

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 31 MARCH 2015

**Abu Dhabi Islamic Bank net profit for Q1 2015 increases
10.1% to AED 450.8 million**

Customer financing assets increased 13.3% year-on-year to AED 72.3 billion

Group Financial Highlights

Income Statement: Q1 2015 vs. Q1 2014

- Group net profit for Q1 2015 increased by 10.1% to AED 450.8 million vs. AED 409.5 million in Q1 2014 (and increased by 10.1% vs. AED 409.6 million Q4 2014).
- Group net revenues for Q1 2015 increased by 14.1% to AED 1,224.3 million vs. AED 1,073.0 million in Q1 2014 (and decreased by 2.5% vs AED 1,256.2 million for Q4 2014).
- Credit provisions and impairments for Q1 2015 decreased by 6.4% to AED 202.6 million vs. AED 216.4 million for Q1 2014 (and increased by 13.4% vs. AED 178.7 million for Q4 2014).

Balance Sheet: 31 March 2015 vs. 31 March 2014 and 31 December 2014

- Total assets as of 31 March 2015 were AED 114.1 billion, representing an increase of 9.8% from AED 103.8 billion at the end of 31 March 2014 (and an increase of 1.9% over the AED 111.9 billion at 31 December 2014).
- Net customer financing grew 13.3% to AED 72.3 billion, from AED 63.8 billion at the end of 31 March 2014 (and decreased by 0.9% from the AED 73.0 billion at 31 December 2014).
- Customer deposits grew 13.8% to AED 87.6 billion, from AED 77.0 billion at the end of 31 March 2014 (and an increase of 3.3% over the AED 84.8 billion at 31 December 2014).

Capital adequacy and liquidity: 31 March 2015 vs. 31 March 2014 and 31 December 2014

- The capital adequacy ratio under Basel II at 31 March 2015 was 14.74% vs. 15.71% recorded at 31 March 2014 (14.36% at 31 December 2014).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 82.2% at 31 March 2015, vs. 79.6% at 31 March 2014 (86.5% at 31 December 2014) and a customer financing to deposits ratio at 31 March 2015 at 82.6% vs. 82.9% at 31 March 2014 (86.1% at 31 December 2014).

Group Financial highlights - Four-year performance

As at 31 March

All figures are in AED millions

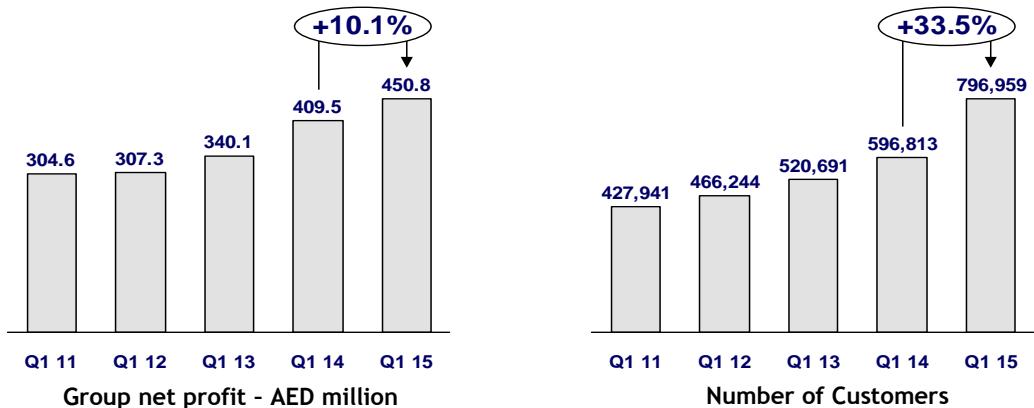
Balance sheet	Q1 2012	Q1 2013	Q1 2014	Q1 2015	3 YR (CAGR)
Total assets	76,513	89,177	103,840	114,061	14.2%
Gross customer financing	52,782	57,211	67,271	75,132	12.5%
Customer deposits	57,550	63,412	76,952	87,602	15.0%
Total equity	8,931	12,343	12,682	14,075	16.4%
Capital adequacy ratio - Basel II	17.4%	19.8%	15.7%	14.7%	
Tier 1 ratio - Basel II	13.6%	16.9%	15.3%	14.2%	
Customer financing to deposit ratio	86.2%	85.2%	82.9%	82.6%	
Income statement	Q1 2012	Q1 2013	Q1 2014	Q1 2015	3 YR (CAGR)
Net revenue	870.8	919.0	1,073.0	1,224.3	12.0%
Operating profit (margin)	493.4	525.6	625.9	653.4	9.8%
Credit provisions and impairment charge	186.1	185.5	216.4	202.6	2.9%
Net profit	307.3	340.1	409.5	450.8	13.6%
Total non-performing accounts to gross financing assets ratio	10.8%	9.6%	7.6%	4.2%	
Provision coverage ratio	55.6%	57.7%	67.6%	89.4%	
Cost to income ratio	43.3%	42.8%	41.7%	46.6%	
Network - UAE	Q1 2012	Q1 2013	Q1 2014	Q1 2015	3 YR (CAGR)
Total customers	466,244	520,691	596,813	796,959	19.6%
Branches	71	76	79	88	7.4%
ATMs	488	570	602	709	13.3%



Abu Dhabi, UAE - 03 May 2015: The Abu Dhabi Islamic Bank (ADIB) Group posted a 10.1% increase in net profit for Q1 2015 to AED 450.8 million while increasing total assets by 9.8% to AED 114.1 billion vs Q1 2014. The Group increased deposits by 13.8% to AED 87.6 billion while, despite a focus on building capital and a continued conservative approach to new credit extension, net customer financing assets grew 13.3% to AED 72.3 billion vs. 31 March 2014. The record first quarter financial performance was underpinned by: the continued strength of the main banking business across all customer segments in the UAE where ADIB now serves almost 800,000 active customers; as well as the continued improvement in overall asset quality levels where total non-performing accounts as a percentage of gross customer financing improved to 4.2% vs. 7.6% at 31 March 2014.

The business highlights for Q1 2015 were:

- A renewed focus on building capital levels, including a reduction in the dividend payout ratio and restricting new financing asset growth, laying the foundation for the next strategic growth cycle.
- The initiation of the 2020 strategic plan and related objectives for both the UAE business and the international franchises.
- The continued expansion into new customer segments, including the ongoing penetration of all major expatriate 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 33.5% year-on-year to 796,959.
- The reaffirmation of ADIB's strategic positioning as one of the top retail banks in the UAE with a network of 88 branches, 709 ATMs and the leading mobile and internet banking platforms.
- A clear focus on cost management saw the cost to income ratio decline significantly vs. Q4 2014 as the integration of the former Barclays UAE retail banking operation started to deliver both revenue and cost synergies.
- Fee income for Q1 2015 increasing by 25.7% vs. Q1 2014 as the Corporate Finance and Investment Banking, Transaction Services and Treasury units, along with Retail and Private Banking continued to cross-sell their range of services to clients.
- Maintaining a conservative policy of non-performing asset recognition and remedial management, including taking an additional AED 200.2 million in total credit provisions, to ensure a healthy pre-collateral non-performing coverage ratio of 89.4% of the total non-performing portfolio.

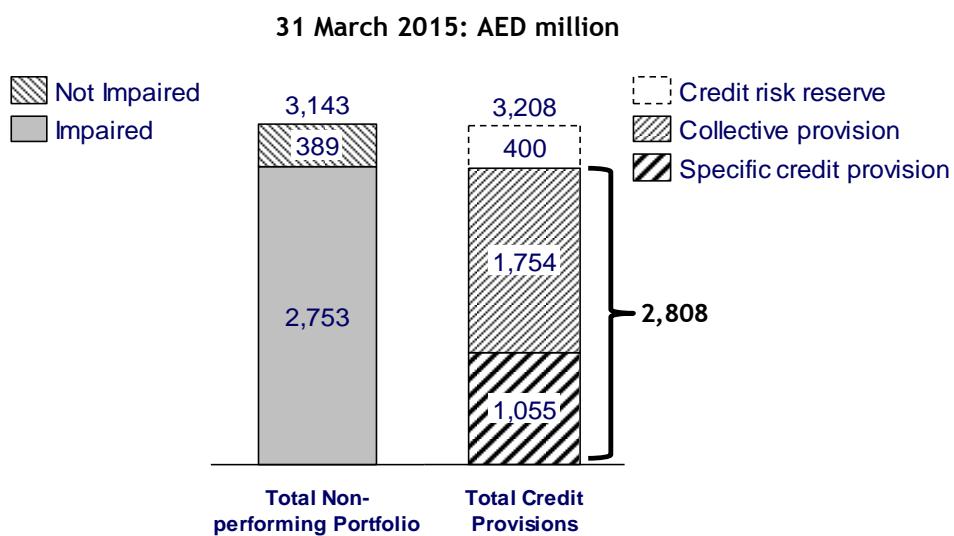


Risk management

ADIB continued its well-established best-practice approach in risk management by having dedicated teams manage its legacy non-performing portfolios. As a result total non-performing accounts decreased to AED 3,142.7 million, with the ratio of total non-performing assets to gross customer financing assets decreasing year-on-year to 4.2% vs. 7.6% at 31 March 2014 and the Bank remains on target to further reduce this ratio by the end of 2015.

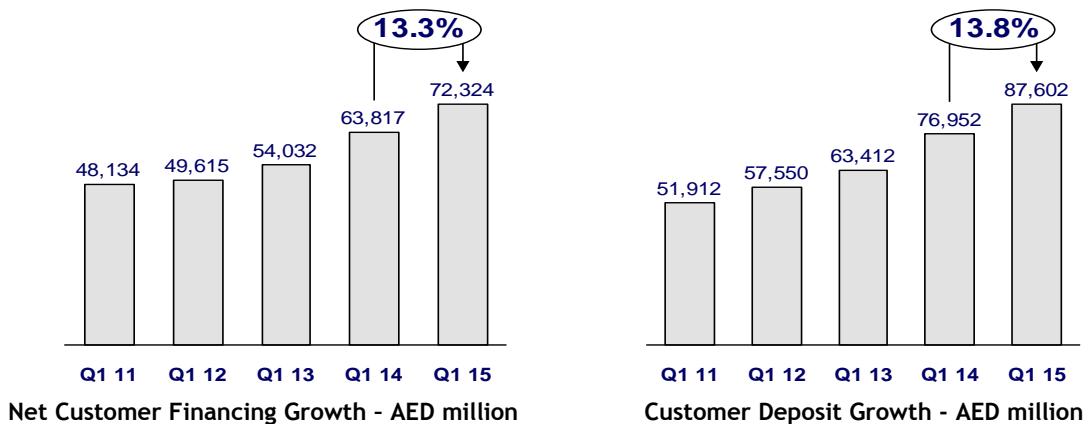
Notwithstanding the overall improvement in asset quality, the Bank also took an additional AED 122.3 million in specific provisions and AED 77.9 million in collective provisions in Q1 2015, thereby increasing net credit provisions to AED 2,808.3 million, net of write-offs. The specific and collective provisions, which exclude the AED 400 million credit risk reserve established in Q4 2012, now represent a pre-collateral coverage ratio of 89.4% of the total non-performing portfolio and 102.0% of the impaired portfolio.

The Bank's collective provisions, which are correlated to the net growth in customer financing and increasingly based on an expected loss norm approach, now represent a healthy 2.11% of total customer risk weighted assets.



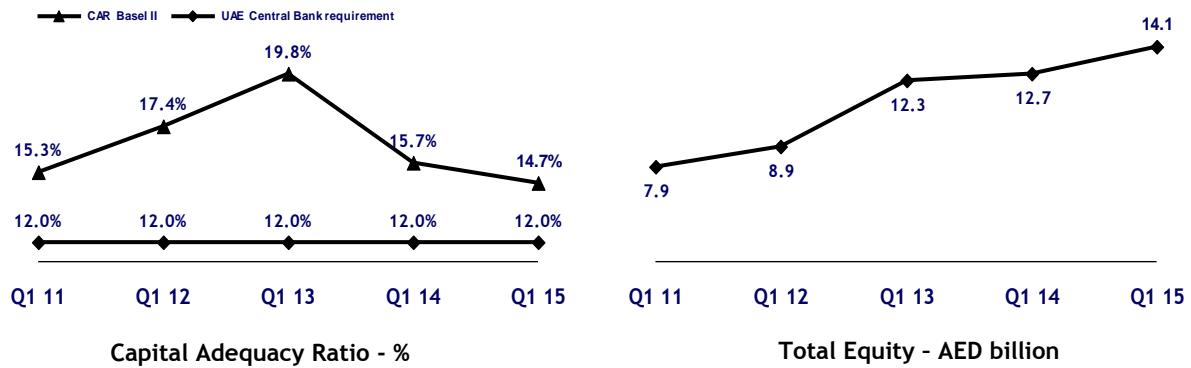
Asset and Liability Management

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 13.8% year-on-year and 3.3% in Q1 2015 and stood at AED 87.6 billion as at 31 March 2015, with Central Bank placements at AED 10.1 billion and the net interbank position at AED 1.6 billion. At the same time, a capital optimizing and disciplined return on shareholders' equity approach to asset growth saw customer financing assets decline by 0.9% since December 2014 to reach AED 72.3 billion - an increase of 13.3% vs. 31 March 2014. As a result, ADIB ended Q1 2015 with a customer financing to deposits ratio of 82.6% and an advances to stable funds ratio of 82.2%, which remains significantly better than the regulatory threshold of 100%.



Capital strength

Equity and Capital Resources were AED 18.7 billion as at 31 March 2015, an increase of 8.1% year-on-year. However, given the: 13.3% year-on-year growth in net customer financing assets; increase in total assets to AED 114.1 billion; acquisition of the Barclay's UAE Retail Banking business (a once off capital impact of approximately 0.8% in Q4 2014); and introduction by the Central Bank of the UAE of a change to the treatment of risk-weighted assets in mid-2014, ADIB's capital adequacy ratio under Basel II principles now stands at 14.74% with the Basel II Tier 1 capital ratio at 14.25%. Notwithstanding the fact that ADIB's capital ratios continue to be well above Central Bank of the UAE's prescribed minimums of 12% for capital adequacy and 8% for Tier 1, the Bank intends further enhancing its capital across all capital classes, including common equity, to levels that support its future growth strategy and which are simultaneously in line with global best practice and Basel III when introduced in the UAE.



Cost management

In line with ADIB's growth strategy of becoming a top regional bank the Group continues to invest strategically in expanding its operations across an increasing number of customer segments in the UAE and in new regional markets. At the core of ADIB's strategy is its UAE retail banking operation and the past 12 months this has seen significant growth both organically - with the number of branches increasing by 9 to 88 and ATMs by 17.8% to 709 - and by the acquisition of Barclay's UAE retail banking business, including staff and premises. In addition, ADIB has continued to invest in building its digital capabilities across all businesses and processes in line with its ambition to be the leading digital bank in the UAE.

Notwithstanding a clear focus on managing the optimal cost profile associated with ADIB's growth aspiration the impact of the acquisition of the Barclays retail business in the UAE, and the amortization of the purchase consideration combined with the lag in revenue associated with the transaction, meant that the Group's cost to income ratio has yet to return to its previous levels. Therefore, after peaking at 53.2% for Q4 2014, the cost to income ratio ended Q1 2015 at 46.6% vs. 41.7% at the end of Q1 2014. Based on our strategic and financial plans, the cost to income ratio will further improve by year-end 2015.

Human resources

Despite ADIB's continued expansion strategy, including servicing an increasing number of client segments through a broader range of products and solutions, the focus on performance levels has seen the Bank's headcount in the UAE decrease to 2,428 from 2,435 as at 31 December 2014. 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 1,146 Nationals in the UAE with a resultant Emiratisation ratio of 47.2%.

Management comment

On behalf of the Board of Directors and the management team, Tirad Al Mahmoud, Group CEO of ADIB, said: "Despite operating in the most competitive banking environment in the region, ADIB has once again delivered a record first quarter performance with the Group's net profit increasing by 10.1% to AED 450.8 million and total assets growing 9.8% to AED 114.1 billion. This is testimony to the performance of all our business units across all customer segments and comes despite continued global economic and regional



stability concerns as well as the depreciation in the Egyptian Pound and the uncertain outlook for oil, equity and capital markets.

“As a top regional bank with a clear and consistent strategy, Q1 2015 saw us bring a renewed focus to achieving the required balance between the sustainability of our long-term growth ambition, with customer financing assets growing by 13.3% to AED 72.3 billion since Q1 2014, and the requirements to build the necessary levels of capital to support our success, with the Group’s capital adequacy ratio now at 14.74%.

“Fortunately, ADIB has established itself as one of the leaders in the region when it comes to managing the optimal levels of capital and thereby deliver superior returns to its investors. In this regard Q1 2015 saw us focus on enhancing existing customer relationships and welcoming the former Barclay’s UAE retail clients to ADIB rather than pursuing new customer financing growth. The result is that we now serve over 795,000 customers with deposits growing by 3.3% since 31 December 2014 to AED 87.6 billion while customer financing decreased by 0.9% to AED 72.3 billion.

“While ADIB is at heart a customer centric organization, we recognize that being the number one bank for customer service and experience also means that we must meet the needs and requirements of all our stakeholders, including regulators, shareholders and investors, our staff and the community at large. Therefore, it is now of primary importance that ADIB builds the required levels of capital across all classes, including common equity. We were therefore pleased that our shareholders agreed with the need to retain a greater level of earnings than in prior years, by supporting the Board’s recommendation to reduce the dividend payout rate and we now look forward to inviting all of them, as well as our loyal capital market investors, to join us in participating in increasing the Group’s capital base for future growth.”

Other ADIB Group companies

Securities

“Despite the continued volatility in the UAE equity markets and increased economic uncertainty in sectors linked to oil and gas, our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 11.5 million in Q1 2015. While this represents a decrease of 43.6% from same period in 2014 we were pleased that a key aspect of this performance was that our online and mobile portals now account for the majority of our volumes, thereby justifying the investment we have made in our digital capabilities in recent years.”

Real Estate

With regard to Burooj Properties, the Group’s real estate subsidiary: “Our focus is now on the optimization of the remaining portfolio and further reduction of the Group’s exposure to proprietary Real Estate.”

In respect to the Group's property management and related services subsidiary, MPM: "Our twin focus has been on bringing MPM's customer service levels and operational capabilities up to the same standards as the Bank while simultaneously building their new business model as an integrated real estate services company focused on: property management, valuations, sales and leasing and real estate advisory. MPM continued to expand its business both in Abu Dhabi and into Dubai and the Northern Emirates and returned to profitability in Q1 2015, with a net profit of AED 1.6 million."

Outlook for 2015

"In 2015, our focus will center on improving both our capital ratios and cost efficiency. ADIB will continue its growth strategy which, as always, will be underpinned by conservative risk management practices. ADIB will continue to invest appropriately in growing market share and will remain loyal to the core UAE National customer base, by delivering an award winning customer experience and service in the most convenient manner, be it through our people, our branches or our digital channels.

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 2013	Q1 2014	Q1 2015	Chg Q1 14 vs. Q1 13	Chg Q1 15 vs. Q1 14
	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	725.7	797.7	941.3	9.9%	18.0%
Investment income	53.1	79.4	78.2	49.5%	-1.5%
Fees & Commissions	151.8	177.0	222.5	16.6%	25.7%
FX	(11.8)	18.6	(18.5)	257.3%	-199.5%
Other	0.2	0.4	0.8	123.1%	75.9%
Total Revenues	919.0	1,073.0	1,224.3	16.8%	14.1%
Operating profit (margin)	525.6	625.9	653.4	19.1%	4.4%
Credit Provisions and Impairment	185.5	216.4	202.6	16.7%	-6.4%
Net Profit	340.1	409.5	450.8	20.4%	10.1%
Total Assets in AED (Billion)	89.2	103.8	114.1	16.4%	9.8%
Customer Financing in AED (Billion)	54.0	63.8	72.3	18.1%	13.3%
Customer Deposits in AED (Billion)	63.4	77.0	87.6	21.4%	13.8%

-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. Most recommended Bank in the UAE by Souq Al Mal
21. Best Islamic Bank in the UAE by EMEA Finance magazine for 4th consecutive year
22. Best retail bank by Islamic Banking and Finance Magazine
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.
26. Best Sukuk Deal by Triple A Asset Asian Awards.
27. Best Bank Capital Sukuk by Triple A Asset Asian Awards.
28. Best Sukuk Deal in the UAE by Triple A Asset Asian Awards.
29. Islamic Deal of the Year by Triple A Asset Asian Awards.
30. Best Loyalty card in Asia, Middle East and Oceana by Freddie Awards.
31. Best Nationalization Initiative by MENA HR Excellence Awards.
32. Best Islamic Bank for Treasury Management by IFN
33. Perpetual Deal of the Year by IFN
34. Qatar Deal of the Year by IFN
35. Regulatory Capital Deal of the Year by IFN
36. UAE Deal of the Year by IFN
37. Corporate Finance Deal of the Year on Barclays acquisition by IFN
38. Infrastructure & Project Finance Deal of the Year by IFN
39. Euromoney Awards for Innovation in Islamic Finance
40. Best project finance deal in UAE by EMEA Finance
41. Human Resource Development Award from the Emirates Institute of Banking and Financial Studies (EIBFS)



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