

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 30 SEPTEMBER 2014

Abu Dhabi Islamic Bank net profit for Q3 2014 increases

20.5% to AED 476.8 million

Customer financing assets increased 21.7% year-on-year to AED 71.6 billion

Group Financial Highlights

Income Statement: Q3 2014 vs. Q3 2013 and Q2 2014

- Group net profit for Q3 2014 increased by 20.5% to AED 476.8 million vs. AED 395.5 million in Q3 2013 (and increased by 4.8% vs. AED 454.8 million for Q2 2014).
- Group net revenues for Q3 2014 increased by 15.2% to AED 1,170.8 million vs. AED 1,015.9 million in Q3 2013 (and increased by 8.1% vs. AED 1,082.9 million in Q2 2014).
- Credit provisions and impairments for Q3 2014 decreased by 3.5% to AED 186.8 million vs. AED 193.5 million for Q3 2013 (and increased by 6.2% vs. AED 175.8 million for Q2 2014).

Income Statement: 9 months 2014 vs. 9 months 2013

- Group net profit for first nine months 2014 increased by 21.1% to AED 1,341.1 million vs. AED 1,107.0 million in the first nine months 2013.
- Group net revenues for first nine months 2014 increased by 15.3% to AED 3,326.8 million vs. AED 2,885.5 million in the first nine months 2013.
- Credit provisions and impairments for first nine months 2014 increased by 3.6% to AED 579.1 million vs. AED 558.9 million for first nine months 2013.

Balance Sheet: 30 September 2014 vs. 30 September 2013 and 31 December 2013

- Total assets as of 30 September 2014 were AED 109.0 billion, representing an increase of 12.2% from AED 97.1 billion at the end of 30 September 2013 (and an increase of 5.6% over the AED 103.2 billion at 31 December 2013).
- Net customer financing grew 21.7% to AED 71.6 billion, from AED 58.9 billion at the end of 30 September 2013 (and an increase of 16.0% over the AED 61.7 billion at 31 December 2013).
- Customer deposits grew 18.2% to AED 82.9 billion, from AED 70.2 billion at the end of 30 September 2013 (and an increase of 9.8% over the AED 75.5 billion at 31 December 2013).

Capital adequacy and liquidity: 30 September 2014 vs. 30 September 2013 and 31 December 2013

- The capital adequacy ratio under Basel II at 30 September 2014, after adjusting for the new regulatory treatment of risk-weighted assets by Central Bank of the UAE, remains strong at 14.34% vs. 17.12% recorded at 30 September 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 86.6% at 30 September 2014, vs. 79.0% at 30 September 2013 (77.9% at 31 December 2013) and a customer financing to deposits ratio at 30 September 2014 at 86.4% vs. 83.9% at 30 September 2013 (81.8% at 31 December 2013).

Group Financial highlights - Four-year performance

As at 30 September

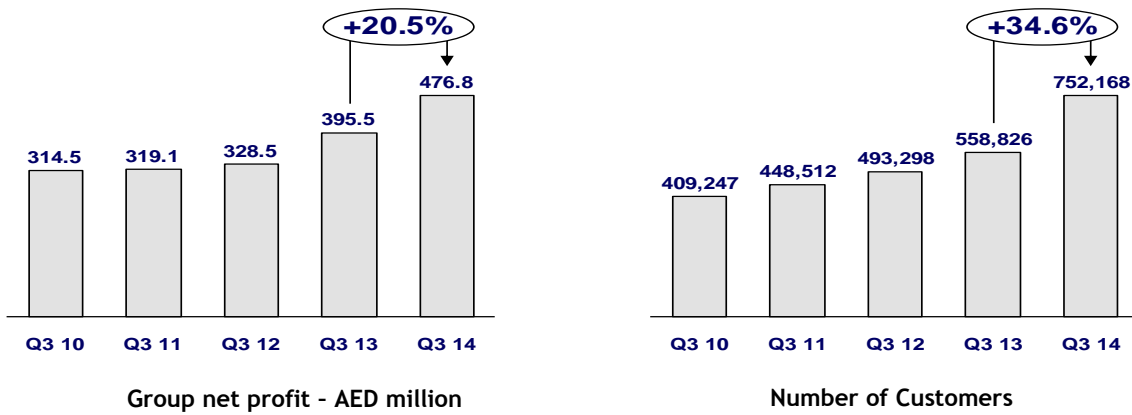
All figures are in AED millions

Balance sheet	Q3 2011	Q3 2012	Q3 2013	Q3 2014	3 YR (CAGR)
Total assets	74,163	81,540	97,150	108,962	13.7%
Gross customer financing	51,171	54,166	62,256	74,909	13.5%
Customer deposits	54,398	61,188	70,165	82,936	15.1%
Total equity	8,465	8,999	12,942	13,439	16.6%
Capital adequacy ratio - Basel II	16.3%	16.9%	17.1%	14.3%	
Tier 1 ratio - Basel II	13.4%	13.7%	16.7%	13.9%	
Customer financing to deposit ratio	89.1%	83.1%	83.9%	86.4%	
Income statement	Q3 2011	Q3 2012	Q3 2013	Q3 2014	3 YR (CAGR)
Net revenue	824.6	924.1	1,015.9	1,170.8	12.4%
Operating profit (margin)	469.9	530.6	589.1	663.6	12.2%
Credit provisions and impairment charge	150.8	202.1	193.5	186.8	7.4%
Net profit	319.1	328.5	395.5	476.8	14.3%
Total non-performing accounts to gross financing assets ratio	13.9%	10.6%	8.9%	6.2%	
Cost to income ratio	43.0%	42.6%	42.0%	43.3%	
Network - UAE	Q3 2011	Q3 2012	Q3 2013	Q3 2014	3 YR (CAGR)
Total customers	448,512	493,298	558,826	752,168	18.8%
Branches	66	73	77	85	8.8%
ATMs	417	522	579	656	16.3%

Abu Dhabi, UAE - 03 November 2014: The Abu Dhabi Islamic Bank (ADIB) Group posted a 20.5% increase in net profit to AED 476.8 million for Q3 2014. The financial performance, which included the cost of acquiring Barclay's UAE retail banking business, was underpinned by the main banking business in the UAE, with the Group's net customer financing assets growing 21.7% in Q3 2014 vs. Q3 2013 to AED 71.6 billion. The focus of ADIB's customer centric strategy remains on delivering an award-winning experience to over 750,000 clients across all major segments through an expansive branch network and market leading digital channels. This has seen ADIB increase its deposits by 18.2% to AED 82.9 billion and its total assets by 12.2% to AED 109.0 billion while simultaneously managing its cost of credit and impairments. As a result, total non-performing accounts as a percentage of gross customer financing decreased to 6.2% vs. 8.9% at 30 September 2013 while total credit provisions and impairments decreased by 3.5% to AED 186.8 million during Q3 2014.

The business highlights for Q3 2014 were:

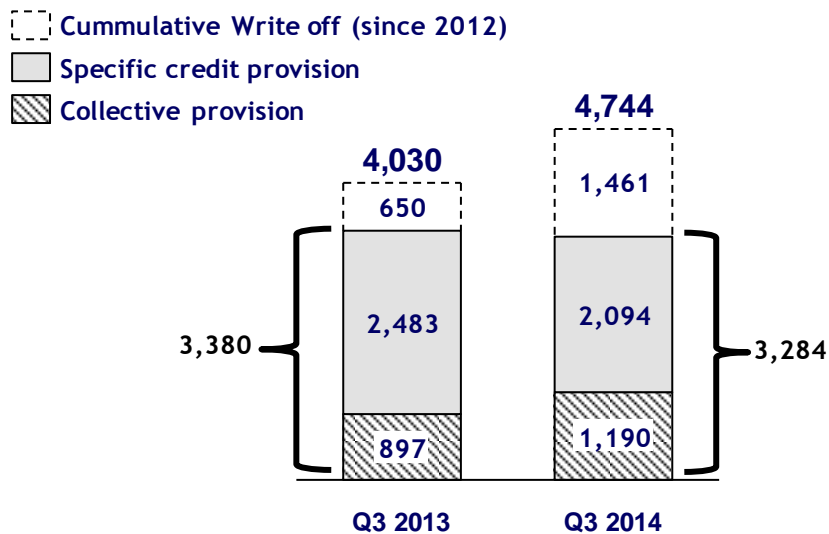
- The completion of ADIB's acquisition of the retail business of Barclays Bank in the UAE and the initiation of the seamless customer, staff and business transfer process;
- The continued expansion into new customer segments, including further penetration of the expatriate segment through the Barclays retail acquisition while remaining loyal to the core UAE National customer base and community, corporate and commercial clients, saw the number of active customers served by ADIB increase by 21.7% quarter-on-quarter to 752,168 (including transfer of 110,672 from Barclays). This represented a 34.6% increase year-on-year.
- The Bank further enhanced its position as one of the top three Retail Banking networks in the UAE with 85 branches (including transfer of 2 from Barclays), 656 ATMs (including transfer of 29 from Barclays) and the leading mobile and internet banking platforms at the end of Q3 2014.
- A strong performance across all banking related businesses units, particularly Wholesale Banking in Q3 2014, saw ADIB's net customer financing assets increase by 16.0% vs. 31 December 2013, a 21.7% increase during last 12 months.
- Customer deposits grew to AED 82.9 billion, an increase of 18.2% from AED 70.2 billion at the end of 30 September 2013, and 9.8% over the AED 75.5 billion at 31 December 2013, as the Bank maintained its best in market liquidity ratios.
- Priority and Private Banking increased Assets under Management by 253% to AED 4.2 billion vs. AED 1.2 billion at the end of Q3 2013.
- Fee income for the first 9 months of 2014 increased by 19.1% vs. the same period in 2013 as the Corporate Finance and Investment Banking, Transaction Services and Treasury units along with Retail and Private Banking expanded their range of services to clients.
- ADIB Securities increased net profit for Q3 2014 by 91.4% to AED 17.6 million vs. AED 9.2 million for Q3 2013, as it continued to build its position as the leading retail stockbroker in the UAE.
- Maintaining the conservative policy of non-performing asset recognition and remedial management, including taking an additional AED 186.8 million in total credit provisions, to ensure a healthy pre-collateral non-performing asset coverage ratio of 91.9% of the impaired portfolio, net of write-offs.



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 assets decreased to 6.2% vs. 8.3% at 31 December 2013 (8.9% at 30 September 2013).

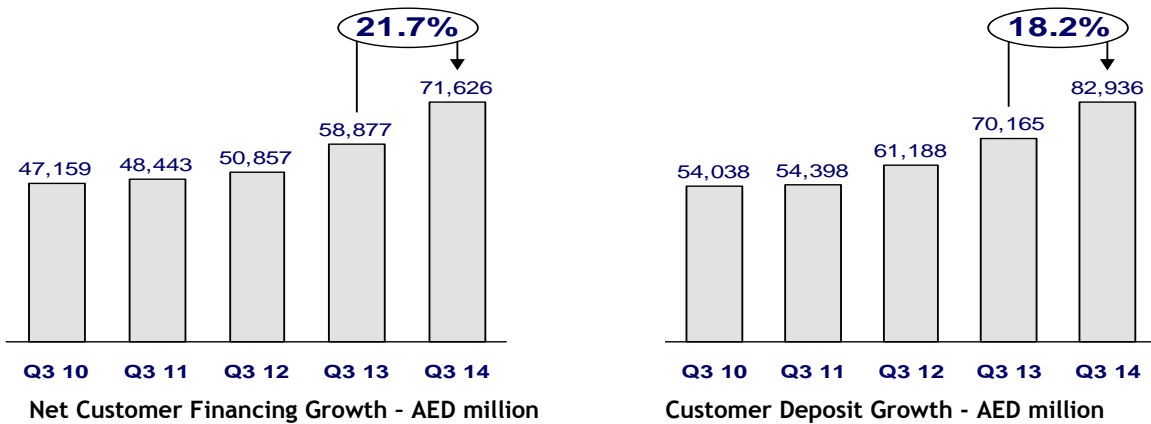
The Bank's collective provisions have been increased by an additional AED 62.8 million to 1.73% of total customer risk weighted assets as the Bank incorporated the Barclay's UAE retail assets for the first time while simultaneously increasing its buffer over the 1.5% Central Bank prescribed ratio as a prudent measure linked to the launch of the new credit bureau in the UAE. Furthermore, the Bank took AED 123.6 million in additional specific credit provisions which, when combined with the decline in total non-performing accounts, means that the combined collective and specific provisions now represent a pre-collateral non-performing coverage ratio of 91.9% of which specific credit provisions represent 58.6%.



Total Gross Credit Provisions - AED million

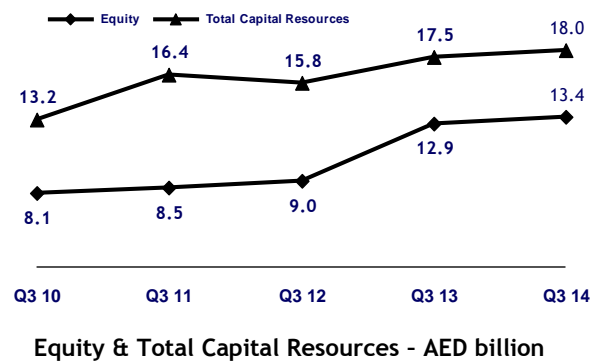
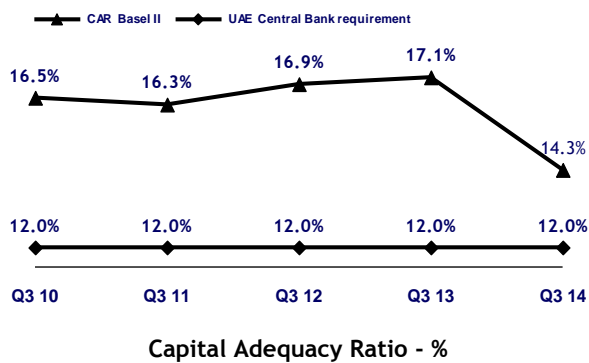
Asset and Liability Management

ADIB, as an early adopter of Basel III liquidity measures, 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 18.2% year-on-year and stood at AED 82.9 billion at the end of Q3 2014, with Central Bank placements at AED 7.8 billion and the net interbank position at AED 1.0 billion. At the same time, net customer financing assets grew by 21.7% vs. Q3 2013 to reach a new high of AED 71.6 billion (an increase of 10.4% over AED 64.9 billion as at 30 June 2014) and, as a result, ADIB ended the quarter with a customer financing to deposits ratio of 86.4% and advances to stable funds ratio of 86.6%, which is significantly better than the regulatory threshold of 100%.



Capital strength

Given the 21.7% growth in net customer financing assets since Q3 2013 and the increase in total assets to AED 109.0 billion, along with both the acquisition of the Barclay’s UAE retail business (a once off capital impact of approximately 0.8%) and the introduction of regulatory changes to the treatment of risk-weighted assets by the Central Bank of the UAE, ADIB’s capital adequacy ratio under Basel II principles declined to 14.34% and the Basel II Tier 1 capital ratio to 13.85%. However, notwithstanding the above market business growth and regulatory changes, 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. Furthermore, Equity and Capital Resources were AED 18.0 billion at the end of Q3 2014, an increase of 2.8% year-on-year.



Cost management

ADIB has continued its efficient and effective cost management practices while simultaneously investing strategically across an increasing number of customer segments in the UAE and expanding its operations in new markets. Aside from the costs associated with the Barclay’s retail acquisition, which was completed in Q3 2014, the primary areas of focus in the past 12 months included: distribution (increasing the number of branches by 8 to 85 in the UAE); alternative channels (a 13.3% increase in ATMs to 656); rolling-out the Arablink foreign exchange broking joint venture in the UAE (5 branches now opened); launching a new merchant-acquiring joint venture, ADIMAC; and in building its regional and international capabilities as appropriate in the 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-performing bank across four unique regions by offering Islamic financial solutions for everyone. Despite the continued emphasis on growth, the concurrent focus on efficiency saw the Group’s cost to income ratio for the first nine months of 2014 remain flat at 42.3% vs. same period in 2013.

Human resources

ADIB’s continued expansion strategy, including servicing an increasing number of client segments through a broader range of products and solutions, has seen the Bank’s headcount in the UAE increase to 2,059. Notwithstanding this, ADIB is 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 872 Nationals in the UAE.

Management comment

On behalf of the Board of Directors and the management team, Tirad Al Mahmoud, CEO of ADIB, said: “This quarter saw ADIB welcome our 750,000th client as we completed the acquisition of Barclay’s UAE retail banking business and turned our focus to the seamless transfer of the clients onto the award winning ADIB platforms. Furthermore, all customer facing units: Retail Banking; Private Banking; Community Banking; and Wholesale Banking, continued to grow market share and as a consequence we have seen ADIB’s customer financing assets increase 21.7% year-on-year to AED 71.6 billion backed by an 18.2% increase in customer deposits to AED 82.9 billion over the same period. As a result of the continued

success of ADIB's strategy, and our ability to implement it while keeping margins at a competitive level, the Group has delivered a 20.5% year-on-year increase in net profit to AED 476.8 million for Q3 2014.

“Furthermore, it is pleasing to note that, notwithstanding the continued improvement in resolving our legacy non-performing asset portfolio, where total non-performing assets as a percentage of gross customer financing decreased to 6.2%, that the record quarterly performance did not rely on reducing provisioning and impairment levels. In fact the sustained strength of our core banking businesses enabled ADIB to add a further AED 186.8 million in total credit provisions during Q3 2014 and now represent a pre-collateral non-performing coverage ratio of 91.9% of the impaired portfolio. Total credit provisions and impairments taken by the Group, including write-offs, since 2008 now stand at AED 5.64 billion and we are determined to continue our remedial efforts backed by a conservative approach to both problem account recognition and appropriate levels of provisioning until our non-performing asset ratio is best in market.

“We are also well aware that the quarter-on-quarter growth in net customer financing assets by 10.4%, and the follow-through increase in total assets to AED 109.0 billion at the end of Q3 2014, has resulted in ADIB's capital adequacy ratio declining to 14.34%. ADIB has always been at the forefront of banks in the UAE when it comes to capital management, having issued the first hybrid Tier 1 instrument in the region, and notwithstanding the fact that the Central Bank has not yet issued its capital guidelines in regard to Basel III we fully expect to be able to support our continued growth in the most effective and efficient manner while maintaining all our capital ratios well above the levels expected by regulators, rating agencies and investors”.

Other ADIB Group companies

Securities

“Despite the recent volatility in the UAE equity markets, our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 17.6 million in Q3 2014, up 91.4% from the previous year. We further enhanced our digital portals, which now account for almost 50% of our volumes, by launching our new mobile customer order and market information channel and will continue to invest in the business as an important component of our Priority and Private Banking proposition”.

Real Estate

With regard to Burooj Properties, the Group's real estate subsidiary: “Our systematic approach to repositioning Burooj is ongoing, as are the negotiations with some of our partners in regard to restructuring its legacy commitments. Q3 2014 saw no further impairments on the land portfolio and we are now focused on enhancing Burooj's future prospects. In this regard, the goal is to complete the sale of Burooj's last trading assets by year-end and, subject to regulatory approval, consolidate the Group's real estate investment property portfolio into a fund-based structure.”

In respect to the Group's property management subsidiary, MPM: "Our twin focus remains on bringing MPM's customer service levels up to the same standards at the Bank while simultaneously building MPM's new business model as an integrated real estate services company. Today, MPM manages over 22,000 units in the UAE and is successfully expanding its business by offering a mix of property management, valuations, sales and leasing agency and related services nationwide. We continue to expect MPM to complete its repositioning by year-end and make a positive contribution in 2015."

Outlook for 2014

Providing further guidance on the Bank's outlook for the remainder of 2014: "Our core business remains our UAE banking activities, where we continue to build a diversified financial services proposition and deploy the majority of ADIB's capital. Notwithstanding the return of volatility in global financial markets and the ongoing economic concerns in multiple markets, and the resultant impact on energy and related prices, we remain positive about the UAE's economic outlook and will continue to invest in growing our market share in an increasing number of segments by delivering an award winning customer experience in the most convenient manner, be it through our people or our digital channels. In this regard, we look forward to completing the seamless integration of the Barclays UAE retail customers into their new home as well as the continued performance of our existing segments, including our core UAE National customer base.

"Notwithstanding our positive outlook for the rest of the year, we will continue with our remedial efforts in regard to our legacy credit portfolio. As previously stated, we do not believe that the impact of the recent financial crises on the UAE credit cycle has concluded and until the remedial portfolio is dealt with in a manner that we consider sustainable, we will continue our problem credit recognition, provisioning and related recovery management processes. In this regard we are also focused on the impact of the launch of the new UAE credit bureau given that we believe that it will bring much welcomed clarity to the risk recognition of individual customers."

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 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.



Tirad Al Mahmoud
Chief Executive Officer

Financial summaries

ADIB Group Financial summary - 3 months and 9 months summary

Financials	Consolidated Group									
	Q3 2012	Q3 2013	Q3 2014	Chg Q3 13 vs. Q3 12	Chg Q3 14 vs. Q3 13	YTD 2012	YTD 2013	YTD 2014	Chg YTD 13 vs. YTD 12	Chg YTD 14 vs. YTD 13
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	721.5	769.8	921.8	6.7%	19.7%	2,168.4	2,251.3	2,560.4	3.8%	13.7%
Investment income	99.7	80.9	65.8	-18.8%	-18.7%	174.4	166.1	213.4	-4.7%	28.5%
Fees & Commissions	90.5	139.6	173.3	54.2%	24.1%	301.3	434.5	517.5	44.2%	19.1%
FX	11.7	24.5	10.8	110.1%	-55.7%	36.2	29.3	34.5	-19.0%	17.7%
Other	0.7	1.1	-0.9	52.9%	-174.7%	1.3	4.3	1.0	223.6%	-76.3%
Total Revenues	924.1	1,015.9	1,170.8	9.9%	15.2%	2,681.6	2,885.5	3,326.8	7.6%	15.3%
Operating profit (margin)	530.6	589.1	663.6	11.0%	12.7%	1,533.2	1,665.9	1,920.2	8.7%	15.3%
Credit Provisions and Impairment	202.1	193.5	186.8	-4.2%	-3.5%	574.7	558.9	579.1	-2.8%	3.6%
Net Profit	328.5	395.5	476.8	20.4%	20.5%	958.5	1,107.0	1,341.1	15.5%	21.1%
Total Assets in AED (Billion)	81.5	97.1	109.0	19.1%	12.2%	81.5	97.1	109.0	19.1%	12.2%
Customer Financing in AED (Billion)	50.9	58.9	71.6	15.8%	21.7%	50.9	58.9	71.6	15.8%	21.7%
Customer Deposits in AED (Billion)	61.2	70.2	82.9	14.7%	18.2%	61.2	70.2	82.8	14.7%	18.2%

-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.

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 UAE by Banker Financial Times.
10. Best Islamic bank in the Middle east by Euromoney.
11. Best Islamic bank in the UAE for 2nd consecutive year by Euromoney.
12. Best Islamic Bank in the UAE for 4 consecutive years by Global Finance.
13. Best Islamic Bank in the UAE by EMEA Finance magazine for 2012 & 2013.
14. Best brokerage firm in the UAE by Global Investor magazine for 2013.
15. Best Sukuk Deal for 2013 by Euromoney.
16. Best Sukuk Deal by Triple A Asset Asian Awards.
17. Best Bank Capital Sukuk by Triple A Asset Asian Awards.
18. Best Sukuk Deal in the UAE by Triple A Asset Asian Awards.
19. Islamic Deal of the Year by Triple A Asset Asian Awards.
20. Best commercial bank for 2013 by Islamic Banking and Finance Magazine.
21. Best Loyalty card in Asia , Middle East and Oceania by Freddie Awards.
22. Best Co-branded Card in Middle East by Cards and Payments Middle East
23. Best Corporate deal of the year by Islamic Finance News.
24. Best Mudarabah Deal of the year by Islamic Finance News.
25. Best Syndicated deal of the year by Islamic Finance News.
26. Best UAE deal of the year by Islamic Finance News.
27. CSR label from Dubai Chamber of Commerce.
28. Best Nationalization Initiative by MENA HR Excellence Awards.
29. Excellence in Islamic Banking for 2013 by International Alternative Investment Review.
30. Best Overall Islamic Bank by International Financial Law Review Magazine.
31. Best Islamic bank in the UAE by Asiamoney Awards.
32. Best Islamic bank in the Middle East by Asiamoney Awards.

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