

**MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 31 MARCH 2019**

**Abu Dhabi Islamic Bank revenues for Q1 2019 increase by 5.3% with net profit reaching to AED 600.3 million**

**Group Financial Highlights**

**Income Statement:**

**Q1 2019 vs. Q1 2018**

- Group net revenues for Q1 2019 increased by 5.3% to AED 1,436.6 million vs. AED 1,363.9 million in Q1 2018.
- Group net profit for Q1 2019 increased by 1.7% to AED 600.3 million vs. AED 590.4 million in Q1 2018.
- Credit provisions and impairments for Q1 2019 increased by 24.4% to AED 186.4 million vs. AED 149.9 million for Q1 2018.

**Balance Sheet:**

**31 March 2019 vs. 31 March 2018 and 31 December 2018**

- Total assets as of 31 March 2019 were AED 124.6 billion, representing an increase of 0.4% from AED 124.1 billion at the end of 31 March 2018 (and a decrease of 0.4% from AED 125.2 billion at 31 December 2018).
- Net customer financing increased by 2.8% to AED 78.1 billion, from AED 76.0 billion at the end of 31 March 2018 (and decreased 0.7% from AED 78.7 billion at 31 December 2018).
- Customer deposits decreased by 1.6% to AED 100.6 billion, from AED 102.2 billion at the end of 31 March 2018 (an increase of 0.2% from AED 100.4 billion at 31 December 2018).

**Capital adequacy and liquidity:**

**31 March 2019 vs. 31 March 2018 and 31 December 2018**

- The capital adequacy ratio under Basel III at 31 March 2019 was 17.53% vs. 16.02% at 31 March 2018, (31 December 2018 was 17.18%, after adjusting for the 2018 dividend).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 82.4% at 31 March 2019, vs. 80.4% at 31 March 2018 (82.9% at 31 December 2018) and an advances to deposits ratio of 77.7% at 31 March 2019, vs. 74.4% at 31 March 2018 (78.4% at 31 December 2018).

### Group Financial highlights - Four-year performance

As at 31 March

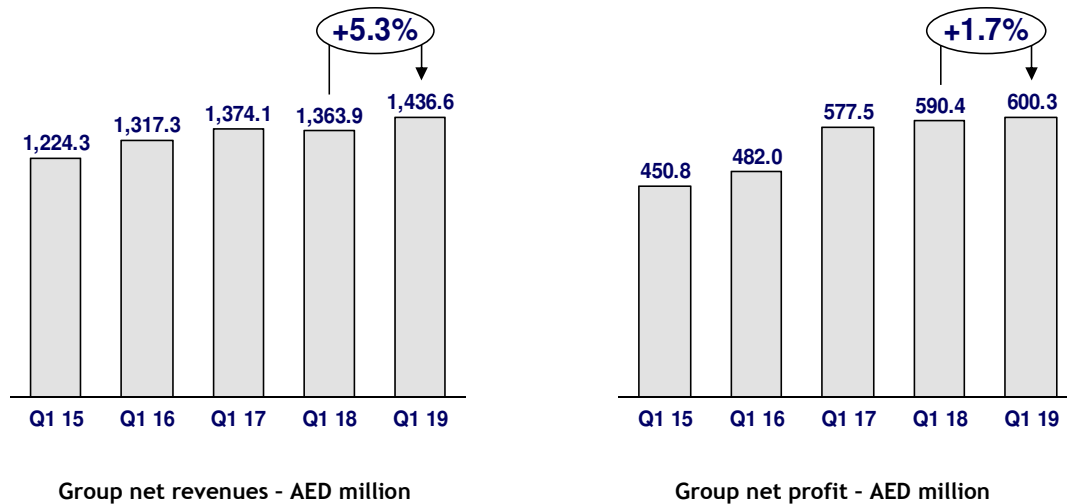
All figures are in AED millions

Balance sheet	Q1 2016	Q1 2017	Q1 2018	Q1 2019	3 YR (CAGR)
Total assets	119,179	122,511	124,129	124,632	1.5%
Gross customer financing	81,407	80,415	79,228	81,166	-0.1%
Customer deposits	95,994	101,005	102,208	100,617	1.6%
Total equity	15,510	16,001	16,125	17,229	3.6%
Customer financing to deposit ratio	81.6%	76.6%	74.4%	77.7%	
Income statement	Q1 2016	Q1 2017	Q1 2018	Q1 2019	3 YR (CAGR)
Net revenue	1,317.3	1,374.1	1,363.9	1,436.6	2.9%
Operating profit (margin)	702.3	746.0	740.5	786.7	3.9%
Credit provisions and impairment charge	216.2	164.4	149.9	186.4	-4.8%
Net profit after zakat & tax	482.0	577.5	590.4	600.3	7.6%
Total impaired financing to gross financing assets ratio	3.4%	4.2%	5.1%	5.3%	
Cost to income ratio	46.7%	45.7%	45.7%	45.2%	

Abu Dhabi, UAE - 22 April 2019: Abu Dhabi Islamic Bank (ADIB), a leading Islamic bank in the region, reported a net profit growth of 1.7% for Q1 2019 to AED 600.3 million. Revenues increased by 5.3% to AED 1,436.6 million driven by growth in customer financing of 2.8% to AED 78.1 billion, and a 57.5% rise in investment income, which reached AED 185.3 million, in addition to an increase of 29.6% in foreign exchange income. The bank maintained a conservative approach to risk as total credit provisions reached AED 186.4 million.

**Key business highlights for Q1 2019:**

- Shareholders of ADIB elected a new board of directors to serve a three-year term at the Annual General Meeting.
- Mazin Manna joined ADIB on March 10<sup>th</sup> as the newly appointed CEO to advance the bank’s strategy and lead the bank as it carries out a digital transformation strategy to enhance customers’ experience.
- ADIB maintained a healthy financing-to-deposits ratio of 77.7%.
- ADIB is also investing in upgrading its transaction banking and trade finance proposition, enhancing product capabilities and automating the financing process. This includes digitising the customer relationship management process via a new innovative system to increase efficiencies for corporates and SMEs.

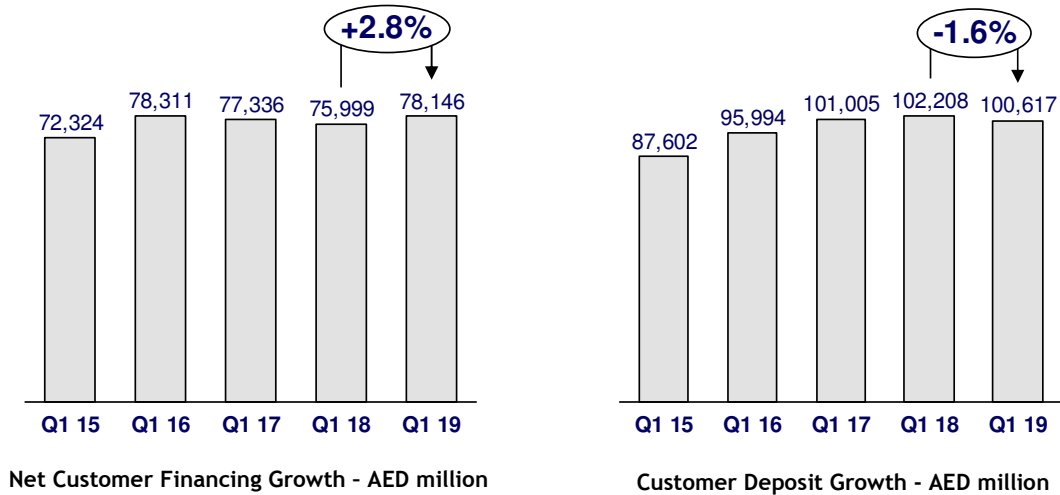


**Risk management**

As per the newly adopted IFRS 9, customer financing that is classified under Stage 3 stands at 5.3% with these assets now totaling AED 4,340.9 million. Furthermore, total credit provisions held under IFRS 9 stood at AED 3,020.2 million at end of Q1 2019. These provisions are adequate as per the IFRS 9 requirements. In Q1 2019, ADIB took additional provisions of AED 189.3 million for customer financing.

**Asset and Liability Management**

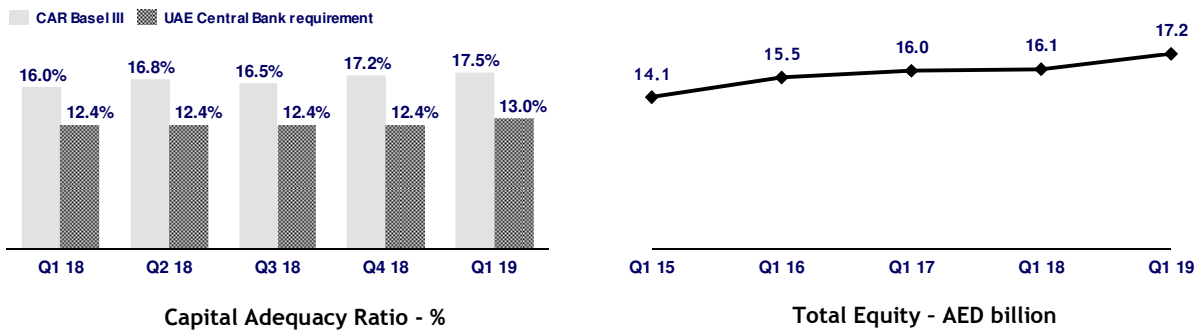
ADIB recorded a healthy customer financing-to-deposits ratio of 77.7% as at 31 March 2019. The bank maintained its position as one of the liquid financial institutions in the UAE. Customer financing assets increased 2.8% year on year, while ADIB continued to focus on effective risk management.



**Capital strength**

Total equity (including Tier 1 capital instruments) was AED 17.2 billion at 31 March 2019. This represents an increase of 6.8% year-on-year and a 3-year compounded growth rate of 3.6%.

ADIB’s capital adequacy ratio under Basel III as at 31 March 2019 was 17.53%, while its Tier 1 capital ratio was at 16.44% and its common equity Tier 1 ratio stood at 11.70%. All capital ratios under Basel III principles are above the minimum regulatory thresholds advised by Central Bank of the UAE.



**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. 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, cyber security, control and compliance capabilities. Despite of these investments, the cost-to-income remained stable at 45.2%.

#### **Management comment**

On behalf of the Board of Directors and the management team, Mr. Mazin Manna, ADIB CEO, said: “The operating performance for the first quarter of 2019 was on track with operating profit increasing 6.2%, delivering a solid return on equity of 18.3%, which is considered one of the highest in the market. This was driven by higher revenues on the back of a growth in customer financing, increased foreign exchange and investment income. We are also seeing healthy momentum in key focus areas to which we have committed significant investment, such as digital and transaction banking.

“The bank remains well-capitalised with a capital adequacy ratio under Basel III of 17.53%, while the common equity Tier 1 ratio stood at 11.70%. Our liquidity remains strong, with an advance to deposits ratio of 77.7%.

“We continue to grow customer finance on a diversified basis across all sectors with our overall finance portfolio growing 2.8% in the first quarter. We will continue to cautiously manage risk to ensure a stability in our finance portfolio. With regards to provisioning, we remained prudent in classifying our impaired portfolio and in taking provisions. As a result, we took additional provisions of AED 189.3 million for customer financing.

“We have invested heavily in new technology and embarked on a progressive digital transformation programme across the bank to help us expand and improve our service with ongoing enhancements of our digital platforms. We will be launching a number of new initiatives that can equip our customers to conduct their banking transactions in a more flexible, convenient and secure way.

“Government investment into economic diversification initiatives have helped to stimulate the UAE economy providing opportunities for ADIB to develop its corporate and retail banking businesses. While the global economic picture is uncertain, we can mitigate volatility by remaining 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 and in the rest of 2019 we will maintain a prudent approach 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.

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**Mazin Manna**  
Chief Executive Officer

## Financial summaries

### ADIB Group Financial summary

Financials	Q1 2017	Q1 2018	Q1 2019	Chg Q1 18 vs. Q1 17	Chg Q1 19 vs. Q1 18
	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	954.2	948.4	955.7	-0.6%	0.8%
Fees & Commissions	225.4	231.3	213.7	2.6%	-7.6%
Investment income	123.0	117.7	185.3	-4.3%	57.5%
FX income	71.4	60.5	78.4	-15.3%	29.6%
Other income	0.1	6.1	3.5	7568.4%	-42.9%
<b>Total Revenues</b>	<b>1,374.1</b>	<b>1,363.9</b>	<b>1,436.6</b>	<b>-0.7%</b>	<b>5.3%</b>
Expenses	628.1	623.4	649.8	-0.7%	4.2%
<b>Operating profit (margin)</b>	<b>746.0</b>	<b>740.5</b>	<b>786.7</b>	<b>-0.7%</b>	<b>6.2%</b>
Credit Provisions and Impairment	<b>164.4</b>	<b>149.9</b>	<b>186.4</b>	<b>-8.8%</b>	<b>24.4%</b>
<b>Net profit before Zakat &amp; Tax</b>	<b>581.6</b>	<b>590.6</b>	<b>600.3</b>	<b>1.5%</b>	<b>1.6%</b>
Zakat & Tax	<b>4.1</b>	<b>0.2</b>	-	<b>-93.9%</b>	<b>-100%</b>
<b>Net profit after Zakat &amp; Tax</b>	<b>577.5</b>	<b>590.4</b>	<b>600.3</b>	<b>2.2%</b>	<b>1.7%</b>
Total Assets in AED (Billion)	122.5	124.1	124.6	1.3%	0.4%
Customer Financing in AED (Billion)	77.3	76.0	78.1	-1.7%	2.8%
Customer Deposits in AED (Billion)	101.0	102.2	100.6	1.2%	-1.6%

-Ends-

#### Awards

1. World's Best Islamic Bank by Banker Magazine FT.
2. Best Islamic Bank in the Middle East by Banker FT
3. Best Islamic Bank in the UAE at Middle East Banking Awards.
4. Best Islamic Bank in UAE by EMEA Finance.
5. Best Islamic Bank in the UAE by Banker FT.
6. Best Islamic Digital Bank by Global Finance Magazine.
7. Best Islamic bank in Egypt Global Finance Magazine.
8. Best Overall Bank in customer Experience by Ethos Consultancy.
9. Best Overall Call Center in the UAE by Ethos Consultancy.
10. Best Islamic Private Bank by Islamic Finance news Awards.
11. Best Private bank in the Middle East for Islamic Finance by Private Banker International Magazine.
12. Best Private Bank in the UAE by Banker FT.
13. Best Islamic Finance House by EMEA finance.
14. Best Islamic Borrower by EMEA finance for our work with Airport Financing Company FZE "FINCO".
15. Best Syndicated Murabaha / Ijara Facility by EMEA finance for its role as an Initial Mandated Lead Arranger, Bookrunner and underwriter for a or GEMS MENASA (CAYMAN) LIMITED.
16. Best Structured Finance House in the Middle East by EMEA finance.
17. Best Structured Finance Deal in the Middle East by EMEA finance, for its contribution to Dubai Aerospace Enterprise's US\$75.6 million syndicated aircraft financing.
18. Best IPO in EMEA by EMEA Finance.
19. Best Privatisation Deal (Equity Markets) by EMA finance for its role on the ADNOC Distribution Initial Public Offering.
20. Syndicated Deal of the year by IFN.
21. UAE Deal of the Year by IFN.
22. Musharkah Deal of the Year by IFN.
23. Gitex Award for Mobile Trading App by Dubai Financial Market.
24. Property Consultancy of the Year by African & Arabian Property Awards.
25. Real Estate Agency of the Year by African & Arabian Property Awards.
26. Best Sharia'a Savings Account Provider of the Year at the second annual Yalla compare award.
27. EIBFS Human Resources Development Award.
28. Best Emiratization Initiative by Naseeba.
29. Best in Talent Management by MENA HR Excellence Awards.
30. Best Home Finance in the Middle East by Asian Banker.
31. Best Sport CSR Initiative of the Year by SPIA.
32. Best Youth Development Program by SPIA.
33. Excellence in CSR Initiatives for Islamic Banks by Regional Network Consultancy.
34. CSR label from Dubai Chamber of Commerce.
35. Information Security Executive of the Year Award at MESA Conference & Awards.

#### About ADIB:

ADIB is a leading bank in the UAE with more than AED 124.6 billion in assets. 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).

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 World's Best Islamic Bank 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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