

## MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 30 SEPTEMBER 2018

**Abu Dhabi Islamic Bank net profit increases 3.5% in first 9 months of 2018 to reach AED 1,752.5 million**

### Group Financial Highlights

#### Income Statement: 9 months of 2018 vs. 9 months of 2017

- Group net profit for first nine months of 2018 increased by 3.5% to AED 1,752.5 million vs. AED 1,693.0 million in first nine months of 2017.
- Group net revenues for first nine months 2018 decreased by 1.2% to AED 4,154.1 million vs. AED 4,204.4 million in first nine months of 2017.
- Credit provisions and impairments for first nine months of 2018 decreased by 21.9% to AED 487.0 million vs. AED 623.4 million in first nine months of 2017.

#### Income Statement: Q3 2018 vs. Q3 2017 (and Q2 2018)

- Group net profit for Q3 2018 increased by 4.5% to AED 589.5 million vs. AED 563.9 million in Q3 2017 (and increased by 2.9% vs. AED 572.7 million in Q2 2018).
- Group net revenues for Q3 2018 increased by 0.2% to AED 1,425.3 million vs. AED 1,422.3 million in Q3 2017 (and increased by 4.4% vs. AED 1,364.9 million in Q2 2018).
- Credit provisions and impairments for Q3 2018 decreased by 29.2% to AED 171.7 million vs. AED 242.7 million for Q3 2017 (and increased by 3.9% vs. AED 165.3 million in Q2 2018).

#### Balance Sheet: 30 September 2018 vs. 30 September 2017 and 31 December 2017

- Total assets as of 30 September 2018 were AED 124.3 billion, representing an increase of 2.5% from AED 121.3 billion at 30 September 2017 (and an increase of 0.8% from AED 123.3 billion at 31 December 2017).
- Net customer financing increased by 2.1% to AED 78.4 billion, from AED 76.8 billion at 30 September 2017 (and increased 2.5% from AED 76.5 billion at 31 December 2017).
- Customer deposits decreased slightly by 0.6% to AED 98.5 billion, from AED 99.1 billion at 30 September 2017 (a decrease of 1.5% from AED 100.0 billion at 31 December 2017).

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

- The capital adequacy ratio under Basel III at 30 September 2018 was 16.45% vs. 16.09% at 31 December 2017, after adjusting for the 2017 dividend.
- ADIB remains one of the most liquid banks in the UAE, with an advances-to-stable funds ratio (a regulatory ratio) of 85.4% at 30 September 2018, vs. 81.1% at 30 September 2017 (80.0% at 31 December 2017).

December 2017) and an advances-to-deposits ratio of 79.6% at 30 September 2018, vs. 77.5% at 30 September 2017 (76.5% at 31 December 2017).

### Group Financial highlights - Four-year performance

| As at 30 September                                       | All figures are in AED millions |         |         |           |             |
|----------------------------------------------------------|---------------------------------|---------|---------|-----------|-------------|
| Balance sheet                                            | Q3 2015                         | Q3 2016 | Q3 2017 | Q3 2018   | 3 YR (CAGR) |
| Total assets                                             | 116,919                         | 122,589 | 121,269 | 124,290   | 2.1%        |
| Gross customer financing                                 | 80,123                          | 81,869  | 79,937  | 81,842    | 0.7%        |
| Customer deposits                                        | 89,434                          | 98,610  | 99,094  | 98,503    | 3.3%        |
| Total equity                                             | 14,714                          | 15,593  | 16,142  | 16,189    | 3.2%        |
| Customer financing to deposit ratio                      | 86.4%                           | 79.7%   | 77.5%   | 79.6%     |             |
| Income statement                                         | Q3 2015                         | Q3 2016 | Q3 2017 | Q3 2018   | 3 YR (CAGR) |
| Net revenue                                              | 1,284.2                         | 1,369.1 | 1,422.3 | 1,425.3   | 3.5%        |
| Operating profit (margin)                                | 698.6                           | 780.9   | 812.9   | 762.7     | 3.0%        |
| Credit provisions and impairment charge                  | 193.0                           | 267.7   | 242.7   | 171.7     | -3.8%       |
| Net profit after zakat & tax                             | 503.2                           | 508.9   | 563.9   | 589.5     | 5.4%        |
| Total impaired financing to gross financing assets ratio | 4.0%                            | 4.4%    | 5.1%    | 5.5%      |             |
| Provision coverage ratio                                 | 90.0%                           | 90.2%   | 76.3%   | 76.0%     |             |
| Cost to income ratio                                     | 45.6%                           | 43.0%   | 42.8%   | 46.5%     |             |
| Network - UAE                                            | Q3 2015                         | Q3 2016 | Q3 2017 | Q3 2018   | 3 YR (CAGR) |
| Total customers                                          | 855,468                         | 903,669 | 969,256 | 1,026,470 | 6.3%        |
| Branches                                                 | 88                              | 88      | 81      | 81        | -2.7%       |
| ATMs                                                     | 757                             | 780     | 731     | 705       | -2.3%       |

**Abu Dhabi, UAE - 22 October 2018:** Abu Dhabi Islamic Bank (ADIB), a leading Islamic bank in the region, today reported a net profit of AED 1,752.5 million for the first nine months of 2018, up 3.5% from the same period in 2017, driven by a growth in customer financing, and an improvement in provisioning. The Bank's balance sheet remains solid with a further strengthening in capital due to the recent rights issue and Tier-1 perpetual sukuk issuance, coupled with strong liquidity and good asset quality.

**Key Business highlights for Q3 2018 were:**

- ADIB successfully concluded its rights issuance during October 2018, raising AED 1 billion, to support the bank's growth strategy while boosting its core capital. The rights issue generated strong interest across a highly diversified local investor base and was approximately 5 times oversubscribed.
- ADIB's capital raising plan also included raising US\$750 million of additional Tier 1 Capital through a perpetual sukuk that complies with the Basel III regulatory framework issued by the Central Bank of the UAE. The issue, priced at a profit rate of 7.125 percent, was three times oversubscribed, accumulating USD 2.1 billion in orders.
- The number of active customers served by ADIB increased 5.9% year-on-year to reach 1,026,470. This growth was due to a focus on customer service, combined with considerable investment in the bank's digital platforms, a targeted branch strategy and the development of industry-leading products.
- The bank recorded growth of 2.1% in customer financing year on year to AED 78.4 billion, while maintaining high credit quality.
- Cost of credit improved as total credit provision and impairment decreased by 29.2% to AED 171.7 million in Q3 2018. The credit provision is calculated based on the expected credit loss methodology as per the newly adopted IFRS 9.
- A healthy advance-to-deposits ratio of 79.6% was maintained despite customer deposits reducing slightly, by 0.6% year on year to reach AED 98.5 billion at the end of 30 September 2018
- ADIB made good progress in advancing its digital capabilities and has hired a Chief Digital Officer to execute the bank's digital strategy. ADIB was named Best Islamic digital bank by Global finance.
- 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 customer relationship management process via a CRM system to increase efficiency for corporates and SMEs.





Group net profit - AED million

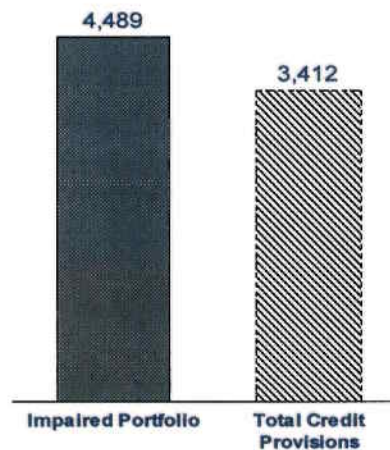


Number of Customers

### Risk management

As per the newly adopted IFRS 9, customer financing that is classified under Stage 3 stands at 5.5% with these assets now totaling AED 4,488.8 million. In Q3 2018, ADIB took additional provisions of AED 171.7 million for customer financing. Total credit provisions stand at AED 3,411.7 million and now represent a coverage ratio of 76.0% of the impaired portfolio.

30 September 2018: AED million



### Asset and Liability Management

ADIB recorded a healthy customer financing-to-deposits ratio of 79.6% as at 30 September 2018. The bank maintained its position as one of the most liquid financial institutions in the UAE. Customer financing assets increased 2.1% year on year, while ADIB continued to focus on effective risk management during an unpredictable macroeconomic environment.

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Net Customer Financing Growth - AED million



Customer Deposit Growth - AED million

### Capital strength

Total equity (including Tier 1 capital instruments) was AED 16.2 billion at 30 September 2018. This represents an increase of 0.3% year on year and a 3-year compounded growth rate of 3.2%.

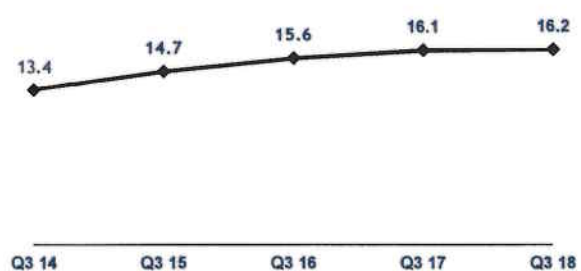
As part of a capital enhancement strategy, ADIB successfully raised AED 1 billion through a rights issue aimed at supporting the bank's growth strategy while boosting its common equity tier 1 ratio, the impact of this will be reflected in Q4 2018. The rights issue generated strong interest across a highly diversified local investor base and was approximately 5 times oversubscribed. ADIB's capital raising plan also included raising US\$750 million of additional Tier 1 capital through a perpetual sukuk, becoming the first bank in the UAE to issue a fully Basel III-compliant instrument under the new Basel III regulations issued by Central Bank of the UAE. The issue, priced at a profit rate of 7.125 percent, was three times oversubscribed, accumulating USD 2.1 billion in orders.

Furthermore, ADIB has redeemed a US\$ 1 billion Tier 1 Capital instrument issued in November 2012 at the first call date.

ADIB's capital adequacy capital adequacy ratio under Basel III as at 30 September 2018, without the AED 1 Bn rights issue concluded on 16 October 2018, is 16.45%, while it's tier 1 capital ratio is at 15.36% and its common equity tier 1 ratio is at 10.61%. 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**

ADIB is focused on putting in place the necessary infrastructure to support its growth strategy. Emphasis remains on recruiting and retaining top talent, building infrastructure to deliver an award-winning customer experience and investing appropriately in expanding business capabilities across all targeted customer segments. Specifically, ADIB has continued to enhance its digital capabilities across all businesses and processes in line with its ambition to be the UAE's favorite digital bank. The bank is enhancing service and convenience, while building and diversifying its fee income capabilities in line with identified customer needs. ADIB is also upgrading all aspects of its infrastructure to ensure the bank functions efficiently in a stable and secure operating environment. Furthermore, in line with the Group's ambition of being a leader in the application of regulatory and related governance best practices, ADIB has increased its investment in risk, control and compliance capabilities. These investments, and cost control measures, have resulted in cost-to-income ratio reaching 46.0%.

### **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.

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. ADIB currently runs training programs that are designed to equip employees from graduates to management with the attributes to flourish in the financial industry. these programmes are focused on coaching and mentoring talent, providing support with career planning and the development of key professional skills.

### **Management comment**

On behalf of the Board of Directors and the management team, Mr. Khamis Buharoon, ADIB Vice Chairman and acting CEO, said: "ADIB has continued to deliver consistent growth across the business. In the third quarter, Group net profit increased by 4.5% to AED 589.5 million and total assets reached AED 124.3 billion, representing an increase of 2.5% compared to the same period last year."

"ADIB's financial performance reflects the continued success of our growth strategy and our ability to adapt to the competitive environment in which we operate. It is particularly pleasing that we have done so without compromising on our commitment to offer best-in-class customer service, as is evidenced in the fact that we now serve over 1 million customers across multiple client segments.

"We were also honored that ADIB once again has taken the lead in the UAE banking sector by enhancing its capital through a highly successful rights issue of 464 million shares, raising AED 1 billion. This capital increase, in conjunction with issuance of US\$750 million in additional Tier 1 Capital, has resulted in improving its capital structure and has positioned the bank to pursue growth opportunities in line with the expected improvements in the economic environment. Both capital raising exercises were oversubscribed,



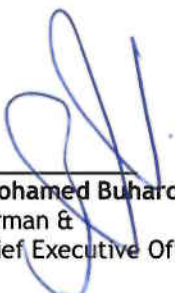
and we have seen strong appetite from a broad range of local and international investors, which is testament to ADIB's prudent financial management, and the bank's prospects for further growth and development."

"The successful capital raising programme ensures that the bank is in a strong position to implement its growth strategy, including through investment in digitization and continual improvement in the customer experience. Enhancing the customer experience is key to our success, and we are working hard to ensure that our digital platforms and branch network are continually modernized to respond to customer demand for safe and convenient banking. This will give us an edge in retaining customers and attracting the next generation of customers, who value a digital relationship with their bank"

"The UAE economy has proven resilient in recent years, and the ongoing investment in diversification will provide opportunity for ADIB to develop all its corporate and retail banking businesses in the coming years. We remain committed to maintaining our best practice approach to risk management. There is no doubt that credit quality and capital strength lie at the core of our strategic success. Therefore, we will continue to ensure that new credit extension is done in such a manner that the risk related returns are commensurate with our long-term targets for return on shareholder equity."

#### 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<br>2016         | Q3<br>2017     | Q3<br>2018     | Chg Q3<br>17 vs. Q3<br>16 | Chg Q3<br>18 vs. Q3<br>17 | YTD<br>2016    | YTD<br>2017    | YTD<br>2018    | Chg YTD<br>17 vs.<br>YTD 16 | Chg<br>YTD 18<br>vs. YTD<br>17 |
|                                          | AED Mn             | AED Mn         | AED Mn         | %                         | %                         | AED Mn         | AED Mn         | AED Mn         | %                           | %                              |
| Net Revenue from Funding                 | 984.4              | 961.9          | 951.1          | -2.3%                     | -1.1%                     | 2,939.7        | 2,834.6        | 2,828.6        | -3.6%                       | -0.2%                          |
| Fees & Commissions                       | 221.9              | 248.0          | 266.4          | 11.7%                     | 7.4%                      | 654.5          | 747.0          | 744.2          | 14.1%                       | -0.4%                          |
| Investment income                        | 103.3              | 146.6          | 122.7          | 41.9%                     | -16.3%                    | 365.9          | 398.8          | 364.2          | 9.0%                        | -8.7%                          |
| FX                                       | 45.1               | 65.7           | 78.5           | 45.7%                     | 19.6%                     | 65.2           | 213.9          | 197.9          | 228.2%                      | -7.5%                          |
| Other                                    | 14.3               | 0.2            | 6.6            | -98.9%                    | 3909.1%                   | 16.0           | 10.0           | 19.2           | -37.5%                      | 91.8%                          |
| <b>Total Revenues</b>                    | <b>1,369.1</b>     | <b>1,422.3</b> | <b>1,425.3</b> | <b>3.9%</b>               | <b>0.2%</b>               | <b>4,041.3</b> | <b>4,204.4</b> | <b>4,154.1</b> | <b>4.0%</b>                 | <b>-1.2%</b>                   |
| <b>Total Expenses</b>                    | <b>588.2</b>       | <b>609.4</b>   | <b>662.6</b>   | <b>3.6%</b>               | <b>8.7%</b>               | <b>1,813.1</b> | <b>1,864.8</b> | <b>1,910.8</b> | <b>2.8%</b>                 | <b>2.5%</b>                    |
| <b>Operating profit (margin)</b>         | <b>780.9</b>       | <b>812.9</b>   | <b>762.7</b>   | <b>4.1%</b>               | <b>-6.2%</b>              | <b>2,228.2</b> | <b>2,339.6</b> | <b>2,243.4</b> | <b>5.0%</b>                 | <b>-4.1%</b>                   |
| Credit Provisions and Impairment         | 267.7              | 242.7          | 171.7          | -9.3%                     | -29.2%                    | 717.8          | 623.4          | 487.0          | -13.1%                      | -21.9%                         |
| <b>Net Profit before Zakat &amp; Tax</b> | <b>513.2</b>       | <b>570.2</b>   | <b>591.0</b>   | <b>11.1%</b>              | <b>3.6%</b>               | <b>1,510.4</b> | <b>1,716.2</b> | <b>1,756.4</b> | <b>13.6%</b>                | <b>2.3%</b>                    |
| Zakat & Tax                              | 4.3                | 6.3            | 1.5            | 48.7%                     | -76.3%                    | 11.9           | 23.2           | 3.9            | 94.6%                       | -83.2%                         |
| <b>Net Profit after Zakat &amp; Tax</b>  | <b>508.9</b>       | <b>563.9</b>   | <b>589.5</b>   | <b>10.8%</b>              | <b>4.5%</b>               | <b>1,498.4</b> | <b>1,693.0</b> | <b>1,752.5</b> | <b>13.0%</b>                | <b>3.5%</b>                    |
| Total Assets in AED (Billion)            | 122.6              | 121.3          | 124.3          | -1.1%                     | 2.5%                      | 122.6          | 121.3          | 124.3          | -1.1%                       | 2.5%                           |
| Customer Financing in AED (Billion)      | 78.6               | 76.8           | 78.4           | -2.3%                     | 2.1%                      | 78.6           | 76.8           | 78.4           | -2.3%                       | 2.1%                           |
| Customer Deposits in AED (Billion)       | 98.6               | 99.1           | 98.5           | 0.5%                      | -0.6%                     | 98.6           | 99.1           | 98.5           | 0.5%                        | -0.6%                          |

-Ends-

62



#### 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 1,026,500 customers benefit from the third largest distribution network in the UAE with 81 branches and more than 700 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 almost 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. 36 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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