

Abu Dhabi Islamic Bank Announces Full year 2017 results

ADIB 2017 Net Profit rises 17.7% to AED 2.3 billion

Abu Dhabi, 04 February 2018 - Abu Dhabi Islamic Bank (ADIB) today reported a record net profit of AED 2.3 billion for the year ended 31st December 2017, up 17.7% from 2016, driven by higher income from fees, foreign exchange, investments and reduction in cost of credit. Revenue increased by 4.6% to AED 5.6 billion, while the bank also benefited from lower credit provisions and impairments in 2017 decreasing by 18.5% from a year earlier.

The Board of Directors has recommended the distribution of 28.87% cash dividend for 2017. The cash dividends represent 39.76% of full year net profit for 2017.

Group Financial Highlights

FYR 2017 vs. FYR 2016

- Group net profit increased by 17.7% Y-O-Y to AED 2,300.1 million vs. AED 1,953.6 million in 2016.
- Group net revenues increased by 4.6% Y-O-Y to AED 5,632.3 million vs. AED 5,385.5 million in 2016.
- Credit provisions and impairments decreased by 18.5% Y-O-Y to AED 790.4 million vs. AED 970.0 million in 2016.
- Total assets at AED 123.3 billion, up 0.8% from AED 122.3 billion at the end of 2016 (and an increase of 1.7% from AED 121.3 billion at 30 September 2017).
- Net customer financing decreased by 2.1% to AED 76.5 billion, from AED 78.2 billion at the end of 2016 (and decreased 0.4% from AED 76.8 billion at 30 September 2017).
- Customer deposits grew 1.2% to AED 100.0 billion, from AED 98.8 billion at the end of 2016 (an increase of 0.9% from AED 99.1 billion at 30 September 2017).
- The capital adequacy ratio under Basel II at 31 December 2017 is 16.71% vs 15.25% at 31 December 2016.
- The capital adequacy ratio under Basel III is at 17.02% at 31 December 2017.
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 80.0% at 31 December 2017, vs. 85.1% at 31 December 2016 and an advances to deposits ratio of 76.5% at 31 December 2017, vs. 79.1% at 31 December 2016.
- Non-performing assets ratio stood at 5.4% with non-performing assets totaling AED 4,299.1 million at 31 December 2017.

Group Financial Highlights

Q4 2017 vs. Q4 2016

- Group net revenues for Q4 2017 increased by 6.2% to AED 1,427.9 million vs. AED 1,344.2 million in Q4 2016.
- Credit provisions and impairments for Q4 2017 decreased by 33.8% to AED 166.9 million vs. AED 252.1 million for Q4 2016.
- Group net profit for Q4 2017 increased by 33.4% to AED 607.2 million vs. AED 455.1 million in Q4 2016.

Mr. Khamis Buharoon, ADIB Vice Chairman and acting CEO, said: “We had a great year in 2017, with net profit rising nearly 18% to AED 2.3 billion. ADIB experienced robust growth across our businesses, while we maintained a disciplined approach to cost and risk management. During the year, we welcomed approximately 62,000 new customers with a strong offering of products and services, easily accessed through digital platforms. The solid performance has permitted ADIB’s Board of Directors to recommend a cash dividend payout of 39.76% of the year’s net profit, while still allowing for continued significant reinvestment in the future growth of our businesses.”

“In 2017, we accelerated our investment in digital banking and finding new ways to add value to our customers. Our digital and innovation agenda is about enhancing the customer experience, making it simpler, faster and more cost effective to access high quality financial services, while ensuring that customers continue to receive a highly personalised service.”

“Despite heavy investment in advancing our digital capabilities, we demonstrated a strong expense discipline with the cost-to-income ratio decreasing by 1.0% when compared to 2016. This is in line with management targets and it will enable us to invest further to support our future growth.”

“The financial discipline we exercised over the years, by prudently managing risk and credit extension, has ensured that our balance sheet remains strong. It is pleasing to note that the stabilisation of the business environment, together with our focus on asset quality, has led to higher recoveries and an 18.5% decrease in impairment allowances from last year.”

“ADIB has always been at the forefront of banks in the UAE when it comes to capital management with a capital adequacy ratio under Basel II of 16.71%. Capital adequacy ratio under Basel III is 17.02%, which is also above the minimum regulatory thresholds advised by Central Bank of the UAE. We therefore fully expect to be able to support our continued growth in the most effective and efficient manner.”

“Looking ahead, we believe ADIB is well positioned to take advantage of the opportunities that are expected to arise from the positive economic outlook of the UAE. We are confident that our financial strength and our focus on leveraging innovation and providing a high-quality banking experience will help us attract more customers and deliver long-term shareholder value.”

Business highlights for 2017 were:

- ADIB's focus on delivering a high-quality customer experience saw the number of active customers served by ADIB increase by over 6.7% year-on-year to 982,661 as at 31 December 2017.
- Total revenues increased by 4.6% for the year 2017 to AED 5,632.3 million. This growth was largely driven by 22.6% rise in fee income to AED 1,030.3 million, while investment income increased 16.5% to AED 546.0 million.
- Cost of credit improved as total credit provision and impairment decreased by 18.5% to AED 790.4 million in 2017. Notwithstanding, the Group continued its conservative practice of building provisions and booked AED 765.9 million in total credit provisions.
- Continued focus on productivity has resulted in the cost-to-income ratio dropping by 1.0% to 44.5% for 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 continued to focus on innovation and automation, and to maintain its market leading position in digital banking. Over 95% of financial transactions were carried out on ADIB's digital platforms during 2017, including an average of 2 million mobile transactions every month. Our Mobile Banking App continues to be recognized as a market leader, with more than 94,000 new users during 12 months of 2017.
- ADIB has launched and supported numerous CSR initiatives in 2017 to reinforce and maximise its contribution to society, including blood donation campaigns, sponsoring mass weddings and organising a range of activities during Ramadan. In alignment with the UAE's Year of Giving, the bank has supported numerous causes across the UAE with employees across ADIB giving up their personal time to serve their local communities. Such charitable principles continue to demonstrate ADIB's role within society and complement the bank's business objectives.
- 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 2,036 at the end 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 757 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.
- ADIB has already started adopting a new points-based system that was approved by the UAE government and the UAE Central Bank to promote the entry of UAE nationals into the financial sector and promote career development.

Group Financial Highlights

Income Statement:

FYR 2017 vs. FYR 2016

- Group net revenues for 2017 increased by 4.6% to AED 5,632.3 million vs. AED 5,385.5 million in 2016.
- Credit provisions and impairments for 2017 decreased by 18.5% to AED 790.4 million vs. AED 970.0 million for 2016.
- Group net profit for 2017 increased by 17.7% to AED 2,300.1 million vs. AED 1,953.6 million in 2016.

Q4 2017 vs. Q4 2016

- Group net revenues for Q4 2017 increased by 6.2% to AED 1,427.9 million vs. AED 1,344.2 million in Q4 2016.
- Credit provisions and impairments for Q4 2017 decreased by 33.8% to AED 166.9 million vs. AED 252.1 million for Q4 2016.
- Group net profit for Q4 2017 increased by 33.4% to AED 607.2 million vs. AED 455.1 million in Q4 2016.

Balance Sheet:

31 December 2017 vs. 31 December 2016 and 30 September 2017

- Total assets as of 31 December 2017 were AED 123.3 billion, representing an increase of 0.8% from AED 122.3 billion at the end of 31 December 2016 (and an increase of 1.7% from AED 121.3 billion at 30 September 2017).
- Net customer financing decreased by 2.1% to AED 76.5 billion, from AED 78.2 billion at the end of 31 December 2016 (and decreased 0.4% from AED 76.8 billion at 30 September 2017).
- Customer deposits grew 1.2% to AED 100.0 billion, from AED 98.8 billion at the end of 31 December 2016 (an increase of 0.9% from AED 99.1 billion at 30 September 2017).

Capital adequacy and liquidity:

31 December 2017 vs. 31 December 2016 and 30 September 2017

- The capital adequacy ratio under Basel II at 31 December 2017 is 16.71% vs. 15.25% at 31 December 2016 (16.28% at 30 September 2017). The capital adequacy ratio under Basel III is 17.02% at 31 December 2017.
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 80.0% at 31 December 2017, vs. 85.1% at 31 December 2016 (81.1% at 30 September 2017) and an advances to deposits ratio of 76.5% at 31 December 2017, vs. 79.1% at 31 December 2016 (77.5% at 30 September 2017).

Group Financial highlights - Four-year performance

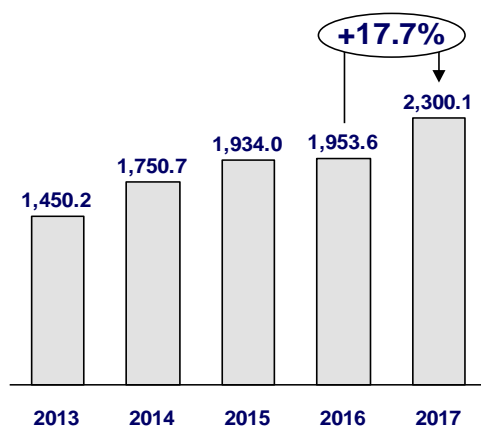
As at 31 December

All figures are in AED millions

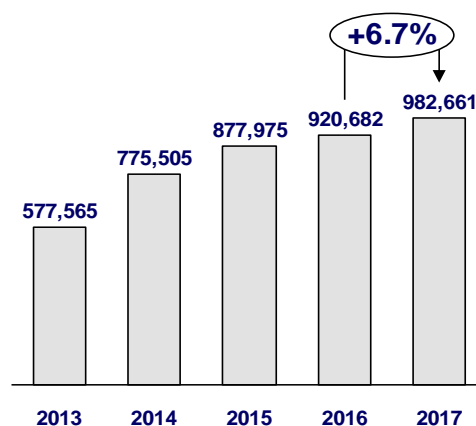
Balance sheet	2014	2015	2016	2017	3 YR (CAGR)
Total assets	111,904	118,378	122,290	123,278	3.3%
Gross customer financing	75,760	81,398	81,369	79,750	1.7%
Customer deposits	84,776	94,927	98,814	100,004	5.7%
Total equity	13,687	15,075	15,459	16,573	6.6%
Capital adequacy ratio - Basel II	14.36%	15.14%	15.25%	16.71%	
Tier 1 ratio - Basel II	13.87%	14.59%	14.61%	16.18%	
Common Equity Tier 1 ratio	7.97%	8.98%	9.12%	10.56%	
Customer financing to deposit ratio	86.1%	82.6%	79.1%	76.5%	

Income statement	2014	2015	2016	2017	3 YR (CAGR)
Net revenue	4,583	5,134	5,386	5,632	7.1%
Operating profit (margin)	2,512	2,760	2,938	3,123	7.5%
Credit provisions and impairment charge	758	820	970	790	1.4%
Net profit after zakat & tax	1,751	1,934	1,954	2,300	9.5%
Total non-performing accounts to gross financing assets ratio	4.4%	3.9%	4.5%	5.4%	
Provision coverage ratio	83.2%	95.5%	85.5%	74.9%	
Cost to income ratio	45.2%	46.2%	45.5%	44.5%	

Network - UAE	2014	2015	2016	2017	3 YR (CAGR)
Total customers	775,505	877,975	920,682	982,661	8.2%
Branches	88	88	86	81	-2.7%
ATMs	683	769	749	722	1.9%



Group net profit - AED million

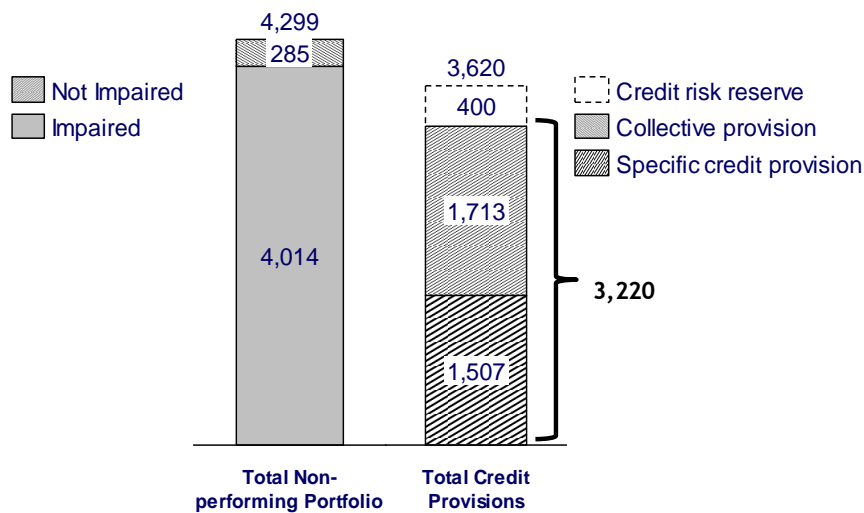


Number of Customers

Risk management

ADIB continued its prudent approach to credit risk management, Non-performing assets ratio stood at 5.4% with non-performing assets now totaling AED 4,299.1 million. In 2017, ADIB took an additional AED 765.9 million in provisions. Total credit provisions, net of write-offs, stand at AED 3,220.4 million. Specific and collective provisions now represent a pre-collateral coverage ratio of 74.9% of the total non-performing portfolio and 80.2% of the impaired portfolio. Furthermore, collective provisions now represent 2.01% of total credit risk weighted assets. This is well above the 1.5% set out in regulatory guidelines.

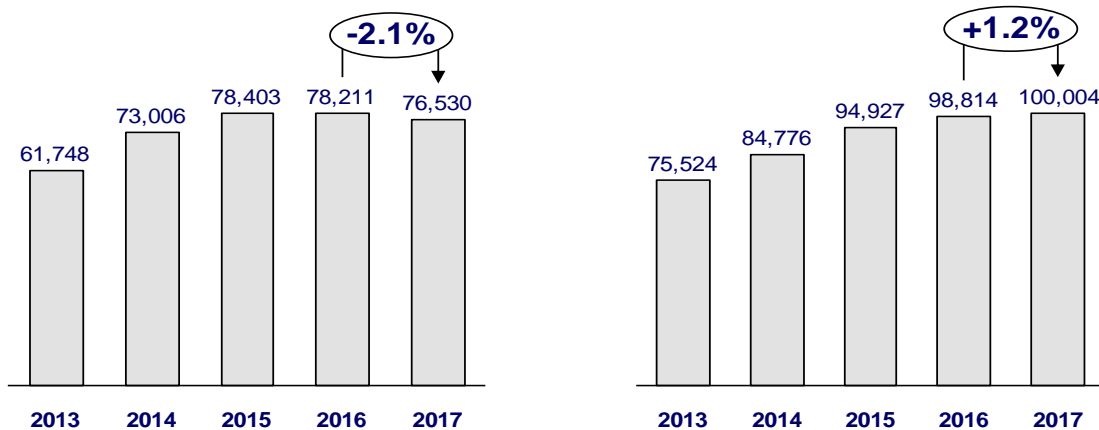
31 December 2017: AED million



Asset and Liability Management

ADIB recorded healthy customer financing-to-deposits ratio of 76.5%. 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 1.2% year-on-year to reach AED 100.0 billion at 31 December 2017.

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

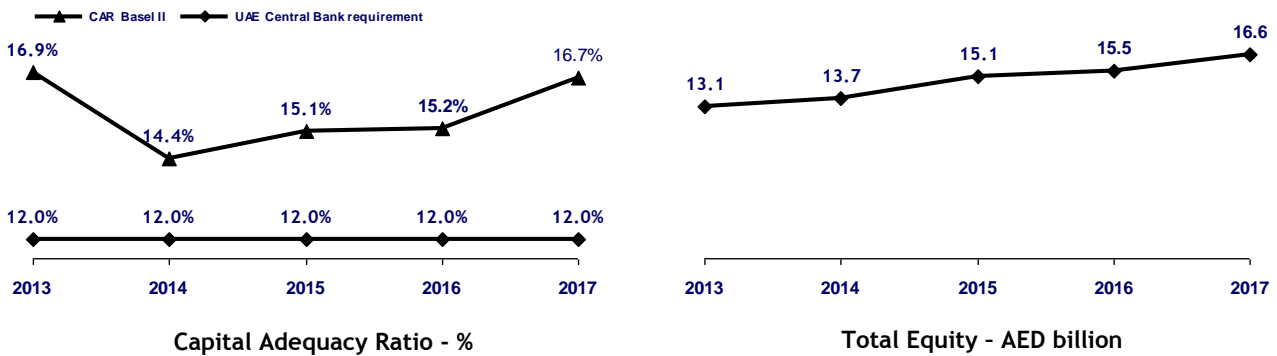


Net Customer Financing Growth - AED million

Customer Deposit Growth - AED million

Capital strength

Total equity (including Tier 1 capital instruments) was AED 16.6 billion at 31 December 2017. This represents an increase of 7.2% year-on-year and a 3-year compounded growth rate of 6.6%. ADIB’s capital adequacy ratio under Basel II principles now stands at 16.71% with the Basel II Tier 1 capital ratio at 16.18% and a common equity tier 1 ratio of 10.56%, well above Central Bank of the UAE’s prescribed minimums of 12% for capital adequacy, 8% for Tier 1. Similar capital ratios under Basel III principles are: capital adequacy ratio is at 17.02%, Tier 1 capital ratio is at 15.96% and a common equity tier 1 ratio is at 10.27%. All capital ratios under Basel III principles are above the minimum regulatory thresholds advised by Central Bank of the UAE.



Cost management

In line with ADIB’s growth strategy, the Group has maintained its focus on putting in place infrastructure necessary 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’ 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 decline to 44.5% from 45.5% in 31 December 2016 helped by cost control measures implemented during the year.

Dividend

The Board of Directors recommends the distribution of 28.87% cash dividend for 2017. The cash dividend represents 39.76% of full year net profits for 2017.

Financial summaries

ADIB Group Financial summary - 3 months and Full year summary

Financials	Consolidated Group									
	Q4 2015	Q4 2016	Q4 2017	Chg Q4 16 vs. Q4 15	Chg Q4 17 vs. Q4 16	2015	2016	2017	Chg 2016 vs. 2015	Chg 2017 vs. 2016
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	976.8	981.3	935.0	0.5%	-4.7%	3,771.3	3,921.0	3,769.6	4.0%	-3.9%
Fees & Commissions	251.1	185.9	283.3	-26.0%	52.4%	911.3	840.4	1,030.3	-7.8%	22.6%
Investment income	100.6	102.6	147.2	2.0%	43.4%	352.1	468.5	546.0	33.1%	16.5%
FX	35.8	74.0	56.3	106.7%	-23.8%	79.6	139.2	270.3	74.8%	94.2%
Other	7.6	0.3	6.1	-95.5%	1705.6%	20.1	16.4	16.1	-18.5%	-1.4%
Total Revenues	1,371.9	1,344.2	1,427.9	-2.0%	6.2%	5,134.4	5,385.5	5,632.3	4.9%	4.6%
Operating profit (margin)	728.6	709.4	783.5	-2.6%	10.4%	2,760.3	2,937.6	3,123.1	6.4%	6.3%
Credit Provisions and Impairment	249.3	252.1	166.9	1.2%	-33.8%	820.0	970.0	790.4	18.3%	-18.5%
Net Profit before Zakat & Tax	479.4	457.3	616.6	-4.6%	34.8%	1,940.3	1,967.7	2,332.8	1.4%	18.6%
Zakat & Tax	2.0	2.2	9.4	11.0%	333.1%	6.3	14.1	32.7	123.6%	131.3%
Net Profit after Zakat & Tax	477.4	455.1	607.2	-4.7%	33.4%	1,934.0	1,953.6	2,300.1	1.0%	17.7%
Total Assets in AED (Billion)	118.4	122.3	123.3	3.3%	0.8%	118.4	122.3	123.3	3.3%	0.8%
Customer Financing in AED (Billion)	78.4	78.2	76.5	-0.2%	-2.1%	78.4	78.2	76.5	-0.2%	-2.1%
Customer Deposits in AED (Billion)	94.9	98.8	100.0	4.1%	1.2%	94.9	98.8	100.0	4.1%	1.2%

-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.

Awards

1. Global Islamic Business Award by Department of Economic Development.
2. Best Islamic Bank in the UAE by Global Finance Magazine.
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.
9. Best Islamic Bank in the Middle East by Executive Magazine.
10. Best Islamic Bank in the UAE by Banker Magazine FT.
11. Excellence in CSR Initiatives for Islamic Banks.
12. Best Private bank in the UAE by Banker Magazine
13. Sheikh Khalifa Excellence Award 2016 - Gold category.
14. Best bank in customer experience by Ethos Consultancy.

For media information, please visit www.adib.ae or contact:

Lamia Hariz

Head of Corporate Communications

ADIB

Tel: +971 561623535

Email: lamia.hariz@adib.com