

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDED 31 MARCH 2017

Abu Dhabi Islamic Bank net profit increases by 20%

in Q1 2017 to AED 577.5 million

Group net revenues for Q1 2017 increased by 4%

Group Financial Highlights

Income Statement: Q1 2017 vs. Q1 2016 (and Q4 2016)

- Group net profit for Q1 2017 increased by 19.8% to AED 577.5 million vs. AED 482.0 million in Q1 2016 (and increased by 26.9% vs. AED 455.1 million in Q4 2016).
- Group net revenues for Q1 2017 increased by 4.3% to AED 1,374.1 million vs. AED 1,317.3 million in Q1 2016 (and increased by 2.2% vs. AED 1,344.2 million in Q4 2016).
- Credit provisions and impairments for Q1 2017 decreased by 24.0% to AED 164.4 million vs. AED 216.2 million for Q1 2016 (and decreased by 34.7% vs. AED 252.1 million for Q4 2016).

Balance Sheet: 31 March 2017 vs. 31 March 2016 (and 31 December 2016)

- Total assets as of 31 March 2017 were AED 122.5 billion, representing an increase of 2.8% from AED 119.2 billion at the end of 31 March 2016 (and an increase of 0.2% from AED 122.3 billion at 31 December 2016).
- Net customer financing decreased by 1.2% to AED 77.3 billion, from AED 78.3 billion at the end of 31 March 2016 (and decreased 1.1% from AED 78.2 billion at 31 December 2016).
- Customer deposits grew 5.2% to AED 101.0 billion, from AED 96.0 billion at the end of 31 March 2016 (an increase of 2.2% from AED 98.8 billion at 31 December 2016).

Capital adequacy and liquidity: 31 March 2017 vs. 31 March 2016 (and 31 December 2016)

- The capital adequacy ratio under Basel II is 15.85% at 31 March 2017 vs. 15.24% at 31 March 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 81.8% at 31 March 2017, vs. 83.6% at 31 March 2016 (85.1% at 31 December 2016) and an advances to deposits ratio of 76.6% at 31 March 2017, vs. 81.6% at 31 March 2016 (79.1% at 31 December 2016).

Group Financial highlights - Four-year performance

As at 31 March

All figures are in AED millions

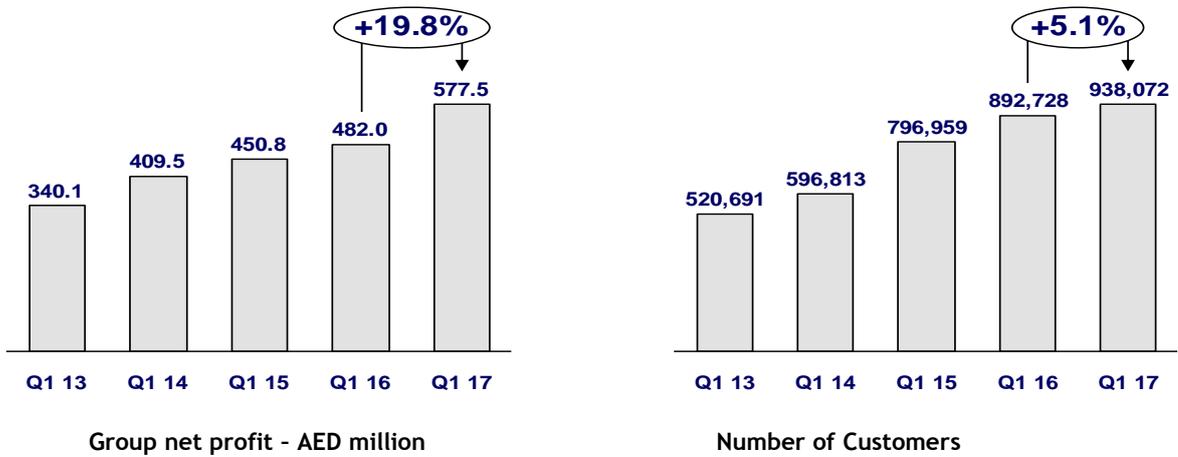
Balance sheet	Q1 2014	Q1 2015	Q1 2016	Q1 2017	3 YR (CAGR)
Total assets	103,840	114,061	119,179	122,511	5.7%
Gross customer financing	67,271	75,132	81,407	80,415	6.1%
Customer deposits	76,952	87,602	95,994	101,005	9.5%
Total equity	12,682	14,075	15,510	16,001	8.1%
Capital adequacy ratio - Basel II	15.7%	14.7%	15.2%	15.8%	
Tier 1 ratio - Basel II	15.3%	14.2%	14.7%	15.2%	
Common Equity Tier 1 ratio	8.6%	8.4%	9.2%	9.7%	
Customer financing to deposit ratio	82.9%	82.6%	81.6%	76.6%	
Income statement	Q1 2014	Q1 2015	Q1 2016	Q1 2017	3 YR (CAGR)
Net revenue	1,073.0	1,224.3	1,317.3	1,374.1	8.6%
Operating profit (margin)	626.2	654.4	702.3	746.0	6.0%
Credit provisions and impairment charge	216.4	202.6	216.2	164.4	-8.8%
Net profit after zakat & tax	409.5	450.8	482.0	577.5	12.1%
Total non-performing accounts to gross financing assets ratio	7.6%	4.2%	4.0%	4.9%	
Provision coverage ratio	67.6%	89.4%	96.1%	77.9%	
Cost to income ratio	41.6%	46.5%	46.7%	45.7%	
Network - UAE	Q1 2014	Q1 2015	Q1 2016	Q1 2017	3 YR (CAGR)
Total customers	596,813	796,959	892,728	938,072	16.3%
Branches	79	88	88	82	1.3%
ATMs	602	709	783	740	7.1%

Abu Dhabi, UAE - 24 April 2017: The Abu Dhabi Islamic Bank (ADIB) Group delivered strong financial results with net profit for Q1 2017 up 19.8% to AED 577.5 million. This performance was underpinned by 4.3% increase in total revenues for the quarter to AED 1,374.1 million driven by increase in number of customers and growth in fee and FX income coupled with control on expenses.

Given the challenging macroeconomic environment, ADIB has sustained its conservative approach on credit extension and capital management, this led to a year-on-year decrease of 1.2% in customer financing assets to AED 77.3 billion at the end of 31 March 2017. ADIB's customer-centric strategy continued delivering an award-winning experience to over 938,000 customers across all major segments through a large branch network and market-leading digital channels. This has seen customer deposits increase by 5.2% year-on-year, crossing the AED 100 billion mark for the first time to reach AED 101.0 billion at the end of 31 March 2017. As a result, ADIB remains one of the most liquid banks in the UAE, with advances to deposits ratio of 76.6%.

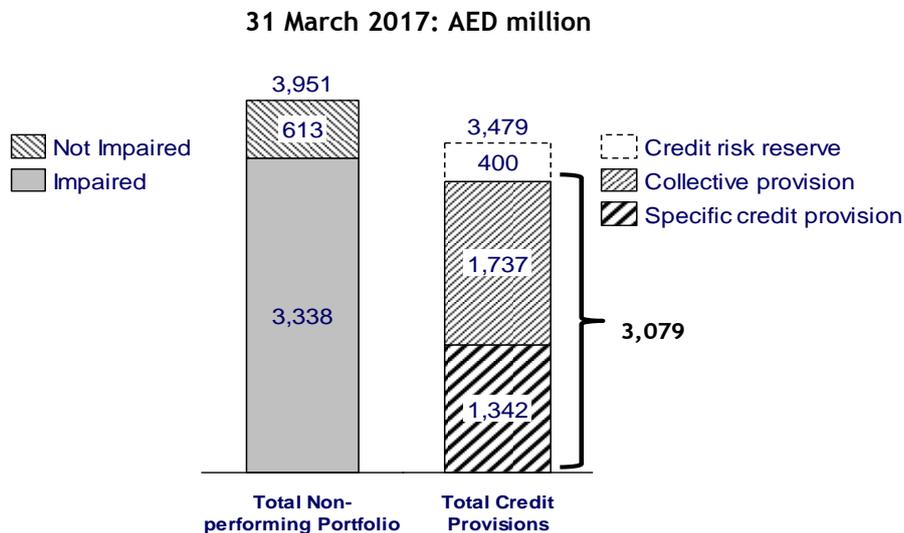
Business highlights for Q1 2017 were:

- Continued emphasis on customer service saw the number of active customers served by ADIB increase by over 5.1% year-on-year to 938,072.
- Total revenues increased by 4.3% y-o-y to AED 1,374.1 million driven by fee income mainly from wealth management, Takaful products and FX income.
- Cost of credit normalised as total credit provision and impairment charge decreased by 24.0% to AED 164.4 million in Q1 2017. Notwithstanding, the Group continued its conservative practice of building provisions and booked AED 152.6 million in total credit provisions to maintain the pre-collateral non-performing coverage ratio at 77.9% of the total non-performing portfolio and 92.2% of the impaired portfolio.
- Moody's have upgraded the bank's standalone credit assessment to Ba1 from Ba2 while affirming ADIB's A2 /P1 long and short term domestic and foreign currency issuer ratings. This upgrade reflects Moody's view that ADIB has developed a stronger funding structure supported by a granular, low cost and stable deposit base. The upgrade also reflects their expectation that ADIB will sustain the improvements in asset quality and provision coverage despite slowing economic conditions in the UAE.
- Continued focus on productivity has resulted in the cost-to-income ratio dropping to 45.7% for 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 continued to enhance its digital capabilities with the launch of ADIB Express, a first of its kind class of digitally-enabled branch. This contributed to ADIB winning 'Best Online Banking Services at the Banker Middle East UAE Product Awards 2017.



Risk management

ADIB continued its prudent approach to credit risk management, Non-performing assets ratio stood at 4.9% with non-performing assets now totaling AED 3,951.4 million. In Q1 2017, ADIB took an additional AED 152.6 million in provisions. Total credit provisions, net of write-offs, stand at AED 3,079.1 million. Specific and collective provisions now represent a healthy pre-collateral coverage ratio of 77.9% of the total non-performing portfolio and 92.2% of the impaired portfolio. Furthermore, collective provisions now represent 1.98% 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 76.6%. 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 5.2% year-on-year crossing the AED 100 billion for the first time to reach AED 101.0 billion at 31 March 2017.

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



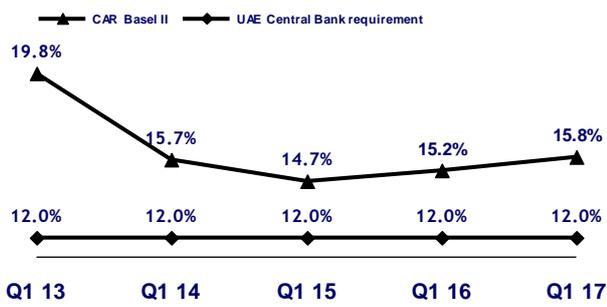
Net Customer Financing Growth - AED million



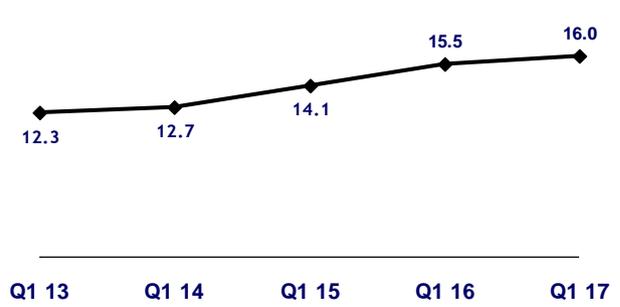
Customer Deposit Growth - AED million

Capital strength

Total equity (including Tier 1 capital instruments) was AED 16.0 billion at 31 March 2017. This represents an increase of 3.2% year-on-year and a 3-year compounded growth rate of 8.1%. ADIB’s capital adequacy ratio under Basel II principles now stands at 15.85% with the Basel II Tier 1 capital ratio at 15.23% and a common equity tier 1 ratio of 9.71%, 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 the strategy. 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 and selected industries in the UAE while laying foundations for its wholesale banking led international franchises. 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 Q1 2017 decline to 45.7% from 46.7% in 31 March 2016.

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 2,095 at the end of the first 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 823 Nationals in the UAE.

Awards in 2016 & 2017

Q1 2017 awards

1. Best Islamic Bank in the UAE by Global Finance Magazine
2. Global Islamic Business Award by Department of Economic Development
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

2016 awards

1. Sheikh Khalifa Excellence Award 2016 - Gold category
2. Best bank in customer experience by Ethos Consultancy
3. Best Islamic Bank in MENA by EMEA FINANCE
4. Best Islamic bank in the UAE by EMEA Finance
5. Euromoney Awards for Innovation in Islamic Finance 2016
6. Excellence in Digital Banking Award by the Lafferty Global Awards
7. Best Commercial Bank by Islamic Bank and Finance Magazine
8. Best Islamic Bank in Egypt by Islamic Bank and Finance Magazine
9. Best Islamic Bank for SME by Global Finance

10. Best Islamic Bank IN Egypt by Global Finance
11. Best Islamic Bank in the UAE by Banker FT
12. Best Islamic Private Bank by IFN finance
13. Islamic Finance Deal of the Year by Global Transport Finance
14. The best Excellence CSR committee in the UAE from Private consultant of the King of Saudi Arabia
15. Best Property Consultancy in Abu Dhabi for MPM by the Arabian Property Awards
16. Process Innovation Award by Global Finance Magazine
17. Sukuk Manager of the Year from Global Investor / ISF MENA
18. Best SME Internet Banking Service by Banker Middle East
19. Best Premium Banking Services by Banker Middle East
20. Best SME Exchange Service by Banker Middle East
21. Best Private Bank in the Middle East for Islamic Finance by Private Banker International magazine
22. Qatar Deal of the Year for the Ezdan Holding US\$500 million Sukuk by IFN Finance
23. Mudarabah Deal of the Year for the Egyptian Electricity Transmission Company EGP 2 Billion
24. Syndicated Mudarabah by IFN Finance
25. Best in Talent management by MENA HR Excellence awards

Management comment

On behalf of the Board of Directors and the management team, Khamis Mohamed Buharoon, ADIB's Vice Chairman and acting CEO, said: "The UAE economy is seeing stronger growth in 2017 supported by a stabilisation of oil prices and continuation of the diversification strategy. ADIB's strategy has delivered a solid performance in the first quarter of 2017 with net profit increasing by 20% to AED 577.5 million on the back of higher income. Delivering premium customer service remains at the heart of the bank, and this approach has enabled us to welcome over 45,000 new customers in the last 12 months.

ADIB has achieved improved profitability whilst further enhancing its asset quality and capital ratios. The bank has remained focused on prudently managing risk and credit extension with customer financing assets reaching AED 77.3 billion, resulting in the customer financing assets to deposits ratio further improving to 76.6%. This is complemented by improvements in our funding position with customer deposits increasing by 5.2% year-on-year to AED 101.0 billion.

With capital adequacy ratio of 15.85%, ADIB is confident about meeting the Basel III capital and liquidity requirements as they are introduced by the Central Bank of the UAE. ADIB's strategy has been to balance long-term growth with capital conservation. As evidence of this, ADIB increased total equity by 3.2% year-on-year to AED 16.0 billion.

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 24% 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 3,079.1 million.

ADIB continued to invest in digital initiatives to improve customer convenience and experience. We recently launched ADIB Express, a first of its kind class of digitally-enabled branch that combines the benefits of digital banking with a bespoke personalised service. We are also proud of the fact that our digital efforts have been recognised by many industry leaders, which is a testament to the strength and depth of our digital transformation strategy.

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, in line with our ambition to become the customers' most favored digital bank, we demonstrated a strong expense discipline with the Group's cost-to-income ratio decreasing by 1% when compared to 2016.

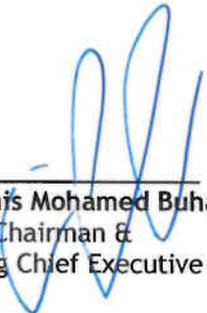
Outlook

At a global level we continue to witness unpredictable economic landscape and we forecast that this may moderate customer financing growth in the UAE. Although many challenges within the UAE economy have been addressed, particularly within the SME sector, we are expecting an increase in provisions in the retail sector as businesses continue to adapt to structural changes in the regional economy. Despite this the long-term outlook for the UAE economy is encouraging with ADIB well-positioned to take advantage of opportunities that are expected to arise as the pace of economic diversification accelerates.

As we seek to increase market share across all major banking segments in the UAE, ADIB's focus remains on delivering award-winning customer experience led by our digital banking offering delivered with a personalised approach.

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 summary

Financials	Q1 2015	Q1 2016	Q1 2017	Chg Q1 16 vs. Q1 15	Chg Q1 17 vs. Q1 16
	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	941.3	973.0	954.2	3.4%	-1.9%
Fees & Commissions	222.5	216.9	225.4	-2.5%	3.9%
Investment income	78.2	150.2	123.0	92.0%	-18.1%
FX	(18.5)	(23.6)	71.4	-27.8%	402.8%
Other	0.8	0.8	0.1	6.0%	-90.3%
Total Revenues	1,224.3	1,317.3	1,374.1	7.6%	4.3%
Expenses	569.9	615.0	628.1	7.9%	2.1%
Operating profit (margin)	654.4	702.3	746.0	7.3%	6.2%
Credit Provisions and Impairment	202.6	216.2	164.4	6.7%	-24.0%
Net profit before Zakat & Tax	451.8	486.1	581.6	7.6%	19.6%
Zakat & Tax	1.0	4.1	4.1	313.4%	0.3%
Net profit after Zakat & Tax	450.8	482.0	577.5	6.9%	19.8%
Total Assets in AED (Billion)	114.1	119.2	122.5	4.5%	2.8%
Customer Financing in AED (Billion)	72.3	78.3	77.3	8.3%	-1.2%
Customer Deposits in AED (Billion)	87.6	96.0	101.0	9.6%	5.2%

-Ends-

About ADIB:

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

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