

**MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDING 31 DECEMBER 2013**

**Abu Dhabi Islamic Bank net profit for 2013 increases**

**20.7% to AED 1.450 billion**

Total assets increased 19.8% to AED 103.2 billion

**Group Financial Highlights**

**Income Statement: FYR 2013 vs. FYR 2012 and Q4 2013 vs. Q4 2012**

- Group net profit for 2013 increased by 20.7% to AED 1,450.2 million, after taking credit provisions and impairments of AED 780.4 million, vs. a net profit of AED 1,201.2 million in 2012, after taking credit provisions and impairments of AED 802.3 million. Group net profit for Q4 2013 increased by 41.4% to AED 343.3 million, after taking credit provisions and impairments of AED 221.5 million, vs. a net profit of AED 242.8 million in Q4 2012, after taking credit provisions and impairments of AED 227.6 million.
- Group net revenues for 2013 increased to AED 3,931.3 million vs. AED 3,565.6 million in 2012, a 10.3% increase. Group net revenues for Q4 2013 increased by 18.3% to AED 1,045.8 million vs. 884.0 million in Q4 2012.

**Balance Sheet: 31 December 2013 vs. 31 December 2012 and 30 September 2013**

- Total assets as of 31 December 2013 were AED 103.2 billion, representing an increase of 19.8% from AED 86.1 billion at the end of 31 December 2012 (and an increase of 6.2% over the AED 97.1 billion at 30 September 2013).
- Net customer financing grew 20.6% to AED 61.7 billion, from AED 51.2 billion at the end of 31 December 2012 (and an increase of 4.9% over the AED 58.9 billion at 30 September 2013).
- Customer deposits grew 23.2% to AED 75.5 billion, from AED 61.3 billion at the end of 31 December 2012 (and an increase of 7.6% over the AED 70.2 billion at 30 September 2013).

**Capital adequacy and liquidity: 31 December 2013 vs. 31 December 2012 and 30 September 2013**

- The capital adequacy ratio under Basel II at 31 December 2013 remains strong at 16.86% vs. 21.42% recorded at 31 December 2012, which was before repayment of the AED 2.2 billion Tier 2 capital in Q2 2013 (17.12% at 30 September 2013).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 77.9% at 31 December 2013, from 75.7% at 31 December 2012 (79.0% at 30 September 2013) and a customer financing to deposits ratio at 31 December 2013 at 81.8% vs. 83.5% at 31 December 2012 (83.9% at 30 September 2013).

## Group Financial highlights - Three year performance

As at 31 December

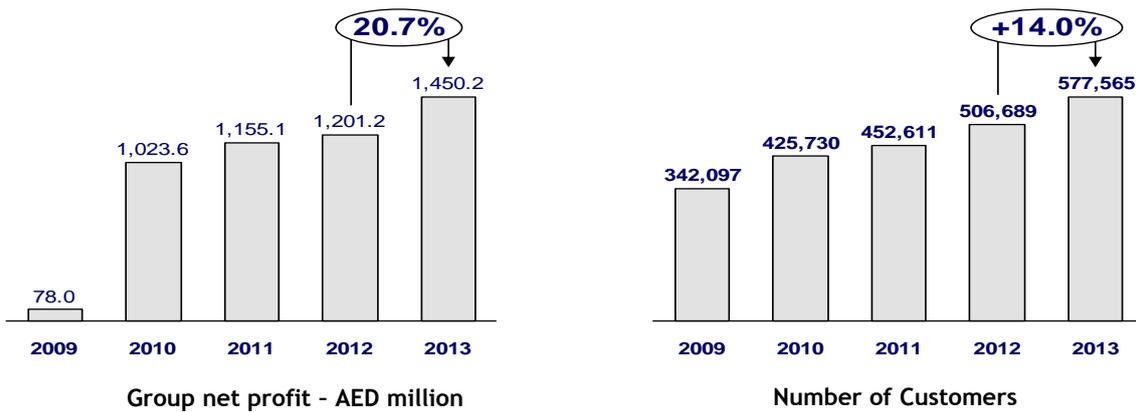
All figures are in AED millions

Balance sheet	2011	2012	2013	3 YR (CAGR)
Total assets	74,335	86,084	103,160	11.1%
Gross customer financing	51,842	54,294	65,109	9.0%
Customer deposits	55,172	61,326	75,524	10.1%
Total equity	8,571	12,652	13,074	17.3%
Capital adequacy ratio - Basel II	17.39%	21.42%	16.86%	
Tier 1 ratio - Basel II	13.50%	18.43%	16.42%	
Customer financing to deposit ratio	88.5%	83.5%	81.8%	
Income statement	2011	2012	2013	3 YR (CAGR)
Net revenue	3,426	3,566	3,931	8.5%
Operating profit (margin)	1,976	2,003	2,231	8.0%
Credit provisions and impairment charge	821	802	780	1.4%
Net profit	1,155	1,201	1,450	12.3%
Total credit provisions to gross financing assets ratio	5.81%	5.71%	5.16%	
Cost to income ratio	42.3%	43.8%	43.3%	
Network - UAE	2011	2012	2013	3 YR (CAGR)
Total customers	452,611	506,689	577,565	10.7%
Branches	69	75	77	5.3%
ATMs	460	549	590	22.2%

**Abu Dhabi, UAE - 4 February 2014:** The Abu Dhabi Islamic Bank (ADIB) Group posted a 41.4% increase in net profit for Q4 2013 and a 20.7% increase in net profit to AED 1,450.2 million for 2013 after posting a 19.8% growth in Total Assets to AED 103.2 billion. The record financial performance was underpinned by the main banking business, with customer financing growth of 20.6% and deposit growth of 23.2% in 2013, on the back of the increase in Tier 1 capital in November 2012 and the subsequent resumption of ADIB's growth strategy. 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 new customer financing while simultaneously managing its legacy non-performing credit and real estate exposures, with credit provisions and impairments down 2.7% vs. 2012 to AED 780.4 million.

The business highlights for 2013 were:

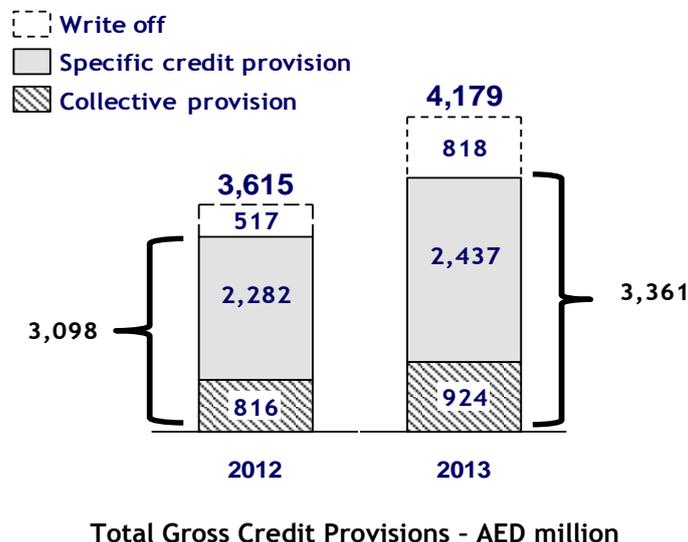
- The expansion into new customer segments, including long-term expatriates and emerging commercial entities, while remaining loyal to the core UAE National customer base and large corporates, saw the number of active customers served by ADIB increase by 14.0% in 2013 to 577,565.
- With 77 retail branches and 590 ATMs in the UAE at the end of Q4 2013 the Bank maintained its position as one of the largest retail banking networks in the country.
- A strong performance in the Retail and Wholesale Banking business saw ADIB's net customer financing assets increase by 4.9% vs. 30 September 2013, a 20.6% increase during 12 months of 2013. Simultaneously, a new Private Banking strategy was implemented to ensure our high-net-worth client experience is market-leading.
- Customer deposits grew by 23.2% to AED 75.5 billion from AED 61.3 billion at the end of 31 December 2012, and an increase of 7.6% over the AED 70.2 billion at 30 September 2013.
- ADIB Securities, recognized as the best broker in the UAE 2013 by Global Investor magazine, increased net profit for 2013 by 416.6% to AED 29.7 million vs. net profit of AED 5.7 million for 2012, on the back of a strong UAE equity market performance in 2013.
- Maintaining a conservative policy of non-performing asset recognition and remedial management, including taking an additional AED 564.2 million in credit provisions, to ensure a healthy pre-collateral non-performing asset coverage ratio of 79.8% of the impaired portfolio, net of write-offs.
- Reduction of commitments by Burooj by a net AED 775 million vs 2012, as this aspect of its legacy portfolio was finally brought to account.



**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 8.3% vs. 10.4% at 31 December 2012. The Bank also took an additional AED 456.0 million in specific provisions and AED 108.2 million in collective provisions in 2013, thereby increasing net credit provisions to AED 3,361 million, net of write-offs. Total net credit provisions now represent a pre-collateral non-performing coverage ratio of 79.8% of the impaired portfolio. The Bank's collective provisions, which track the net growth in customer financing, represent 1.54% of total customer risk weighted assets and remain ahead of the Central Bank's 2014 requirement of 1.5%. The bank has also taken additional impairments of AED 37.1 million against other financial assets. Furthermore, the Bank has an additional 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.

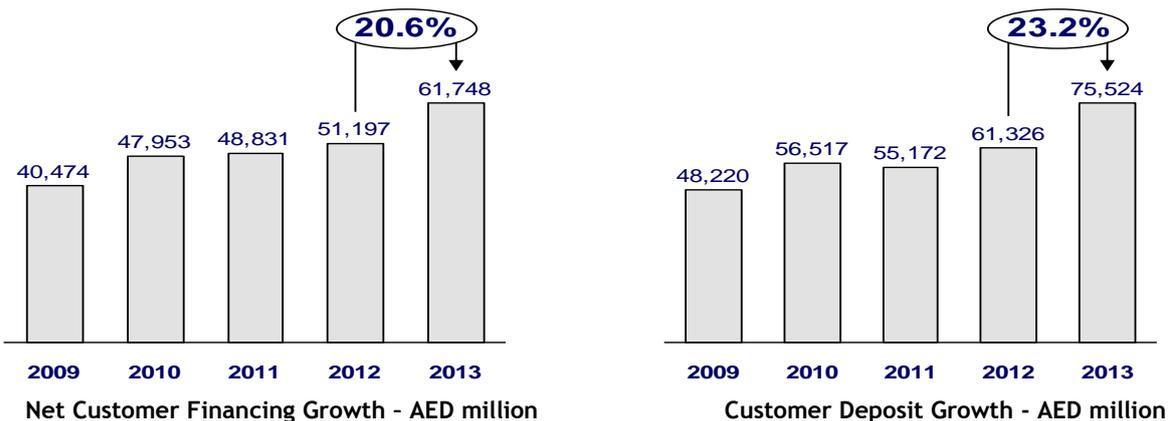
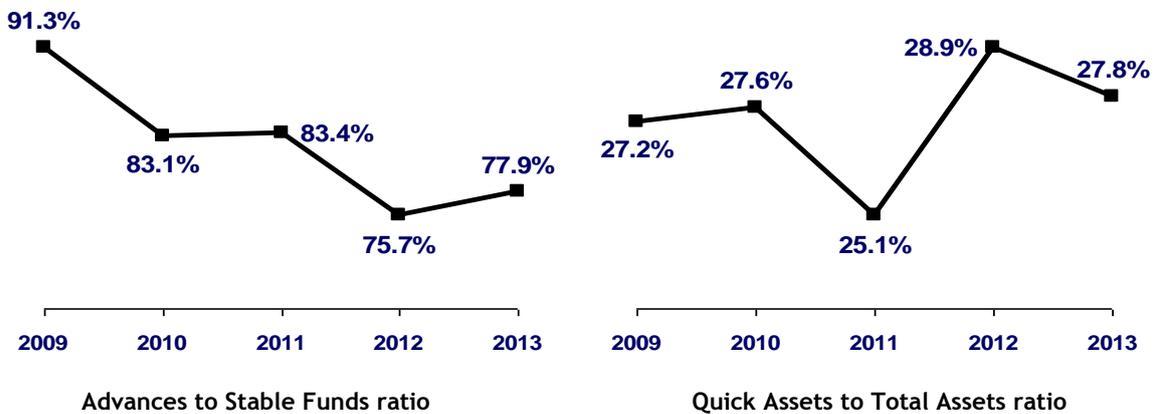
In addition to the credit portfolio, a further AED 178.7 million in impairments was taken against the real estate subsidiary's legacy development portfolio, bringing total impairments related to this business to AED 725.1 million over the past four years.



**Asset and Liability Management**

ADIB maintained its position as one of the most liquid banks in the UAE. At the end of Q4 2013, customer deposits stood at AED 75.5 billion, Central Bank placements at AED 14.1 billion and the net interbank position at AED 0.4 billion.

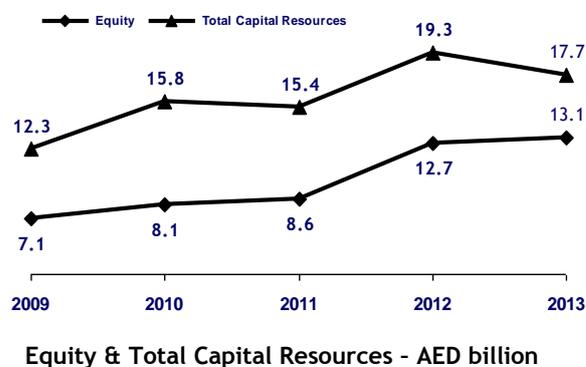
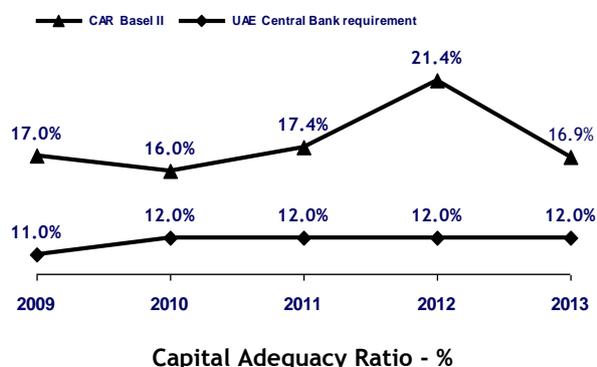
The focus on reducing the cost of funds continued with total deposits increasing 23.2% to AED 75.5 billion during the same period. Simultaneously, net customer financing assets grew by 20.6% in 2013 to reach a new high of AED 61.7 billion (AED 51.2 billion as at 31 December 2012) and ended the quarter with a customer financing to deposits ratio of 81.8% and advances to stable funds ratio of 77.9%, which is significantly better than the regulatory threshold of 100%. Furthermore, it is noteworthy that ADIB's quick asset to total asset ratio was 27.8% at the end of 2013.



**Capital strength**

Following the Bank's capital actions in Q4 2012 and Q2 2013, and notwithstanding the 20.6% growth in net customer financing for the 12 months of 2013 and the increase in total assets to AED 103.2 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 17.7 billion at the end of Q4 2013, a decrease of 8.6% year-on-year due to the repayment on the entire AED 2.2

billion in Tier 2 capital in Q2 2013, with the capital adequacy ratio under Basel II principles at 16.86% and the Basel II Tier 1 capital ratio at 16.42%.



### 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 77 in the UAE); alternative channels (a 7.5% increase in ATMs to 590 and further enhancement of the Bank’s award-winning internet banking and securities trading platforms); and in building its regional and international capabilities with ADIB now present in seven countries. Behind this investment is a clear strategy to ensure that ADIB continues to consolidate its position as one of the top retail banks in the UAE while continuing to work 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 43.3% at the end of Q4 2013 vs. 43.8% at the end of Q4 2012.

### Human resources

The continued emphasis on domestic and international expansion, client coverage and new segments and performance has seen the Group's headcount increase to 1,948.

ADIB remains one of the leading banks in advocating Emiratisation, employing 941 UAE Nationals at the end of Q4 2013 with a resultant Emiratisation ratio of 48.31%.

### 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, with market leadership across all primary segments in the UAE, is firmly on track. Total assets have passed an important milestone and are now AED 103.2 billion, increasing by 19.8% in 2013, while the Group has delivered a 20.7% year-on-year increase in net profit to AED 1,450.2 million. The performance reflects the sustainable strength of our core banking business in that it did not rely on reversing non-performing accounts or reducing provisions. Equally pleasing is that this record financial performance is underpinned by a clear commitment to excellence in all respects and it is a matter of great pride that ADIB was awarded the ‘Mohammed Bin Rashid Al Maktoum Business Award

for 2013' in addition to being recognized, for the third consecutive year, as the best bank in the UAE for customer service. This continued focus on a customer-centric strategy across an increasing number of segments and markets, combined with our now established ability to optimize capital and manage funding, enabled ADIB to grow its net customer financing assets by 20.6% in the 12 months of 2013. The growth, which is well above the market average, reinforces ADIB's ability to implement its strategy in line with its vision.

"Notwithstanding the increase in net customer financing assets, ADIB demonstrated its strong liquidity capabilities by improving the advances to stable funds ratio to 77.9% at 31 December 2013. Most notably, the Bank's focus on building customer deposits saw them grow by 23.2% to AED 75.5 billion by year-end. The overall result is that we not only meet the new Basel III based liquidity ratios but our deposit concentration risk also continues to decline.

"With regards to provisioning, we continued our prudent practices and added a further AED 780.4 million in total credit provisions and impairments during 2013, while maintaining our collective provisions above the Central Bank guidelines of 1.5%. Since 2008, the total credit provisions and impairments taken by the Group amount to AED 5,061.5 million. Despite the positive outlook we have on the UAE economy and therefore on new customer and financing asset growth, we remain equally cautious and encouraged by the continued recovery in the non-performing credit environment relating to our legacy portfolio. Given this, we will continue our diligent approach to both the recognition, provisioning and recovery management of remedial accounts."

### **Other ADIB Group companies**

#### **International operations**

"In regard to our international expansion we are pleased that our Egyptian joint venture has continued its turnaround and is now profitable along with our business in Saudi Arabia and Qatar, which posted a profit in its first year of operation. Our franchises in Iraq, Sudan and the United Kingdom are all gaining momentum and we expect all of them to show meaningful progress in 2014. Furthermore we will continue to look at building our presence in areas where we are able to achieve an acceptable level of shareholding and management control and exiting those where we cannot."

#### **Securities**

"Our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 29.7 million in 2013, up 416.6% from the previous year. This is due to our continued investment in internet and mobile trading capabilities, the provision of personalized services, the continued recovery of the local equity markets and the UAE's forthcoming addition to the MSCI Emerging Markets Index. The business, which deals only in Shari'a-compliant shares, recorded a market share of 5.8% for 2013 and is now well established as one of the top retail brokers in the UAE. This success, which was recognized by the award of Best Broker in the UAE 2013, reflects our ongoing commitment to servicing our customers throughout the investment cycle, rather than entering and exiting sectors and segments based on market fluctuations."

### **Real Estate**

With regard to Burooj, the Group's real estate investment subsidiary: "I am pleased that our systematic approach to bringing Burooj's legacy development land exposure to account yielded meaningful results in 2013. We now believe that, barring any further shocks to the real estate market, this phase has now been completed and we can now turn our attention enhancing its future prospects and the yield on our investment property portfolio.

"In addition, we restructured our real estate operations into a Property Management business and a Real Estate Investment and Development business. Each business is now managed independently of each other with a clear focus on improving performance for all stakeholders"

### **Outlook for 2014**

Providing guidance on the Bank's direction for 2014: "The prospects for the UAE as a whole for 2014 are encouraging and we believe the prospect of Expo 2020 is already adding impetus to the economy. In addition, the UAE's entrance to the MSCI index, Abu Dhabi's continued strength and Dubai's goal of becoming a global center for Islamic Finance places ADIB and its competitors at the heart of the next wave of growth. In this regard we believe that we have built a business model, over the last 6 years, that has gained traction with all key segments in the seven emirates and ADIB is therefore positioned to continue its successful growth path both at home and across the broader MENA region. However, we have not forgotten the lessons of the recent economic downturn, in particular we are closely monitoring the real estate market, and therefore remain equally focused on building a sustainable business while continuing our remedial and problem credit recognition, provisioning and remedial management processes."

### **Dividend**

The Board of Directors recommends the distribution of 30.66% cash dividends and 26.87% bonus shares for 2013. The cash dividends represent 50% of full year net profits for 2013.

### **Approvals**

These results, including the dividend, are subject to approval by the Central Bank of the UAE and the shareholders at the Annual General Assembly.

### **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.



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**Tirad Al Mahmoud**  
Chief Executive Officer

## Financial summaries

### ADIB Group Financial summary - 3 months and Full year summary

Financials	Consolidated Group									
	Q4 2011	Q4 2012	Q4 2013	Chg Q4 12 vs. Q4 11	Chg Q4 13 vs. Q4 12	2011	2012	2013	Chg 2012 vs. 2011	Chg 2013 vs. 2012
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	761.5	736.9	815.2	-3.2%	10.6%	2,841.2	2,905.3	3,066.4	2.3%	5.5%
Investment income	14.0	44.7	77.6	218.5%	73.7%	115.3	219.0	243.7	90.0%	11.3%
Fees & Commissions	94.0	94.3	135.6	0.3%	43.9%	429.3	395.6	570.2	-7.9%	44.1%
FX	7.9	0.5	16.9	-93.1%	3,014.2%	30.1	36.8	46.2	22.2%	25.7%
Other	6.8	7.6	0.5	12.2%	-93.8%	9.9	8.9	4.8	-9.9%	-46.5%
<b>Total Revenues</b>	<b>884.1</b>	<b>884.0</b>	<b>1,045.8</b>	<b>0.0%</b>	<b>18.3%</b>	<b>3,425.8</b>	<b>3,565.6</b>	<b>3,931.3</b>	<b>4.1%</b>	<b>10.3%</b>
<b>Operating profit (margin)</b>	<b>491.1</b>	<b>470.4</b>	<b>564.8</b>	<b>-4.2%</b>	<b>20.1%</b>	<b>1,976.2</b>	<b>2,003.5</b>	<b>2,230.6</b>	<b>1.4%</b>	<b>11.3%</b>
Credit Provisions and Impairment	274.9	227.6	221.5	-17.2%	-2.7%	821.1	802.3	780.4	-2.3%	-2.7%
<b>Net Profit</b>	<b>216.2</b>	<b>242.8</b>	<b>343.3</b>	<b>12.3%</b>	<b>41.4%</b>	<b>1,155.1</b>	<b>1,201.2</b>	<b>1,450.2</b>	<b>4.0%</b>	<b>20.7%</b>
Total Assets in AED (Billion)	74.3	86.1	103.2	15.8%	19.8%	74.3	86.1	103.2	15.8%	19.8%
Customer Financing in AED (Billion)	48.8	51.2	61.7	4.8%	20.6%	48.8	51.2	61.7	4.8%	20.6%
Customer Deposits in AED (Billion)	55.2	61.3	75.5	11.2%	23.2%	55.2	61.3	75.5	11.2%	23.2%

-Ends-

**About ADIB:**

Abu Dhabi Islamic Bank (ADIB) was established on 20<sup>th</sup> May 1997 as a Public Joint Stock Company following the Emiri Decree No. 9 of 1997. The Bank commenced commercial operations on 11<sup>th</sup> November 1998, and was formally inaugurated by His Highness Sheikh Abdullah Bin Zayed Al Nahyan on 18<sup>th</sup> 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 2<sup>nd</sup> 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.

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