

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 31 MARCH 2014

Abu Dhabi Islamic Bank net profit for Q1 2014 increases

20.4% to AED 409.5 million

Net customer financing assets increased 18.1% to AED 63.8 billion vs. Q1 2013

Group Financial Highlights

Income Statement: Q1 2014 vs. Q1 2013

- Group net profit for Q1 2014 increased by 20.4% to AED 409.5 million vs. AED 340.1 million in Q1 2013 (and increased by 19.3% vs. AED 343.3 million for Q4 2013).
- Group net revenues for Q1 2014 increased by 16.8% to AED 1,073.0 million vs. AED 919.0 million in Q1 2013 (and increased by 2.6% vs. AED 1,045.8 million in Q4 2013).
- Credit provisions and impairments for Q1 2014 increased by 16.7% to AED 216.4 million vs. AED 185.5 million for Q1 2013 (and decreased by 2.3% vs. AED 221.5 million for Q4 2013).

Balance Sheet: 31 March 2014 vs. 31 March 2013 and 31 December 2013

- Total assets as of 31 March 2014 were AED 103.8 billion, representing an increase of 16.4% from AED 89.2 billion at the end of 31 March 2013 (and an increase of 0.7% over the AED 103.2 billion at 31 December 2013).
- Net customer financing grew 18.1% to AED 63.8 billion, from AED 54.0 billion at the end of 31 March 2013 (and an increase of 3.4% over the AED 61.7 billion at 31 December 2013).
- Customer deposits grew 21.4% to AED 77.0 billion, from AED 63.4 billion at the end of 31 March 2013 (and an increase of 1.9% over the AED 75.5 billion at 31 December 2013).

Capital adequacy and liquidity: 31 March 2014 vs. 31 March 2013 and 31 December 2013

- The capital adequacy ratio under Basel II at 31 March 2014, after the payment of the 2013 dividend, remains strong at 15.71% vs. 19.84% recorded at 31 March 2013, which was before repayment of the AED 2.2 billion Tier 2 capital in Q2 2013 (16.86% at 31 December 2013).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 79.6% at 31 March 2014, from 77.7% at 31 March 2013 (77.9% at 31 December 2013) and a customer financing to deposits ratio at 31 March 2014 at 82.9% vs. 85.2% at 31 March 2013 (81.8% at 31 December 2013).

Group Financial highlights - Three year performance

As at 31 March

All figures are in AED millions

| Balance sheet | Q1 2012 | Q1 2013 | Q1 2014 | 3 YR (CAGR) |
|-------------------------------------|----------------|----------------|----------------|------------------------|
| Total assets | 76,513 | 89,177 | 103,840 | 13.3% |
| Gross customer financing | 52,782 | 57,211 | 67,271 | 10.0% |
| Customer deposits | 57,550 | 63,412 | 76,952 | 14.0% |
| Total equity | 8,931 | 12,343 | 12,682 | 17.1% |
| Capital adequacy ratio - Basel II | 17.4% | 19.8% | 15.7% | |
| Tier 1 ratio - Basel II | 13.6% | 16.9% | 15.3% | |
| Customer financing to deposit ratio | 86.2% | 85.2% | 82.9% | |

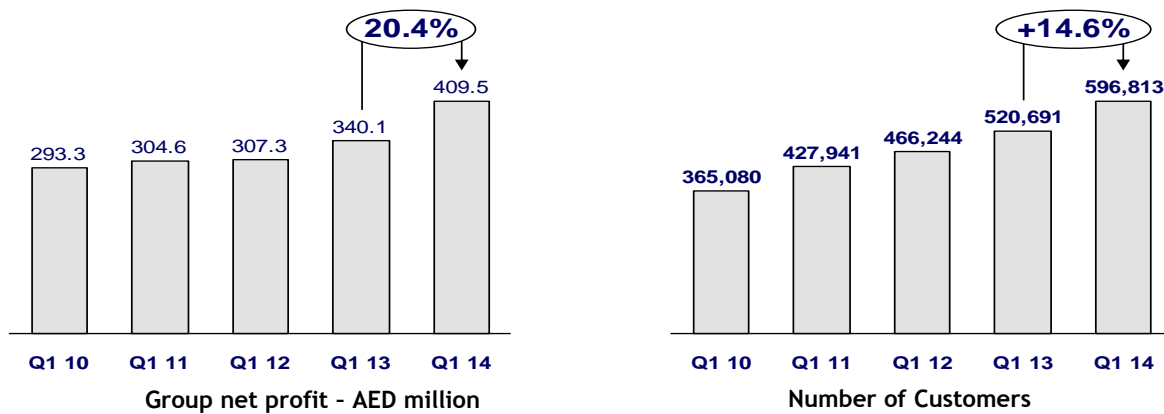
| Income statement | Q1 2012 | Q1 2013 | Q1 2014 | 3 YR (CAGR) |
|---|----------------|----------------|----------------|------------------------|
| Net revenue | 870.8 | 919.0 | 1,073.0 | 9.9% |
| Operating profit (margin) | 493.4 | 525.6 | 625.9 | 10.5% |
| Credit provisions and impairment charge | 186.1 | 185.5 | 216.4 | 10.7% |
| Net profit | 307.3 | 340.1 | 409.5 | 10.4% |
| Total credit provisions to gross financing assets ratio | 6.00% | 5.56% | 5.13% | |
| Cost to income ratio | 43.3% | 42.8% | 41.7% | |

| Network - UAE | Q1 2012 | Q1 2013 | Q1 2014 | 3 YR (CAGR) |
|----------------------|----------------|----------------|----------------|------------------------|
| Total customers | 466,244 | 520,691 | 596,813 | 11.7% |
| Branches | 71 | 76 | 79 | 6.2% |
| ATMs | 488 | 570 | 602 | 22.9% |

Abu Dhabi, UAE - 21 April 2014: The Abu Dhabi Islamic Bank (ADIB) Group posted a 20.4% increase in net profit to AED 409.5 million for Q1 2014. The record financial performance was once again underpinned by the main banking business, with customer financing growth of 18.1% and deposit growth of 21.4% vs. Q1 2013. The focus of ADIB's strategy remains on delivering an award-winning customer experience across all segments with an emphasis on service, innovation, convenience and mutually beneficial relationships. This customer centric strategy is reinforced by robust enterprise risk management and best practice controls across the Group, which has seen ADIB continue its conservative approach to growing its customer financing while simultaneously managing its legacy non-performing credit and real estate exposures. As a result, total non-performing accounts as a percentage of gross customer financing decreased to 7.6% vs. 9.6% at 31 March 2013 while total credit provisions increased by 72.7% to AED 208.9 million and impairments on the Group's real estate portfolio, held by Burooj Properties, decreased by 88.3% to AED 3.3 million.

The business highlights for Q1 2014 were:

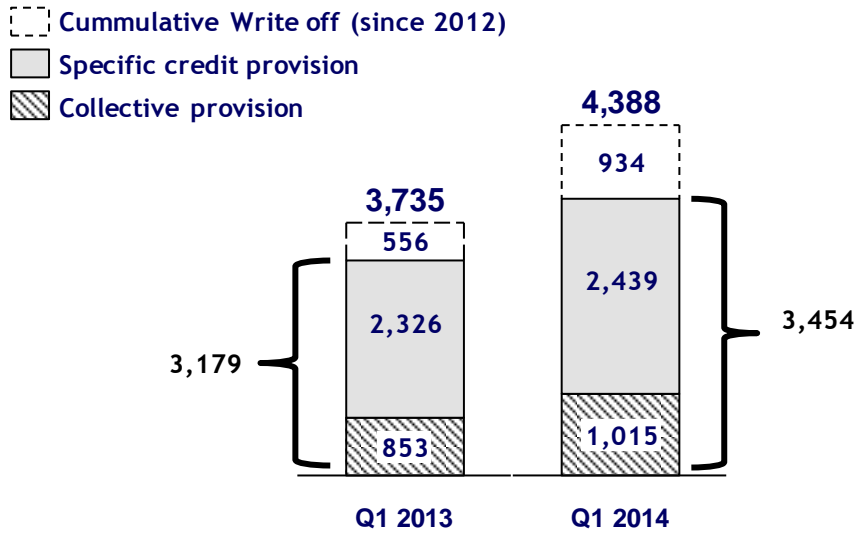
- The expansion into new customer segments, including long-term expatriates and emerging commercial entities, while remaining loyal to the core UAE National customer base and large corporates, saw the number of active customers served by ADIB increase by 3.3% in Q1 2014 to 596,813, a 14.6% increase year-on-year.
- The Bank maintaining its position as one of the largest retail banking networks in the country with 79 retail branches, 602 ATMs and the top rated internet banking platform in the UAE at the end of Q1 2014.
- A strong performance in the Retail, Private, Community and Wholesale Banking businesses saw ADIB's net customer financing assets increase by 3.4% vs. 31 December 2013, an 18.1% increase during last 12 months.
- Customer deposits grew by 21.4% to AED 77.0 billion from AED 63.4 billion at the end of 31 March 2013, and an increase of 1.9% over the AED 75.5 billion at 31 December 2013 as the Bank continued to lower its cost of funding while maintaining its best in market liquidity ratios.
- ADIB Securities increased net profit for Q1 2014 by 481.5% to AED 20.4 million vs. net profit of AED 3.5 million for Q1 2013, as it further consolidated its position as the leading retail stockbroker in the UAE.
- Maintaining a conservative policy of non-performing asset recognition and remedial management, including taking an additional AED 208.9 million in total credit provisions, to ensure a healthy pre-collateral non-performing asset coverage ratio of 87.0% of the impaired portfolio, net of write-offs.
- The launch of the Group's foreign exchange brokerage joint venture, Arablink, as ADIB seeks to expand its financial services capabilities to cover remittances and related services to individuals and businesses.



Risk management

ADIB continued its well-established, best-practice approach to managing its non-performing portfolio. As a result, total non-performing accounts as a percentage of gross customer financing decreased to 7.6% vs. 8.3% at 31 December 2013 (9.6% at 31 March 2013). The Bank also took an additional AED 118.3 million in specific provisions and AED 90.6 million in collective provisions in Q1 2014, thereby increasing net credit provisions to AED 3,454 million, net of write-offs. Total net credit provisions now represent a pre-collateral non-performing coverage ratio of 67.6% of the total non-performing portfolio and 87.0% of the impaired portfolio. The Bank's collective provisions, which track the net growth in customer financing, represent 1.62% of total customer risk weighted assets and remain ahead of the Central Bank's minimum requirement of 1.5% as the Bank builds a prudent buffer in anticipation of the launch of the new credit bureau in the UAE. Furthermore, the Bank's Credit Risk Reserve of AED 400 million, which was established in Q4 2012 as part of a preemptive adoption of the emerging global best practice standards of expected loss coverage and establishment of capital buffers, remains unutilized.

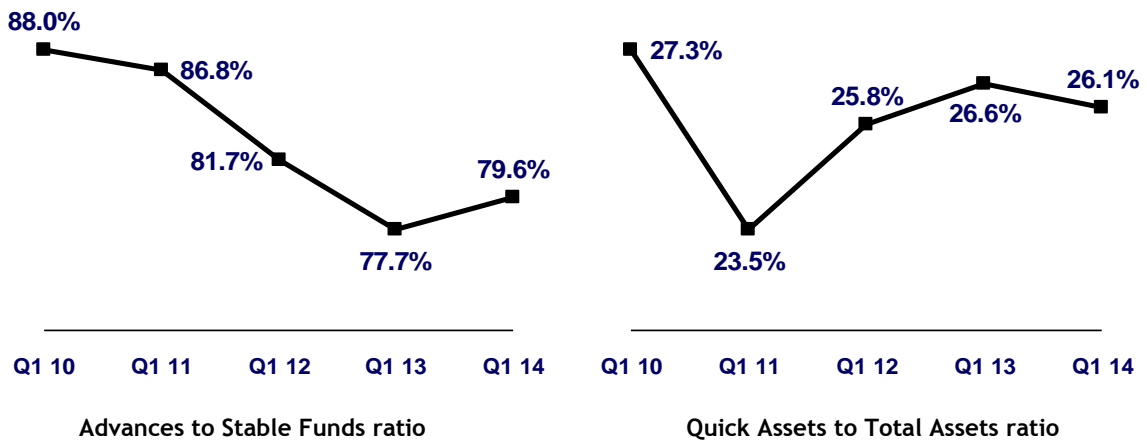
In addition to the credit portfolio, a further AED 3.3 million impairment was taken against the real estate subsidiary's legacy development portfolio, bringing total impairments related to this business to AED 728.4 million over the past four years.

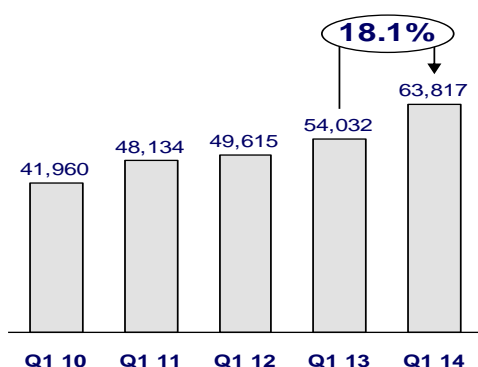


Total Gross Credit Provisions - AED million

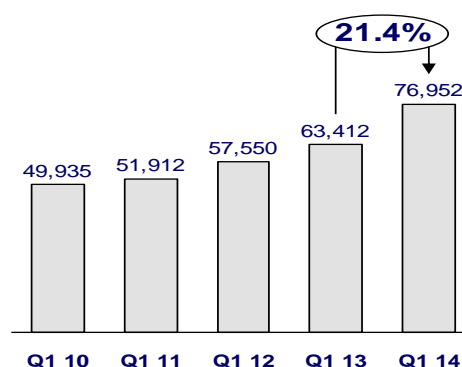
Asset and Liability Management

ADIB maintained its position as one of the most liquid banks in the UAE while simultaneously continuing to manage its cost of funding. Customer deposits increased by 21.4% year-on-year and stood at AED 77.0 billion at the end of Q1 2014 with Central Bank placements at AED 12.8 billion and the net interbank position at AED 0.9 billion. Simultaneously, net customer financing assets grew by 18.1% vs. Q1 2013 to reach a new high of AED 63.8 billion (AED 61.7 billion as at 31 December 2013) and as a result ADIB ended the quarter with a customer financing to deposits ratio of 82.9% and advances to stable funds ratio of 79.6%, which is significantly better than the regulatory threshold of 100%. Furthermore, it is noteworthy that ADIB's quick asset to total asset ratio was 26.1% at the end of Q1 2014.





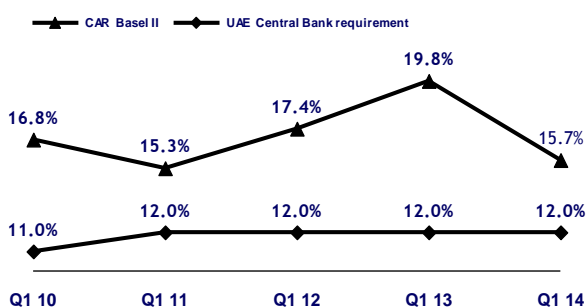
Net Customer Financing Growth - AED million



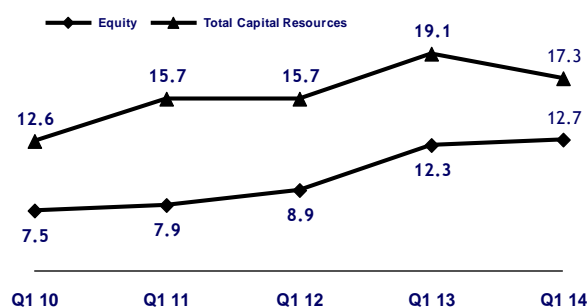
Customer Deposit Growth - AED million

Capital strength

Following the Bank’s capital actions in Q4 2012 and Q2 2013, and notwithstanding the 18.1% growth in net customer financing since Q1 2013 and the increase in total assets to AED 103.8 billion, ADIB's capital ratios continue to be well above both global averages and the Central Bank of the UAE’s prescribed minimums of 12% for capital adequacy and 8% for Tier 1. Equity and Capital Resources were AED 17.3 billion at the end of Q1 2014, a decrease of 9.6% year-on-year primarily due to the repayment of AED 2.2 billion in Tier 2 capital in Q2 2013, with the capital adequacy ratio under Basel II principles at 15.71% and the Basel II Tier 1 capital ratio at 15.29%.



Capital Adequacy Ratio - %



Equity & Total Capital Resources - AED billion

Cost management

ADIB has continued to invest strategically across an increasing number of customer segments in the UAE and has expanded its range of aligned financial services operations both in the UAE and in new markets. During the past 12 months, investments were made in: distribution (increasing the number of branches to 79 in the UAE); alternative channels (a 5.6% increase in ATMs to 602 and further enhancement of the Bank’s award-winning internet banking and securities trading platforms); launching a new foreign exchange broking joint venture; and in building its regional and international capabilities in all seven countries in which ADIB is present. Behind this investment is a clear strategy to ensure that ADIB continues to consolidate its position as one of the top banks in the UAE while working towards the Group’s vision of becoming a top-tier regional bank offering Islamic financial solutions for everyone. Despite this focus on growth, a concurrent emphasis on efficiency saw the Group’s cost to income ratio decrease to 41.7% at the end of Q1 2014 vs. 42.8% at the end of Q1 2013.

Human resources

The continuation of ADIB's domestic and international expansion strategy along with an increasing number of client segments served and expanding range of products and solutions, has seen the Bank's headcount increase to 1,965. Notwithstanding this, ADIB remains one of the leading banks in advocating Emiratisation, employing 928 UAE Nationals at the end of Q1 2014 with a resultant Emiratisation ratio for its UAE operations of 47.2%.

Management comment

On behalf of the Board of Directors and the management team Tirad Al Mahmoud, CEO of ADIB, said: "ADIB's vision of becoming a top-tier regional bank remains firmly on track with market leadership across an increasing range of segments in the UAE and expanding presence in the other six countries in which we operate. The continued success of ADIB's strategy, and our ability to implement it, is clear and the Group has delivered a 20.4% year-on-year increase in net profit to AED 409.5 million for Q1 2014 on the back of an 18.1% increase in customer financing assets and 21.4% growth in customer deposits over the past year.

"It is also noteworthy that the record quarterly performance reflects the sustainable strength of our core banking business in that it did not rely on reducing provisioning and impairment levels as we continued our conservative approach in managing our legacy remedial portfolio. In this regard we added a further AED 216.4 million in total credit provisions and impairments during Q1 2014 taking the total credit provisions and impairments taken by the Group, including write-offs, since 2008 to AED 5,278.0 million. It should also be noted that we have further increased our collective provisions above the Central Bank minimum guidelines of 1.5% by building a prudent buffer in anticipation of the launch of the new credit bureau in the UAE.

"We were also pleased to have signed an agreement, subject to Central Bank of the UAE approval, to acquire the retail banking business of Barclays Bank in UAE. It is anticipated that the transaction will result in 110,000 customers joining ADIB and thereby take our total active affluent base to over 700,000. Our selection as the successful party in a competitive process reinforces ADIB's stature and one of the leading retail banking operations in the UAE and this transaction is a perfect fit for our strategy as we expand into the expatriate market segment without disrupting our existing customer base. ADIB and Barclays will work together to ensure a seamless transition for customers, who will have full access to all ADIBs products and services in addition to enhanced versions of their existing products, which will be reinforced by ADIB's intention to offer employment to all Barclays' retail employees who will operate out of their existing branches.

Other ADIB Group companies

Securities

"Our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 20.4 million in Q1 2014, up 481.5% from the previous year, as the UAE equity markets continued to be buoyed by improved company

earnings and the UAE's forthcoming upgrade to the MSCI Emerging Markets Index. We have further enhanced the trading platform and related internet and mobile customer order and market information channels.

Real Estate

With regard to Burooj Properties, the Group's real estate subsidiary: "Our systematic approach to bringing Burooj's legacy portfolios to account has now moved into its next phase. Q1 2014 saw impairments on this portfolio down 88.3% to AED 3.3 million and we believe that, barring any further shocks to the real estate market we can now focus our attention on enhancing its future prospects. In this regard, the next step will be to consolidate the Group's real estate investment property portfolio into a fund based structure.

Outlook for 2014

Providing further guidance on the Bank's direction for 2014: "We remain positive about the UAE economy as well as the economies of the other countries in which we operate. ADIB is well positioned to continue its successful growth path both at home and across the broader MENA region. Notwithstanding our positive outlook we have not forgotten the lessons of the economic downturn and are closely monitoring the UAE real estate market as well as levels of consumer debt and the pending establishment of the new credit bureau. We therefore remain equally focused on building a sustainable business while continuing our problem credit recognition, provisioning and remedial management processes."

Gratitude

The Board of Directors, executive management and members of ADIB 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 Mohammed 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.



Tirad Al Mahmoud
Chief Executive Officer

Financial summaries

ADIB Group Financial summary - 3 months summary

| Financials | Q1 2012 | Q1 2013 | Q1 2014 | Chg Q1 13 vs. Q1 12 | Chg Q1 14 vs. Q1 13 |
|-------------------------------------|--------------|--------------|----------------|------------------------|------------------------|
| | AED Mn | AED Mn | AED Mn | % | % |
| Net Revenue from Funding | 722.6 | 725.7 | 797.7 | 0.4% | 9.9% |
| Investment income | 27.2 | 53.1 | 79.4 | 95.2% | 49.5% |
| Fees & Commissions | 108.8 | 151.8 | 177.0 | 39.5% | 16.6% |
| FX | 12.0 | (11.8) | 18.6 | -198.5% | 257.3% |
| Other | 0.2 | 0.2 | 0.4 | 11.4% | 123.1% |
| Total Revenues | 870.8 | 919.0 | 1,073.0 | 5.5% | 16.8% |
| Operating profit (margin) | 493.4 | 525.6 | 625.9 | 6.5% | 19.1% |
| Credit Provisions and Impairment | 186.1 | 185.5 | 216.4 | -0.3% | 16.7% |
| Net Profit | 307.3 | 340.1 | 409.5 | 10.7% | 20.4% |
| Total Assets in AED (Billion) | 76.5 | 89.2 | 103.8 | 16.6% | 16.4% |
| Customer Financing in AED (Billion) | 49.6 | 54.0 | 63.8 | 8.9% | 18.1% |
| Customer Deposits in AED (Billion) | 57.6 | 63.4 | 77.0 | 10.2% | 21.4% |

-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. Mohammed Bin Rashid Al Maktoum Business Award for 2013.
2. Best Overall Bank in the UAE in customer service for 3 consecutive years by Ethos Consultancy.
3. Best website in the UAE for 2013 by Ethos Consultancy.
4. Best Supporting Bank for SME by the Mohammed Bin Rashid Al Maktoum Award for Young Leaders.
5. Best overall Islamic retail Bank globally by Global finance magazine.
6. Best overall Islamic bank by Islamic Finance News
7. Best Islamic Bank in the UAE for 3 consecutive years by Islamic Finance News.
8. Best Islamic bank in the Middle east by Banker Financial Times.
9. Best Islamic bank in the Middle east by Euromoney
10. Best Islamic bank in the UAE for 2nd consecutive year by Euromoney
11. Best Islamic Bank in the UAE for 4 consecutive years by Global Finance.
12. Best Islamic Bank in the UAE by EMEA Finance magazine for 2012 & 2013.
13. Best brokerage firm in the UAE by Global Investor magazine for 2013.
14. Best Sukuk Deal for 2013 by Euromoney.
15. Best commercial bank for 2013 by Islamic Banking and Finance Magazine.
16. Best Co-branded Card in Middle East by Cards and Payments Middle East
17. Best Corporate deal of the year by Islamic Finance News
18. Best Mudarabah Deal of the year by Islamic Finance News
19. Best Syndicated deal of the year by Islamic Finance News
20. Best UAE deal of the year by Islamic Finance News
21. CSR label from Dubai Chamber of Commerce.
22. Excellence in Islamic Banking for 2013 by International Alternative Investment Review.
23. Best Overall Islamic Bank by International Financial Law Review Magazine.
24. Best Islamic bank in the UAE by Asiamoney Awards.
25. Best Islamic bank in the Middle East by Asiamoney Awards.

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