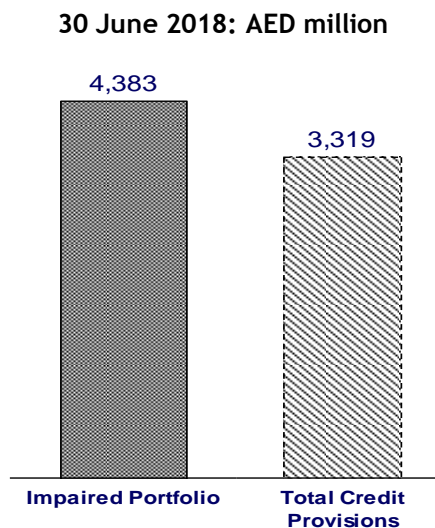
- ADIB welcomed its one millionth customer in the UAE - nearly double the number it had five years ago. A focus on customer service, combined with considerable investment in the bank's digital platforms, a large branch network and the development of industry-leading products has led to the number of active customers served by ADIB increasing by 6% year-on-year to reach 1,007,036.
- Expenses were 0.4% lower as digitisation and efficiency initiatives controlled costs while ensuring that customers continued to experience a high-level of service. This has resulted in the cost-to-income ratio remaining relatively stable at 45.8% in Q2 2018 vs. 45.7% in Q1 2018.
- Cost of credit improved as total credit provision and impairment decreased by 23.6% to AED 165.3 million in Q2 2018. The credit provision is calculated based on the expected credit loss methodology as per the newly adopted IFRS 9.
- ADIB won the title of 'World's Best Islamic Bank' in The Banker Magazine's awards for Islamic banks in 2018, the highest accolade that the Financial Times-owned publication awards to Islamic banks. ADIB also won two regional awards for 'Islamic Bank of the Year - UAE' and 'Islamic Bank of the Year - Middle East', the fourth consecutive year it has won this title.
- As part of its digitisation transformation strategy, the ADIB Mobile Banking App was enhanced with new features. Additionally, more than 50% of the ADIB customer base resort to the mobile app to interact with the bank and more than 2 million transactions are now conducted per month.
- ADIB is investing in upgrading its transaction banking and trade finance propositions and systems by enhancing product capabilities and automating the finance process. This also includes digitising the customers relationship management process via a CRM system to increase efficiency for corporates and SMEs.
- 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 Nation 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.



Risk management

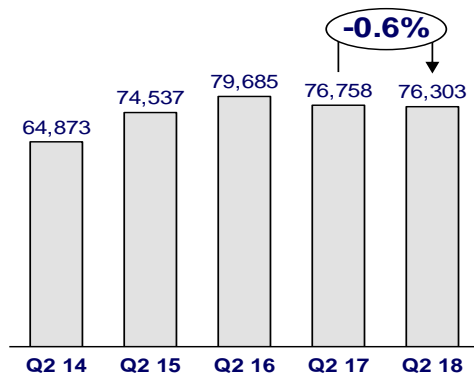
As per the newly adopted IFRS 9, the customer financing which is classified under Stage 3 stands at 5.5% with these assets now totaling AED 4,383.3 million. In Q2 2018, ADIB took additional provisions of AED 165.3 million for customer financing. Total credit provisions stand at AED 3,318.8 million and now represents a coverage ratio of 75.7% of the impaired portfolio.



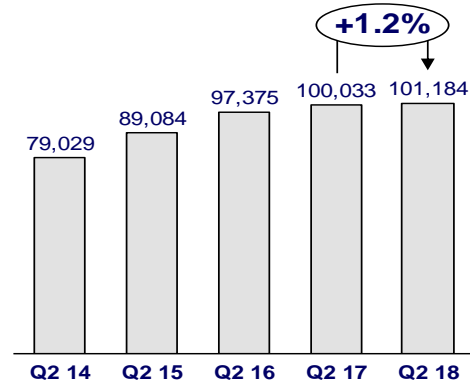
Asset and Liability Management

ADIB recorded healthy customer financing-to-deposits ratio of 75.4%. 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 101.2 billion at 30 June 2018.

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



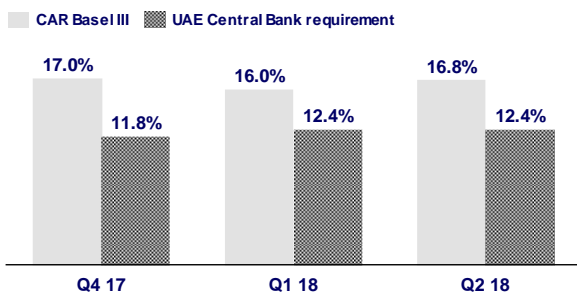
Net Customer Financing Growth - AED million



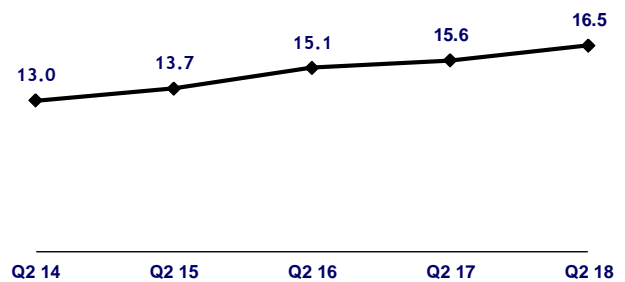
Customer Deposit Growth - AED million

Capital strength

Total equity (including Tier 1 capital instruments) was AED 16.5 billion at 30 June 2018. This represents an increase of 6.2% year-on-year and a 3-year compounded growth rate of 6.4%. ADIB's capital adequacy under Basel III principles are: capital adequacy ratio is at 16.83%, tier 1 capital ratio is at 15.74% and a common equity tier 1 ratio is at 10.28%. 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 reached at 45.8% marginally changed from 45.7% in Q1 2018.

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 2,030 at the end of 30 June 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 753 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: "Our first-half results, with net profit increasing 3.0% to AED 1,163.0 million, further demonstrates the progress we have made to deliver consistent and sustainable growth. Led by our programme of digitisation and innovation, the bank has continued to attract new customers to the bank while also reducing costs which has resulted in our increased profitability."

"Within the last quarter, the bank welcomed its 1 millionth customer, nearly double the number of customers we had five years ago and a 6 percent rise on just a year ago. This highlights our commitment to evolving ADIB into an organisation that can serve the needs of a diverse customer base thanks to our focus on delivering an award-winning banking experience. As testament to this, we were particularly proud to be named the 'World's Best Islamic Bank' by The Banker magazine, the highest accolade that the Financial Times-owned publication awards to Islamic financial institutions."

"Our strategy now is to focus on innovation and leverage our digital capabilities to drive both revenue growth and productivity. We are introducing new digital features at an accelerated pace as a growing number of customers have made it clear that they prefer to interact with us digitally. The creation of

digital communities, such as moneysmart, have proven particularly popular with younger customers and provide an additional touchpoint for the bank to engage with UAE society on financial issues.”

“Despite operating in one of the region’s most competitive banking environment, we believe ADIB is well positioned to take advantage of the UAE’s economic development and diversification and ensuring our financial strength and focus on innovation delivers a compelling offering to customers. Our business pipeline is robust and, supported by economic tailwinds, is likely to remain healthy for the second half of 2018. The bank will also continue to implement its successful strategy built around three pillars which include maintaining market leadership within the UAE, creating an integrated financial services group and growing our international presence.”

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 6 months summary

Financials	Consolidated Group									
	Q2 2016	Q2 2017	Q2 2018	Chg Q2 17 vs. Q2 16	Chg Q2 18 vs. Q2 17	H1 2016	H1 2017	H1 2018	Chg H1 17 vs. H1 16	Chg H1 18 vs. H1 17
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	982.3	918.5	929.1	-6.5%	1.2%	1,955.3	1,872.7	1,877.5	-4.2%	0.3%
Fees & Commissions	215.7	273.7	246.4	26.9%	-9.9%	432.6	499.0	477.7	15.4%	-4.3%
Investment income	112.3	129.2	123.8	15.0%	-4.2%	262.6	252.2	241.5	-3.9%	-4.2%
FX	43.7	76.8	58.9	75.8%	-23.3%	20.1	148.3	119.4	637.5%	-19.5%
Other	1.0	9.8	6.6	965.6%	-32.6%	1.7	9.9	12.7	470.3%	28.3%
Total Revenues	1,355.0	1,408.0	1,364.9	3.9%	-3.1%	2,672.3	2,782.1	2,728.8	4.1%	-1.9%
Total Expenses	610.0	627.2	624.7	2.8%	-0.4%	1,224.9	1,255.3	1,248.1	2.5%	-0.6%
Operating profit (margin)	745.0	780.8	740.2	4.8%	-5.2%	1,447.4	1,526.8	1,480.7	5.5%	-3.0%
Credit Provisions and Impairment	234.0	216.4	165.3	-7.5%	-23.6%	450.1	380.8	315.2	-15.4%	-17.2%
Net Profit before Zakat & Tax	511.0	564.3	574.8	10.4%	1.9%	997.2	1,146.0	1,165.4	14.9%	1.7%
Zakat & Tax	3.5	12.7	2.1	260.7%	-83.2%	7.7	16.9	2.4	120.0%	-85.8%
Net Profit after Zakat & Tax	507.5	551.6	572.7	8.7%	3.8%	989.5	1,129.1	1,163.0	14.1%	3.0%
Total Assets in AED (Billion)	121.5	122.2	122.9	0.6%	0.6%	121.5	122.2	122.9	0.6%	0.6%
Customer Financing in AED (Billion)	79.7	76.8	76.3	-3.7%	-0.6%	79.7	76.8	76.3	-3.7%	-0.6%
Customer Deposits in AED (Billion)	97.4	100.0	101.2	2.7%	1.2%	97.4	100.0	101.2	2.7%	1.2%

-Ends-

Awards

1. World's Best Islamic Bank' by FT's the Banker Magazine
2. Regions' Best Islamic Bank' by FT's the Banker Magazine
3. UAE's Best Islamic Bank' by FT's the Banker Magazine
4. Global Islamic Business Award by Department of Economic Development .
5. Best Islamic Bank in the UAE by Middle East Banking Awards.
6. Best Islamic Bank in UAE by EMEA Finance.
7. Innovator of the year by Global Finance Magazine.
8. Excellence in Digital Banking Award by Lafferty Global Awards.
9. Best Overall Bank in customer Experience by Ethos Consultancy.
10. Best Overall Call Center in the UAE by Ethos Consultancy.
11. Syndicated Deal of the Year for The FINCO Ijarah Syndication by Islamic Finance news Awards.
12. UAE Deal of the year for The FINCO Ijarah Syndication by Islamic Finance news Awards.
13. Local Currency Deal of the Year Bonds, Loans & Sukuk Middle East Awards.
14. Project Financing Deal of the Year Bonds, Loans & Sukuk Middle East Awards.
15. Best Islamic Bank in Egypt by Global Finance Magazine.
16. Best Islamic Digital Bank by Global Finance Magazine.
17. Best Islamic Bank in Egypt by Islamic Bank and Finance Magazine.
18. IFSB Award for best Islamic Retail Bank in Egypt.
19. Best Islamic Private Bank by Islamic Finance news Awards.
20. Best Private bank in the Middle East for Islamic Finance by Private Banker International Magazine.
21. Best Private Bank in the UAE by Banker FT.
22. EIBFS Human Resources Development Award.
23. Best Emiratization Initiative by Naseeba.
24. Best in Talent Management by MENA HR Excellence Awards.
25. Best Sport CSR Initiative of the Year by SPIA.
26. Best Youth Development Program by SPIA.
27. Best Sharia'a Savings Account Provider of the by Yallacompare awards
28. Best Islamic Finance House by EMEA Finance Achievement Awards
29. Best Islamic Borrower by EMEA Finance Achievement Awards
 - Best Syndicated Murabaha / Ijarah Facility by EMEA Finance Achievement Awards
30. Best Structured Finance House in the Middle East by EMEA Finance Achievement Awards
31. Best Structured Finance Deal in the Middle East by EMEA Finance Achievement Awards
32. Best IPO in EMEA by EMEA Finance Achievement Awards
33. Best Privatization Deal (Equity Markets) by EMEA Finance Achievement Awards

About ADIB:

ADIB is a leading bank in the UAE with more than AED 122 billion in assets. Its 1,007,000 customers benefit from the third largest distribution network in the UAE with 82 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 Emiratization 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.

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