

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 31 MARCH 2016

**Abu Dhabi Islamic Bank net profit for Q1 2016 increases
6.9% to AED 482.0 million**

Group Financial Highlights

Income Statement: Q1 2016 vs. Q1 2015 and Q4 2015

- Group net profit for Q1 2016 increased by 6.9% to AED 482.0 million vs. AED 450.8 million in Q1 2015 (and increased by 1.0% vs. AED 477.4 million Q4 2015).
- Group net revenues for Q1 2016 increased by 7.6% to AED 1,317.3 million vs. AED 1,224.3 million in Q1 2015.
- Credit provisions and impairments for Q1 2016 increased by 6.7% to AED 216.2 million vs. AED 202.6 million for Q1 2015 (and decreased by 13.3% vs. AED 249.3 million for Q4 2015).

Balance Sheet: 31 March 2016 vs. 31 March 2015 and 31 December 2015

- Total assets as of 31 March 2016 were AED 119.2 billion, representing an increase of 4.5% from AED 114.1 billion at the end of 31 March 2015 (and an increase of 0.7% over the AED 118.4 billion at 31 December 2015).
- Net customer financing grew 8.3% to AED 78.3 billion, from AED 72.3 billion at the end of 31 March 2015.
- Customer deposits grew 9.6% to AED 96.0 billion, from AED 87.6 billion at the end of 31 March 2015 (and an increase of 1.1% over the AED 94.9 billion at 31 December 2015).

Capital adequacy and liquidity: 31 March 2016 vs. 31 March 2015 and 31 December 2015

- The capital adequacy ratio under Basel II is 15.24% at 31 March 2016 vs. 14.74% at 31 March 2015 (15.14% at 31 December 2015).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 83.6% at 31 March 2016, vs. 82.2% at 31 March 2015 (84.6% at 31 December 2015) and an advances to deposits ratio of 81.6% at 31 March 2016, vs. 82.6% at 31 March 2015 (82.6% at 31 December 2015).

Group Financial highlights - Four-year performance

As at 31 March All figures are in AED millions

Balance sheet	Q1 2013	Q1 2014	Q1 2015	Q1 2016	3 YR (CAGR)
Total assets	89,177	103,840	114,061	119,179	10.1%
Gross customer financing	57,211	67,271	75,132	81,407	12.5%
Customer deposits	63,412	76,952	87,602	95,994	14.8%
Total equity	12,343	12,682	14,075	15,510	7.9%
Capital adequacy ratio - Basel II	19.8%	15.7%	14.7%	15.2%	
Tier 1 ratio - Basel II	16.9%	15.3%	14.2%	14.7%	
Customer financing to deposit ratio	85.2%	82.9%	82.6%	81.6%	

Income statement	Q1 2013	Q1 2014	Q1 2015	Q1 2016	3 YR (CAGR)
Net revenue	919.0	1,073.0	1,224.3	1,317.3	12.8%
Operating profit (margin)	525.6	626.2	654.4	702.3	10.1%
Credit provisions and impairment charge	185.5	216.4	202.6	216.2	5.2%
Net profit after zakat & tax	340.1	409.5	450.8	482.0	12.3%
Total non-performing accounts to gross financing assets ratio	9.6%	7.6%	4.2%	4.0%	
Provision coverage ratio	57.7%	67.6%	89.4%	96.1%	
Cost to income ratio	42.8%	41.6%	46.5%	46.7%	

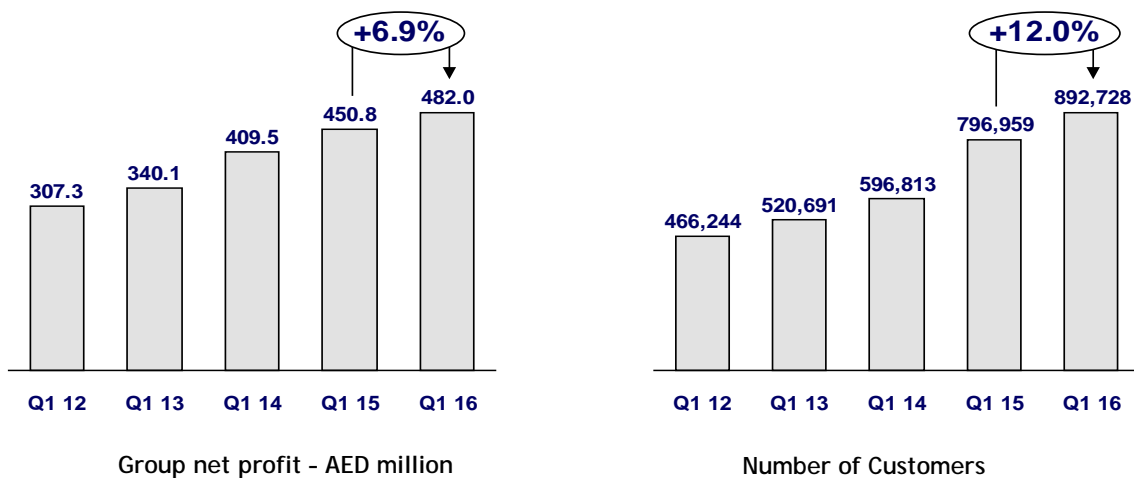
Network - UAE	Q1 2013	Q1 2014	Q1 2015	Q1 2016	3 YR (CAGR)
Total customers	520,691	596,813	796,959	892,728	19.7%
Branches	76	79	88	88	5.0%
ATMs	570	602	709	783	11.2%

Abu Dhabi, UAE - 21 April 2016: The Abu Dhabi Islamic Bank (ADIB) Group posted a 6.9% increase in net profit for Q1 2016 to AED 482.0 million while increasing total assets by 4.5% to AED 119.2 billion and net customer financing assets by 8.3% to AED 78.3 billion vs. 31 March 2015.

The growth in customer financing assets reflects ADIB's continued conservative approach to capital management and new credit extension as concerns about the global economic outlook, and its impact on a number of customer and industry segments, remain. Given the challenging environment, ADIB has retained its focus on funding and remains one of the most liquid banks in the UAE with the advances to deposits ratio at 31 March 2016 at 81.6% vs. 82.6% at 31 March 2015.

The business highlights for Q1 2016 were:

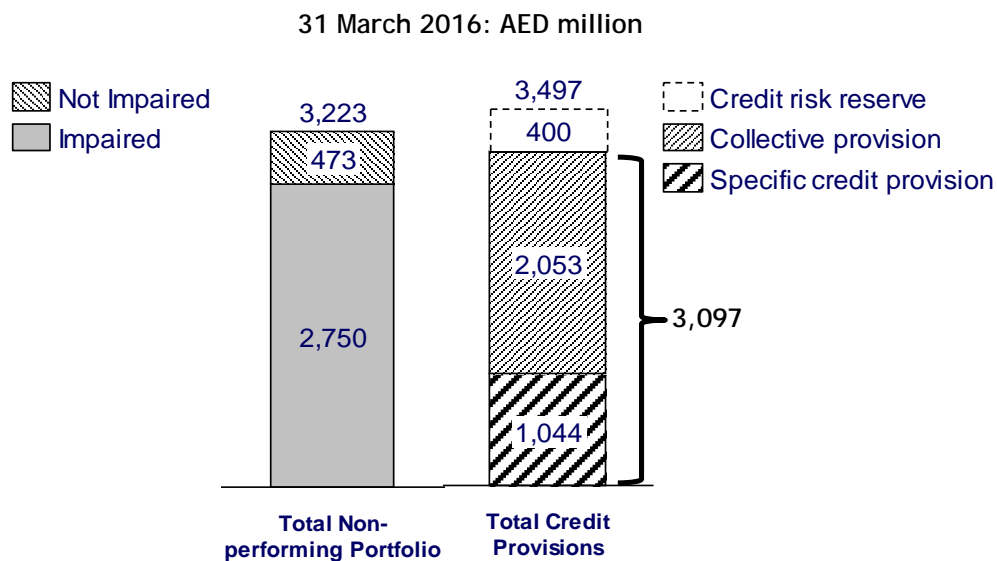
- The continued focus on selected customer and industry segments, while remaining loyal to the core UAE National individual and corporate customer base, saw the number of active customers served by ADIB increase by over 95,000 year-on-year to 892,728.
- Despite the concerns over the credit environment and non-performing accounts decreasing marginally year-on-year to 4.0% vs. 4.2% at 31 March 2015, the Group continued its conservative practice of building provisions and took an additional AED 206.9 million in total credit provisions to improve the pre-collateral non-performing coverage ratio to 96.1% of the total non-performing portfolio.
- In further recognition of the challenges of operating in the current environment - and in support of the continued strategy of building leadership in its chosen customer segments, services, industries and geographies - the Group has elected to increase its investment in best practice governance, control and compliance. As a result, the cost to income ratio remains remaining above ADIB's medium term target at 46.7%.



Risk management

ADIB’s continued application of best practice credit risk management and proactive remedial efforts, including having dedicated teams focus on achieving a positive and sustainable level of credit performance post-restructuring, saw total non-performing accounts decreasing year-on-year to 4.0% vs. 4.2% at 31 March 2015 and these now total AED 3,222.6 million. Notwithstanding the marginal improvement in asset quality indicators, ADIB took an additional AED 168.8 million in specific provisions while further increasing collective provisions by AED 38.1 million in Q1 2016. The Bank’s collective provisions reflect the Bank’s conservative credit outlook and, excluding the AED 400 million credit risk reserve established in Q4 2012, now represent 2.30% of total customer risk weighted assets and are well above the 1.5% regulatory guidelines.

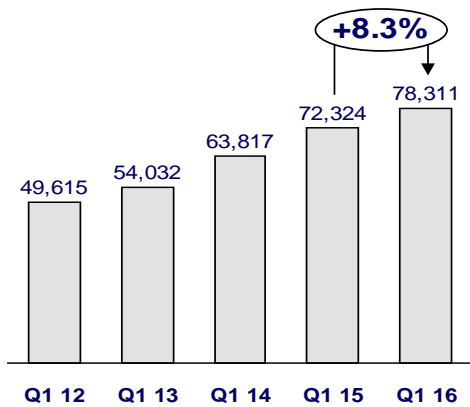
Total credit provisions, net of write-offs, now stand at AED 3,096.9 million. Specific and collective provisions, excluding the credit risk reserve, now represent a healthy pre-collateral coverage ratio of 96.1% of the total non-performing portfolio and 112.6% of the impaired portfolio.



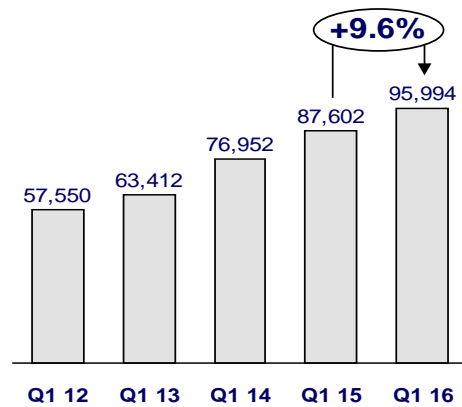
Asset and Liability Management

ADIB maintained its position as one of the most liquid banks in the UAE. Customer deposits increased by 9.6% vs. 31 March 2015 and stood at AED 96.0 billion as at 31 March 2016 - with Central Bank placements at AED 6.3 billion and the net interbank position at AED 1.3 billion.

At the same time, a disciplined return on shareholders’ equity and capital conservation approach to asset growth informed by ongoing signs of credit stress in certain industries, particularly in the commercial and business banking commodity linked customer segments, saw customer financing assets grow by only 8.3% since 31 March 2015 to reach AED 78.3 billion. As a result, ADIB ended 31 March 2016 with a healthy customer financing to deposits ratio of 81.6%.



Net Customer Financing Growth - AED million

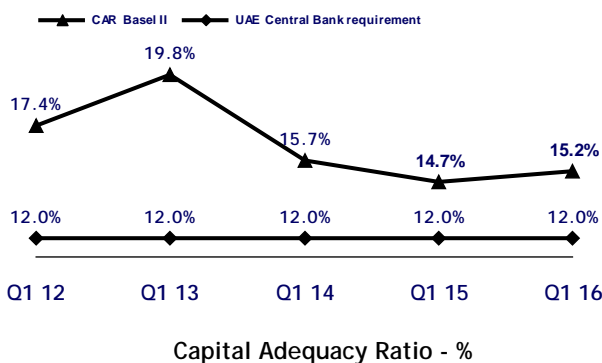


Customer Deposit Growth - AED million

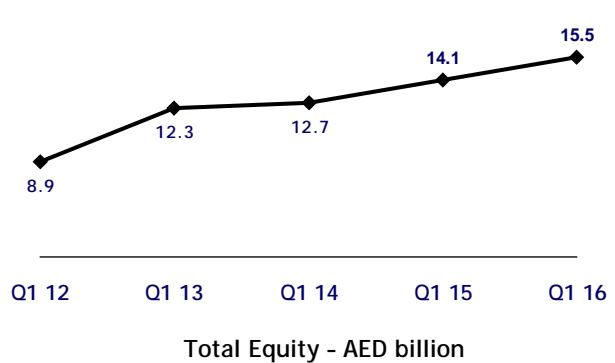
Capital strength

Total Equity (including Tier 1 capital instruments) was AED 15.5 billion as at 31 March 2016. This represents an increase of 10.2% year-on-year and a 3-year compounded growth rate of 7.9%. ADIB's capital adequacy ratio under Basel II principles now stands at 15.24% with the Basel II Tier 1 capital ratio at 14.66% and a common equity tier 1 ratio of 9.19%.

Notwithstanding the fact that ADIB's capital ratios continue to be well above Central Bank of the UAE's current prescribed minimums of 12% for capital adequacy and 8% for Tier 1, ADIB's intends to continue enhancing the Group's capital base through a series of specific actions. These actions, will be aligned with the Central Bank of the UAE's expected adoption of Basel III in 2016, and will occur as and when market conditions are favorable and the cost benefits are in line with the Group's 2020 strategic ambition.



Capital Adequacy Ratio - %



Total Equity - AED billion

Cost management

In line with ADIB's growth strategy of becoming a top regional bank, and notwithstanding the current economic environment, the Group has continued to recruit top performers and invest appropriately in expanding its operations across all customer segments, and selected industries, in the UAE and in laying the foundations for its wholesale banking led international franchises. Specifically, ADIB has continued to build a number of additional capabilities, including, but not limited to: enhancing its digital competence across all businesses and processes in line with its ambition to be a leading digital bank; building and

diversifying its fee income capabilities in line with identified customer needs; establishing complementary business units such as merchant acquiring; and upgrading its infrastructure to ensure the Group operates in a stable and secure manner.

Furthermore, in line with the Group's commitment to leadership in the application of regulatory and related governance best practice, ADIB has increased its investment in risk, control and compliance capabilities while simultaneously continuing to review any pertinent historical activities and taking the necessary corrective actions should any areas of concern be identified.

As a result of the ongoing high levels of investment required to achieve the Group's growth ambitions, including the amortization of the purchase consideration of the Barclay's UAE Retail acquisition, and enhance the governance structures and capabilities, and related corrective actions, the cost to income ratio for Q1 2016 stood at 46.7%.

Human resources

In line with the Group's 2020 strategic ambition, ADIB has continued to selectively recruit the necessary staff required to service a comprehensive range of client segments and selective industries through a broad range of products and solutions, while also enhancing the governance structures. Notwithstanding this, by retaining its established focus on performance management the Bank's headcount in the UAE decreased by a marginal 45 to 2,459 in Q1 2016.

Furthermore, 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. As a result, the Bank now employs 1,087 Nationals in the UAE with a resultant Emiratization ratio of 44.2%.

Management comment

On behalf of the Board of Directors and the management team, Tirad Al Mahmoud, Group CEO of ADIB, said: "The prevailing regional and global economic environment has meant that ADIB continues to operate in very challenging conditions. However, while we fully recognizing these challenges, ADIB has maintained its focus on implementing its robust long-term growth strategy and delivering the levels of customer service that have become synonymous with our brand by adapting how we manage our business. As a result, ADIB has continued to deliver a sustainable level of financial performance with the Group's Q1 2016 net profit increasing by 6.9% to AED 482.0 million while total assets grew 4.5% to AED 119.2 billion versus 31 March 2015.

"We remain concerned about the liquidity outlook as well as the increasing levels of credit stress in a number of commodities linked industries and related customer segments. These concerns, combined with a continued focus on building and optimizing the Bank's capital, saw customer financing assets growing at a conservative 8.3% year-on-year versus a 9.6% increase in deposits for the same period. As a result, ADIB

remains one of the most liquid banks in the UAE with a healthy customer financing assets to deposits ratio of 81.6%.

“The financial performance reflects the continued robustness of ADIB’s 2020 ambition and related growth strategy and our ability to adapt this strategy to the economic realities and competitive environment in which we operate. What is particularly pleasing is that we have done so without compromising on our commitment to best in market customer experience. It is therefore pleasing to report that almost 100,000 new customers elected to bank with ADIB, as the number 1 bank for customer service in the UAE for 5 years in a row, in the past 12 months.

“However, and notwithstanding the fact that at its core ADIB is a customer centric organization, we recognize that being a top tier bank also means that we must also excel in meeting the needs and requirements of all our stakeholders, including regulators, shareholders and investors, our staff and the community at large. Therefore, it is of primary importance that ADIB continues to build the required level of capital, across all classes, that is appropriate for a bank with our ambition and profile. As evidence of this commitment ADIB increased total equity by 10.2% year-on-year to AED 15.5 billion and the Group’s capital adequacy ratio is now 15.24%.

“In addition to our focus on capital and balance sheet management, and notwithstanding the current challenges relating to revenue growth, ADIB has further enhanced its focus on ensuring that the necessary expenditure required to build our customer focused franchises - and the infrastructure to support them - is matched by the commitment to ensuring that we operate, and have done so in the past, in accordance with the best practice governance, control and compliance requirements of regulators at home and abroad. The ongoing impact of this type of essential expenditure, and any related remedial efforts they highlight, means that the Group’s cost to income ratio continues to track above our medium term-goal. This is understandable in that costs are immediate while the benefits, as we have proven through past financial performance, will only be realized and recognized through sustainable future revenue growth and sustainable control excellence.”

Outlook

“Notwithstanding the proven robustness and adaptability of ADIB’s long-term strategy, we remain concerned about the current levels of economic growth in the region. Our caution in this regard is further exacerbated by the increasing indications of credit stress, and the consequent rising levels of defaults in certain client segments and industry sectors. As a result, we continue to forecast modest new customer financing growth while ensuring that credit extension is targeted in such a manner that the risk related returns are commensurate with our long-term regulatory capital needs and return of shareholders equity goals.

Furthermore, while ADIB remains one of the most liquid banks in the region with a sound capital base, the pressure on market liquidity levels and the amount of capital banks are required to hold are expected to

increase. While we have the capacity and capability to do further capital market issuances, market conditions are not currently conducive to new issues. As a result we will continue to both: grow and diversify our customer deposit base as the Group's primary source of funding; and continue to optimize our capital in anticipation of the introduction of a Basel III environment in the UAE.

"Finally, while there has been a marginal improvement in ADIB's non-performing asset indicators and provision coverage ratios, the prevailing credit environment has justified ADIB's historical conservative approach to building both specific and collective provisions. Therefore, despite the successes we have had in the remedial management of the non-performing accounts backed by customers willingness to work proactively with the Bank in this regard, we will continue to take further specific provisions as is necessary and prudent while simultaneously increasing our levels of collective provisions".

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.



Tirad Al Mahmoud
Group Chief Executive Officer

Financial summaries

ADIB Group Financial summary - 3 months summary

Financials	Q1 2014	Q1 2015	Q1 2016	Chg Q1 15 vs. Q1 14	Chg Q1 16 vs. Q1 15
	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	797.7	941.3	973.0	18.0%	3.4%
Investment income	79.4	78.2	159.7	-1.5%	104.2%
Fees & Commissions	177.0	222.5	207.4	25.7%	-6.8%
FX	18.6	(18.5)	(23.6)	-199.5%	-27.8%
Other	0.4	0.8	0.8	75.9%	6.0%
Total Revenues	1,073.0	1,224.3	1,317.3	14.1%	7.6%
Operating profit (margin)	626.2	654.4	702.3	4.5%	7.3%
Credit Provisions and Impairment	216.4	202.6	216.2	-6.4%	6.7%
Net profit before Zakat & Tax	409.8	451.8	486.1	10.3%	7.6%
Zakat & Tax	0.3	1.0	4.1	333.7%	313.4%
Net profit after Zakat & Tax	409.5	450.8	482.0	10.1%	6.9%
Total Assets in AED (Billion)	103.8	114.1	119.2	9.8%	4.5%
Customer Financing in AED (Billion)	63.8	72.3	78.3	13.3%	8.3%
Customer Deposits in AED (Billion)	77.0	87.6	96.0	13.8%	9.6%

-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.

ADIB - Awards:

1. Sheikh Khalifa Award - Gold Category.
2. Best Bank in the UAE by Banker Magazine.
3. Best Islamic Bank in the UAE by Banker Magazine.
4. Best Overall bank in customer experience in the GCC by Ethos Consultancy
5. Best Overall Bank in the UAE in customer service for the 4th consecutive year by Ethos Consultancy.
6. Best call center in the UAE by Ethos Consultancy.
7. Best Branch network for by Ethos Consultancy.
8. Best Overall Best Islamic Bank by IFN.
9. Best Islamic Bank in the UAE by Global Finance for 4th consecutive year
10. Best overall Islamic retail Bank globally by Global finance magazine.
11. Best Islamic bank in the Middle East by Euromoney.
12. Best Islamic bank in the UAE for 2nd consecutive year by Euromoney.
13. Best Islamic Bank in Egypt by IFN.
14. Best Islamic Bank in UAE by IFN.
15. Best Islamic Bank in the UAE by IFLR.
16. Best M&A deal by IFLR.
17. "Seatrade Maritime Finance for Shipping Award.
18. Best Treasury Services in the Middle East by EMEA Finance
19. Best Private Bank in the UAE by Wealth Briefing.
20. Best Islamic Bank in the UAE by EMEA Finance magazine for 4th consecutive year
21. Best retail bank by Islamic Banking and Finance Magazine
22. Best Overall Islamic Bank by International Financial Law Review Magazine
23. Best Islamic bank in the UAE by Asiamoney Awards.
24. Best Islamic bank in the Middle East by Asiamoney Awards.
25. Best Loyalty card in Asia, Middle East and Oceania by Freddie Awards.
26. Best Nationalization Initiative by MENA HR Excellence Awards.
27. Euromoney Awards for Innovation in Islamic Finance.
28. Best project finance deal in UAE by EMEA Finance.
29. Human Resource Development Award from the Emirates Institute of Banking and Financial Studies (EIBFS)
30. Best Islamic Bank Award by Banker FT.
31. Mohammed bin Rashid Al Maktoum Business Award.
32. The Leading Arab Islamic Bank for 2015 by Union of Arab Banks.
33. Euromoney Awards for Innovation in Islamic Finance 2016.
34. Most innovative bank in the Middle East in 2015 by EMEA Finance Middle East Banking Awards.
35. "Best SME Internet Banking Service" by Banker Middle East.
36. "Best SME Exchange Service" by Banker Middle East.
37. Best Premium Banking Service by Banker Middle East
38. Best Private Bank in the Middle East for Islamic Finance by Private Banker International magazine

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