

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 31 MARCH 2010

Abu Dhabi Islamic Bank posts record quarterly net profit of AED 293.3 million

Financial highlights – First quarter 2010

- Group operating profit ("margin") for Q1 2010 was AED 398.5 million vs. AED 361.3 million for Q1 2009, an increase of 10.3%.
- Total provisions were AED 105.2 million for Q1 2010 vs. AED 93.0 million in Q1 2009.
- Group net profit for Q1 2010 was a record AED 293.3 million vs. AED 268.3 million in Q1 2009, an increase of 9.3%.
- Remains one of the most liquid banks in the UAE as customer deposits grew by 28.4% year-on-year, after adjusting to exclude the AED 2.2 billion of deposits that converted into Tier 2 capital at the end of 2009, resulting in a strong customer financing to deposits ratio of 84.0% (87.1% at the end of Q1 2009) and net due from banks increasing by 61.6% year-on-year to AED 13.1 billion.
- Capital adequacy position under Basel II remains strong at 16.84% (16.96% at the end of 2009).
- Total number of customers increased by 22,983 in Q1 2010 to 365,080.
- Total number of branches increased by 3 in Q1 2010 to 55.

As at 31 March 2010

All figures are in AED millions

Balance Sheet	Q1 2008	Q1 2009	Q1 2010
Total assets	44,303	55,052	66,041
Gross customer financing	27,584	36,435	43,792
Customer deposits	30,039	38,876	49,935
Total equity	5,270	5,445	7,486
Capital adequacy ratio – Basel II	13.68%	10.77%	16.84%
Customer financing to deposit ratio	90.6%	87.1%	84.0%

* Excludes AED 2.2bn of deposits converted to Tier 2 Capital on 31 December 2009

Income statement	Q1 2008	Q1 2009	Q1 2010
Net revenue	476.0	578.9	680.7
Operating profit (margin) – Group	282.5	361.3	398.5
Operating profit (margin) – Bank	258.5	351.1	395.2
Credit provisions and impairment charge	38.0	93.0	105.2
Net profit – Group	244.5	268.3	293.3
Net profit – Bank	220.5	265.1	289.9
Total credit provisions to gross financing assets ratio	1.38%	1.82%	4.18%
Cost to income ratio	40.7%	37.6%	41.5%

Network	Q1 2009	Q1 2010	Change
Total customers	287,302	365,080	27.1%
Branches	45	55	22.2%
ATMs	138	234	69.6%



Financial analysis – first quarter 2010 vs. first quarter 2009

Income Statement:

- Group operating profit for Q1 2010 was AED 398.5 million vs. AED 361.3 million for Q1 2009, an increase of 10.3%.
- Bank operating profit for Q1 2010 reached AED 395.2 million vs. AED 351.1 million for Q1 2009, an increase of 12.5% that is mainly driven by top line revenue growth of 21%.
- Net revenue from funding activities for Q1 2010 increased to AED 571.6 million vs. 501.4 million for Q1 2009, an increase of 14%.
- Fee and commission income for Q1 2010 increased to 56.1 million vs. AED 33.6 million in Q1 2009, an increase of 67%.
- Non-banking revenues recorded a year-on-year decline of 37%, mainly due to an AED 13 million fall in revenues from the real estate subsidiary.
- Total revenues for Q1 2010 increased to AED 680.7 million vs. AED 578.9 million in Q1 2009, a 17.6% increase.
- Net income for Q1 2010 at AED 293.3 million, after taking credit provisions and impairments of AED 105.2 million for the quarter (vs. a net profit of AED 268.3 million in Q1 2009 which was recorded after taking credit provisions and impairments of AED 93 million).
- Total credit provisions reached AED 1.83 billion at the end of Q1 2010, which amounts to 4.18% of the Gross Customer Financing assets.

Balance Sheet:

- Total assets as of 31 March 2010 were AED 66 billion, representing an increase of 20% compared to AED 55.1 billion at the same point last year (AED 64.1 billion at 31 December 2009).
- Net Customer Financing has increased to AED 42.0 billion with a growth ratio of 17.3%, compared to AED 35.8 billion at the end of March 2009 (AED 40.5 billion at 31 December 2009).
- Customer deposits continue to show a healthy growth of 21.5% to AED 49.9 billion, from AED 41.1 billion at the same time last year when including the Tier 2 AED 2.2 billion in 2009 (AED 48.2 billion at 31 December 2009).

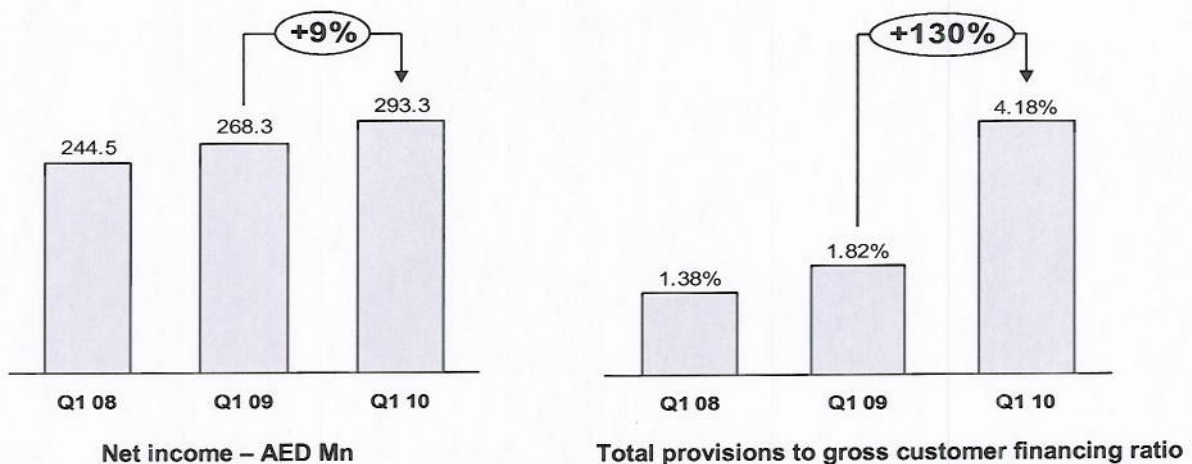
Capital Adequacy and Liquidity:

- Capital Adequacy ratio at 31 March 2010 stood at 16.84%.
- Customer financing to deposits ratio improved to 84.0% vs. 87.1% at 31 March 2009 (83.9% at 31 December 2009).
- Stable funds ratio improved to 88.0% from 95.3% at 31 March 2009 (91.3% at 31 December 2009).

Abu Dhabi, UAE - 19 April 2010: Abu Dhabi Islamic Bank (ADIB) posted a record net profit of AED 293.3 million for the first quarter of 2010, an increase of 9.3% over the same period in 2009. During the first quarter for 2010 ADIB continued on its growth path as it: increased total customer numbers to 365,080; opened its 55th branch in the UAE; increased total assets to AED 66 billion; and maintained its strong liquidity (financing to deposits ratio at 84.0%). The Bank also continued its conservative approach to provisioning including maintaining its prudent policy of taking a 1.25% collective provision.

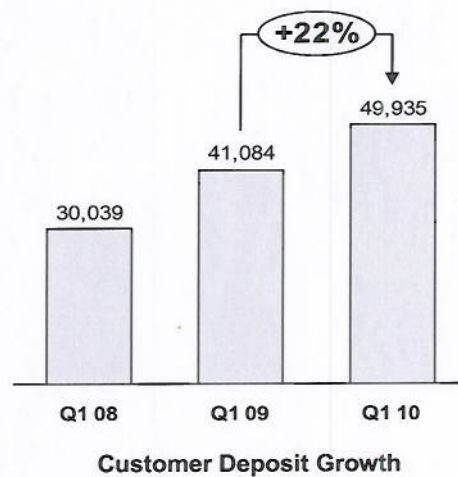
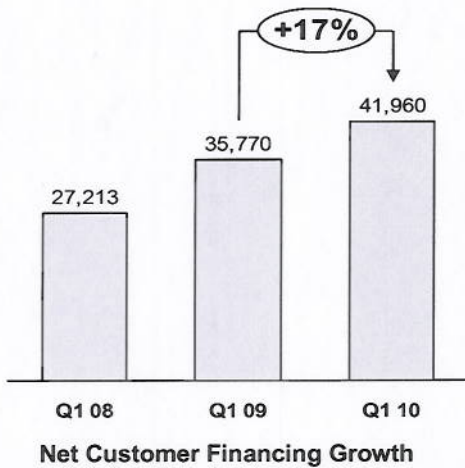
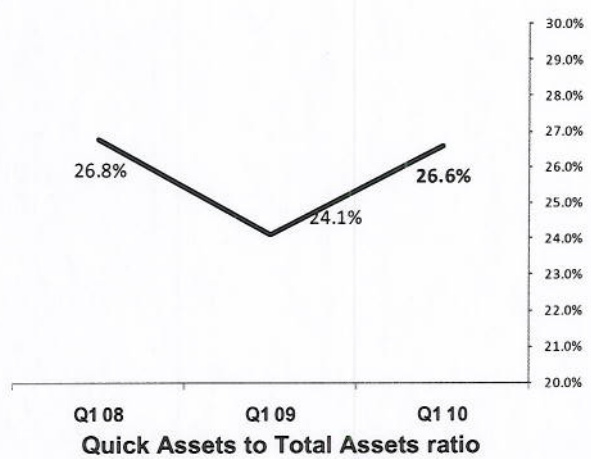
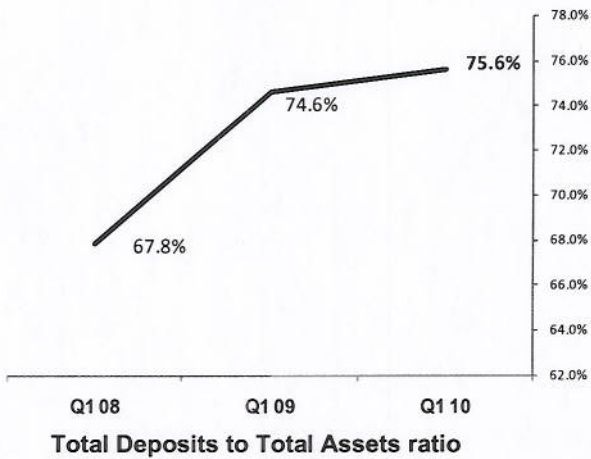
A focus on the Bank's vision and mission sees profitability restored

In line with ADIB's vision to become a top tier Islamic financial services group and its mission to provide Islamic financial solutions for the global community, the new management team has continued to enhance the Bank's customer focus while simultaneously apply prudent banking risk practices. In 2009 this approach saw ADIB take a conservative approach in regard to the recognition of non-performing credit exposures and investments and this practice continues to be evidenced in the build-up of total provisions. As a result the Bank has taken an additional AED 82.5 million in individual provisions and AED 22.7 million in collective provisions thereby increasing total provisions to AED 1.83 billion which amounts to 4.18% of gross customer financing. Notwithstanding this profitability has been restored with record quarterly net profit of AED 293.3 million.



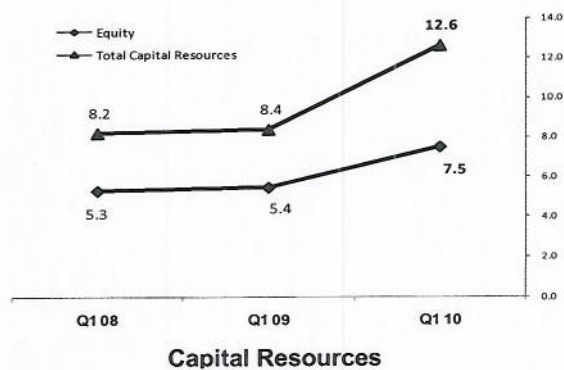
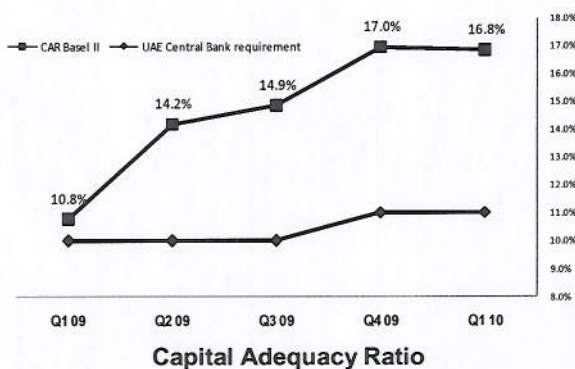
Liquidity

ADIB grew its customer deposits by 28.4% to AED 49.9 billion (AED 38.9 billion in Q1 2009 – adjusted to exclude the AED 2.2 billion of deposits converted into Tier 2 Capital on 31 December 2009) and net customer financing by 17.3% to AED 42.0 billion (AED 35.8 billion as at 31 March 2009). The maintaining of the Bank's overall liquidity reflects the focus on customer service across all segments, while the growth in customer financing comes on the back of a robust credit process that ensured the booking of quality assets.



Capital strength

The Bank's capital position remains strong. Total capital resources, including both the Tier 1 and Tier 2 capital, as at 31 March 2010 improved to AED 12.6 billion vs. AED 8.4 billion at 31 March 2009. The capital adequacy ratio remained strong at 16.84% under Basel II principles (10.77% as at 31 March 2009) with the Basel II Tier 1 capital ratio stable at 13.43% (12.59% at 31 March 2009).



Cost management

Investment in 10 new branches in the past 12 months, related infrastructure and human capital saw operating expenses increase by 29.7% to AED 282.1 million with the cost to income ratio increasing to 41.5%. Management expects the cost to income ratio to resume its downward trend once the core growth investment cycle is completed.

Human resources

The bank's headcount increased by 81 in the quarter and now stands at 1,957. Furthermore ADIB is particularly proud of the fact that by the end of Q1 2010 its Emiratisation ratio was over 40%, an achievement that was recognised by the bank being awarded the prestigious Human Resource Development Award in the first category by the Emirates Institute of Banking and Financial Studies in March.

Management comment

On behalf of the Board of Directors and the management team, Tirad Mahmoud, ADIB's CEO, said: "Our new management team is now in its third year with the Bank and our prudent risk decisions and commitment to growth during the uncertain economic times have been rewarded with record quarter as operating profit increased by 10.3% to AED 398.5 million and net profit reached a new high of AED 293.3 million. An ever increasing focus on customer service and delivery channels, including more ATMs and e-solutions, along with our outstanding capital and liquidity position means that we will now be able to sustain our growth into the future. We took decisive action in 2009 and have continued to do so in the first quarter of 2010. We are particularly proud of the fact that our collective provisions now stand at over AED 540 million as we apply our pre-emptive 1.25% policy.

Since the new management team took over in early 2008, total credit provisions and impairments have increased to AED 2,275 million from AED 403.4 million at the end of 2007, as the portfolio of old investments and credits from the past five years have been prudently reviewed. The efforts of the two remedial management units we established in 2009 are starting to be felt and we will continue to work with those customers who are in genuine difficulty to assist them in restructuring their financing in a manner which will be of mutual benefit.

We were also pleased that our Wholesale Banking franchise has joined the Retail Banking units in delivering quality asset growth backed by a focus on high rated customers. Deals in the first quarter reflect ADIB's commitment to supporting our clients and the UAE economy as a whole. This commitment was evidenced in the provision of an AED 300 million facility to the Al Dhafra Cooperative Society, the provision of an additional AED 100 million in financing to a major UAE University and an AED 300 million in incremental finance in regard to a significant environmental project. We are also playing our role in a number of infrastructure projects and believe that we will increase our activities in this regard in the rest of the year"

Other ADIB Group companies

Commenting on the performance of other Group companies besides the core Bank business, Tirad said: "We are pleased to report that ADIB's stock-brokerage subsidiary, Abu Dhabi Islamic Financial Services, posted a profit of AED 1.4 million for Q1 2010. This represents a significant turnaround after ADIFS posted a loss of AED 9.1 million in Q1 2009. ADIFS now has a new senior management team in place and continues to position itself as an agency business committed to building a strong customer orientated franchise under our Wealth Management offering. ADIFS maintained its leadership amongst Shari'a compliant brokers and is now the 7th largest share brokerage house overall, by market share, in the UAE. Our new trading and settlement platform is now operational and our new customer e-trading platform will go live in the second quarter thereby completing the systems overhaul that we embarked upon in mid 2009.

Turning to Burooj, the Group's real estate subsidiary, it had a profitable first quarter posting a small net profit of AED 2.1 million. While this stands in contrast with the profit of AED 11.8 million Burooj posted in Q1 2009, we are pleased that it has enjoyed its second successive profitable quarter. However, we expect the rest of the year to remain challenging for Burooj."

Outlook for the rest of 2010

Providing guidance on the Bank's direction for 2010, Tirad said: "ADIB has entered its 12th year of operations on a growth trajectory. While the brunt of the legacy portfolio's cost of credit was absorbed in 2009 we expect to take further prudent measures in 2010 and, depending on how the credit and investment environment evolves, this will include further credit provisions and impairments. Notwithstanding this, we are confident that the bank is on the right track as witnessed by our headline numbers and believe that Group profitability is being restored.

Moreover, the strength of the Bank is now well established and we are building a diversified business that will deliver Shari'a inspired solutions to our customers. Specifically:

- We will continue to grow our Retail Banking presence across the UAE, where our target is 70 branches by year end, thereby giving us the necessary network scope to drive our growth. This will be supported by a new e-banking platform in the second quarter along with an every growing array of convenience channels as more ATMs, enhanced mobile banking and improved call centre services are unveiled
- Our Wealth Management proposition, which was in its pilot phase in the first quarter, will be formally launched to customers in the second quarter as we seek to offer our clients trusted advice and access to top products through certified professional investment advisors.
- Our Private Banking strategy has been significantly revised and we look forward to launching our new value proposition to our high net worth customers later in the year.

- The Wholesale Banking franchise continues to gain momentum as our Corporate Finance and Transaction Banking propositions are built in support of our corporate, commercial and public sector clients.
- All of this will be backed by the continued investment in talented individuals and systems to support them.”

Gratitude

The Board of Directors, executive management and all members of staff 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 Mohamed Bin Zayed Al Nahyan, Abu Dhabi Crown Prince and Deputy Supreme Commander of the UAE Armed Forces, to the UAE Central Bank and to the Emirates Securities and Commodities Authority, our shareholders and our clients for their continued trust in and support of ADIB.

Condolences

The Board of Directors, executive management and all members of staff wish to extend their condolences to the UAE with regard to the sad and untimely demise of Sheikh Ahmed Bin Zayed Al Nahyan, may his soul rest in peace.

Financial summaries

ADIB Financials summary – Three quarter summary

Financials	Banking					Consolidated Group				
	Q1 2008	Q1 2009	Q1 2010	Chg Q1 09 vs. Q1 08	Chg Q1 10 vs. Q1 09	Q1 2008	Q1 2009	Q1 2010	Chg Q1 09 vs. Q1 08	Chg Q1 10 vs. Q1 09
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	394.5	523.7	597.6	32.8%	14.1%	394.5	523.7	597.6	32.8%	14.1%
Fees, Commissions and FX	14.6	26.3	45.7	80.1%	73.8%	14.6	26.3	45.7	80.1%	73.8%
Investment Revenues	20.1	(5.4)	15.8	-126.9%	392.6%	20.1	(5.4)	15.8	-126.9%	392.6%
Net Banking Revenues	429.2	544.6	659.1	26.9%	21.0%	429.2	544.6	659.1	26.9%	21.0%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	7.4	0.5	5.2	-93.2%	940.0%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	37.9	29.3	16.3	-22.7%	-44.4%
Revenue from Other Minor Activities	-	-	-	-	-	1.5	4.5	0.1	200.0%	-97.8%
Net Non-banking Revenues	-	-	-	-	-	46.8	34.3	21.6	-26.7%	-37.0%
	Banking					Consolidated Group				
Total Revenues	429.2	544.6	659.1	26.9%	21.0%	476.0	578.9	680.7	21.6%	17.6%
Operating profit (margin)	258.5	351.1	395.2	35.8%	12.5%	282.5	361.3	398.5	27.9%	10.3%
Credit Provisions and Impairment charge	38.0	86.0	105.3	126.3%	22.4%	38.0	93.0	105.2	144.9%	13.1%
Net Profit	220.5	265.1	289.9	20.2%	9.4%	244.5	268.3	293.3	9.8%	9.3%
Total Assets in AED (Billion)	43.3	54.4	65.6	25.6%	20.6%	44.3	55.1	66.0	24.3%	20.0%
Customer Financing in AED (Billion)	28.0	37.6	43.9	34.3%	16.8%	27.2	35.8	42.0	31.4%	17.3%
Customer Deposits in AED (Billion)	30.1	39.2	50.3	30.2%	28.3%	30.0	38.9	49.9	29.4%	28.3%

-Ends-

About ADIB:

Abu Dhabi Islamic Bank (ADIB) was established on 20th May 1997 as a Public Joint Stock Company following the Amiri 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. The Bank carries out all contracts, operations and transactions in accordance with Islamic Shari'a principles. ADIB's mission is to offer financial solutions for the global community, and its vision is to become a top tier Islamic financial services group.

ADIB prides itself on its values which reflect the Bank's commitment to the Islamic Shari'a, and the guidelines of the Bank's practices adhere to the principles of Islam.

For media information, please contact:

Wasim Ben Khadra
Senior Officer – Corporate Communications
Abu Dhabi Islamic Bank
Tel: +971 2 6100862
Email: Wasimbenkhadra@adib.ae

Farah Farooq
Group Account Director
Weber Shandwick - MENA
Mobile: +971 50 5379753
Email: farah.farooq@ws-mena.com