

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 31 MARCH 2013

Abu Dhabi Islamic Bank net profit for Q1 2013 increases

10.7% to AED 340.1 million

Net Customer Financing increased 8.9% to AED 54.0 billion and

Total assets increased 15.9% to AED 88.7 billion

Group financial highlights - First quarter 2013

- Group net revenue for Q1 2013 was AED 919.0 million vs. AED 870.8 million for Q1 2012, an increase of 5.5 %.
- Group operating profit (margin) for Q1 2013 was AED 525.6 million vs. AED 493.4 million for Q1 2012, an increase of 6.5%.
- Total credit provisions and impairments for Q1 2013 were AED 185.5 million vs. AED 186.1 million in Q1 2012, a decrease of 0.3%.
- Group net profit for Q1 2013 was AED 340.1 million vs. AED 307.3 million in Q1 2012, an increase of 10.7%.
- ADIB remains one of the most liquid banks in the UAE, with advances to stable funds ratio of 77.7%, customer financing to deposits ratio of 85.2% and net due from banks and deposits with Central Bank totaling AED 13.4 billion.
- Capital adequacy position under Basel II remains strong at 19.84% (21.42% at the end of 2012).

Bank financial highlights - First quarter 2013

- Bank net revenue for Q1 2013 was AED 916.9 million vs. AED 874.8 million for Q1 2012, an increase of 4.8%.
- Bank operating profit (margin) for Q1 2013 was AED 546.4 million vs. AED 517.2 million for Q1 2012, an increase of 5.6%.
- Total credit provisions and impairments for Q1 2013 were AED 156.8 million.
- Bank net profit for Q1 2013 was AED 389.6 million vs. AED 360.4 million in Q1 2012, an increase of 8.1%.
- Total number of customers increased by 11.7% over Q1 2012, to reach 520,691.
- Total number of branches in the UAE stands at 76, from 71 in Q1 2012.

Financial analysis

Income Statement: Q1 2013 vs. Q1 2012 and Q4 2012

- Group net revenues for Q1 2013 increased to AED 919.0 million vs. AED 870.8 million in Q1 2012, a 5.5% increase (and an increase of 4.0% over the AED 884.0 million in Q4 2012).
- Bank net revenues for Q1 2013 increased to AED 916.9 million vs. AED 874.8 million in Q1 2012, a 4.8% increase (and an increase of 3.6% over the AED 884.7 million in Q4 2012).
- Group fee and commission income for Q1 2013 increased to AED 151.8 million vs. AED 108.8 million in Q1 2012, an increase of 39.5% (and an increase of 61.0% over the AED 94.3 million in Q4 2012).
- Group net profit for Q1 2013 was AED 340.1 million, after taking credit provisions and impairments of AED 185.5 million vs. a net profit of AED 307.3 million in Q1 2012, which was recorded after credit provisions and impairments of AED 186.1 million. Net profit for Q4 2012 was AED 242.8 million after taking credit provisions and impairments of AED 227.6 million.
- Bank net profit for Q1 2013 was AED 389.6 million, after taking credit provisions and impairments of AED 156.8 million vs. a net profit of AED 360.4 million in Q1 2012, which was recorded after credit provisions and impairments of AED 156.8 million. Net profit for Q4 2012 was AED 333.0 million after taking credit provisions and impairments of AED 161.1 million.

Balance Sheet: 31 March 2013 vs. 31 March 2012 and 31 December 2012

- Total assets as of 31 March 2013 were AED 88.7 billion, representing an increase of 15.9% compared to AED 76.5 billion at the end of 31 March 2012 (AED 85.7 billion at 31 Dec 2012).
- Net Customer Financing has increased to AED 54.0 billion, growing 8.9% over the AED 49.6 billion at the end of 31 March 2012 (AED 51.2 billion at 31 Dec 2012).
- Customer deposits grew 10.2% to AED 63.4 billion, from AED 57.6 billion at the same time last year (AED 61.3 billion at 31 Dec 2012).

Capital adequacy and liquidity: 31 March 2013 vs. 31 March 2012 and 31 December 2012

- The Capital Adequacy ratio at 31 March 2013 stood at 19.84% vs. 17.40% recorded at 31 March 2012 (21.42% at 31 Dec 2012).
- The Customer Financing to Deposits ratio at 31 March 2013 was 85.2% vs. 86.2% at 31 March 2012 (83.5% at 31 Dec 2012).
- The Advances to Stable Funds ratio (a regulatory ratio) moved to 77.7% at 31 March 2013 from 81.7% at 31 March 2012 (75.7% at 31 Dec 2012).

Financial highlights - Four year performance

As at 31 March

All figures are in AED millions

Balance sheet	Q1 2010	Q1 2011	Q1 2012	Q1 2013	3 YR (CAGR)
Total assets	66,041	71,477	76,513	88,686	10.3%
Gross customer financing	43,792	50,564	52,782	57,211	9.3%
Customer deposits	49,935	51,912	57,550	63,412	8.3%
Total equity	7,486	7,907	8,931	12,343	18.1%
Capital adequacy ratio - Basel II	16.8%	15.3%	17.4%	19.8%	
Customer financing to deposit ratio	84.0%	92.7%	86.2%	85.2%	

Income statement	Q1 2010	Q1 2011	Q1 2012	Q1 2013	3 YR (CAGR)
Net revenue - Group	680.7	808.8	870.8	919.0	10.5%
Net revenue - Bank	659.1	815.2	874.8	916.9	11.6%
Operating profit (margin) - Group	398.5	464.2	493.4	525.6	9.7%
Operating profit (margin) - Bank	395.2	491.6	517.2	546.4	11.4%
Credit provisions and impairment charge - Group	105.2	159.6	186.1	185.5	20.8%
Credit provisions and impairment charge - Bank	105.3	151.0	156.8	156.8	14.2%
Net profit - Group	293.3	304.6	307.3	340.1	5.1%
Net profit - Bank	289.9	340.6	360.4	389.6	10.4%
Total credit provisions to gross financing assets ratio - Group	4.18%	4.81%	6.00%	5.56%	
Cost to income ratio - Group	41.5%	42.6%	43.3%	42.8%	
Cost to income ratio - Bank	40.0%	39.7%	40.9%	40.4%	

Network	Q1 2010	Q1 2011	Q1 2012	Q1 2013	3 YR (CAGR)
Total customers	365,080	427,941	466,244	520,691	12.6%
Branches - UAE	55	66	71	76	11.4%
ATMs	234	324	488	570	34.6%

Abu Dhabi, UAE - 07 May 2013: The Abu Dhabi Islamic Bank (ADIB) Group posted a 10.7% increase in net profit of AED 340.1 million for Q1 2013, after taking provisions and impairments of AED 185.5 million, as it embarked on the next phase of its growth strategy. The performance of the main banking business was particularly strong as net customer financing increased 8.9% to AED 54.0 billion and total assets increased 15.9% to AED 88.7 billion.

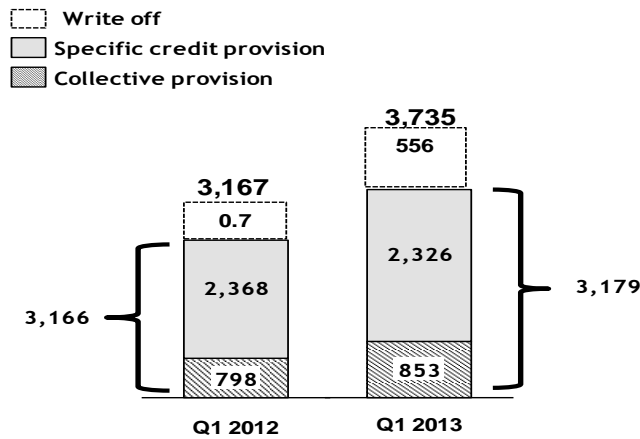
The business highlights for Q1 2013 were:

- A strong performance by the Wholesale Banking division, backed by the well-established Retail Banking franchise, saw ADIB's net customer financing assets increase in Q1 2013 by 5.5% vs. 31 December 2012.
- The continued expansion into new customer segments, while remaining loyal to the core UAE National customer base, saw the number of active customers served by ADIB increase by 11.7% year-on-year to 520,691.
- ADIB opened its 76th retail branch in the UAE and installed its 570th ATM during Q1 2013, thereby maintaining the Bank's position as the third largest retail network in the UAE. It remains on track to have 80 branches in 2013.
- ADIB's international operations continued to gain momentum with the launch, in February 2013, of its new branch in Qatar.
- The deposit concentration risk was further reduced as current and savings account balances reached AED 34.8 billion at the end of Q1 2013, a 23.9% year-on-year increase.
- The continuation of the conservative policy of non-performing asset recognition and remedial management, including the taking of an additional AED 121.3 million in credit provisions, to ensure a healthy pre-collateral non-performing asset coverage ratio of 72.5% of the impaired portfolio, net of write-offs.

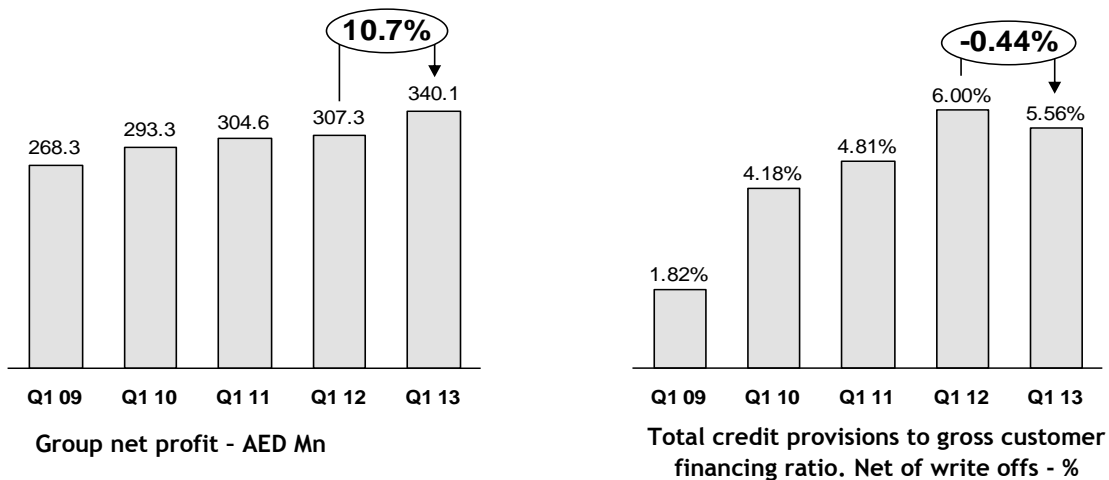
A prudent approach to risk management continues to underpin the Bank's strategy

ADIB's management continued its prudent approach to managing the non-performing portfolio. As a result, total non-performing accounts decreased by AED 152.8 million vs. 31 December 2012. The Bank took an additional AED 84.3 million in specific provisions and AED 37.0 million in collective provisions in Q1 2013, thereby increasing net credit provisions to AED 3,179 million. Total net credit provisions now amount to 5.6% of gross customer financing assets and represent a pre-collateral non-performing coverage ratio of 72.5% of the impaired portfolio, net of the write-offs. The Bank's collective provisions now represent 1.65% of total customer risk weighted assets, and remain ahead of the Central Bank's requirement of 1.5% by the end of 2014. The bank has also taken additional impairments of AED 35.9 million against other financial assets. The Bank's shareholders also approved the creation of a Credit Risk Reserve of AED 400 million as it implemented an expected loss coverage model in line with global best practice.

In addition to the credit portfolio, a further AED 28.3 million in impairments was taken against the real estate subsidiary's legacy development and investment portfolio, bringing total impairments related to this business to AED 574.6 million over the past three years.



Total Gross Credit Provisions - AED Mn

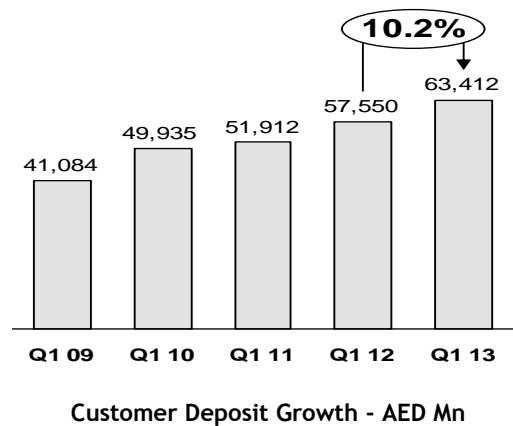
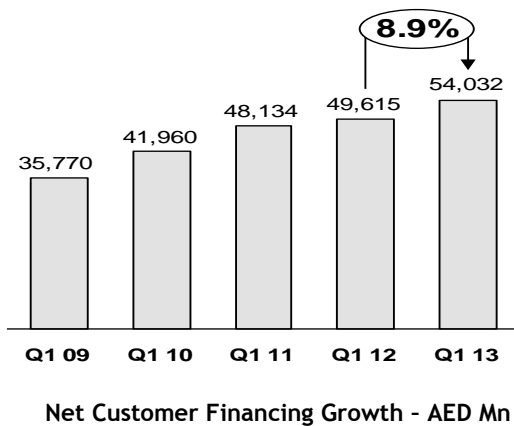
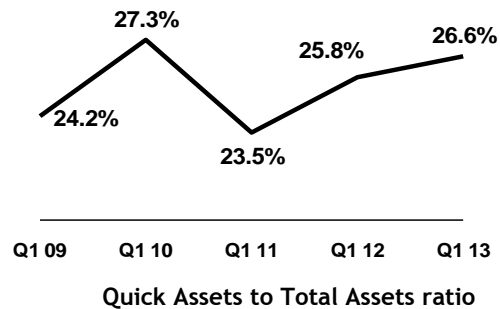
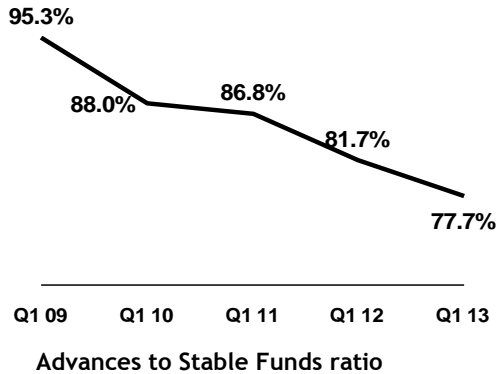


Liquidity

ADIB maintained its position as one of the most liquid banks in the UAE. At the end of Q1 2013, customer deposits stood at AED 63.4 billion, Central Bank placements at AED 4.9 billion and the net interbank position at AED 8.5 billion. A continued focus on reducing the cost of funds and deposit concentration saw current and savings accounts grow by 23.9% year-on-year to reach AED 34.8 billion, while overall deposits increased 10.2% to AED 63.4 billion during the same period.

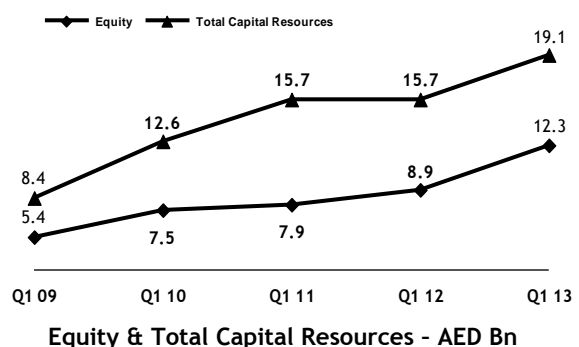
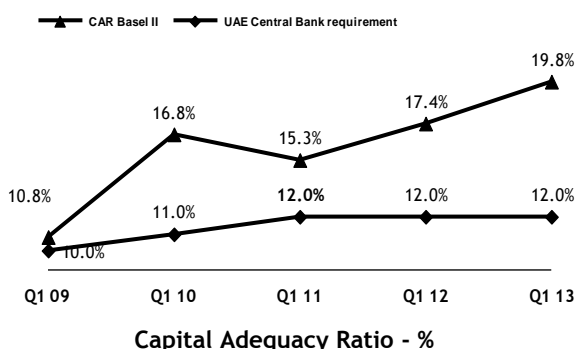
On the asset side, net customer financing grew by 8.9% year-on-year to reach a new high of AED 54.0 billion (AED 49.6 billion as at 31 March 2012) and the Bank ended the quarter with a customer financing to deposits ratio of 85.2% and an advances to stable funds ratio of 77.7%, which is significantly better than

the regulatory threshold of 100%. Furthermore, it is noteworthy that ADIB's Quick Asset to Total Asset Ratio was 26.6% at Q1 2013.



Capital strength

ADIB maintained its multi-pronged approach to managing its capital and, after the successful Tier 1 issue in Q4 2012, the bank has now resumed its growth trajectory. Notwithstanding the resumption of growth, which was evident in the 5.5% increase in net customer financing in Q1 2013 vs. 31 December 2012, the success of various capital initiatives saw the Bank's capital adequacy ratio at 19.84% under Basel II principles as of end of Q1 2013, with its Basel II Tier 1 capital ratio at 16.93%. (This was before the repayment in the second quarter of 2013 of the entire AED 2.2 billion in Tier 2 capital issued to the Federal Government on 31 December 2009). ADIB's capital ratios not only continue to be above the Central Bank of the UAE's prescribed minimums of 12% for Capital Adequacy and 8% for Tier 1, but compare favorably with the Bank's peers.



Cost management

The challenging revenue growth environment in the UAE has not deterred ADIB from continuing to invest appropriately across all customer segments and entering new markets. During the past 12 months, investments were made in: distribution (with five new branches); alternative channels (82 new ATMs); and also building ADIB's regional and international capabilities. Behind this investment is a clear strategy to ensure that ADIB continues to consolidate its position as one of the top three retail banks in the UAE while continuing to work towards the Group's long-term vision of becoming a top tier global Islamic bank. Despite the focus on growth, a concurrent focus on efficiency saw the Group's cost to income ratio decrease to 42.8% for Q1 2013 (43.3% - Q1 2012), while the Bank's cost to income ratio was 40.4% for Q1 2013 (40.9% - Q1 2012).

Human resources

A continued emphasis on efficiency and performance, notwithstanding ADIB's focus on the growth of its local and international operations, has seen the Bank's headcount decrease by 101 since Q1 2012 to 1,611.

ADIB remains one of the leading banks in regard to Emiratisation and as at the end of Q1 2013 the Bank employed 692 UAE Nationals.

Management comment

On behalf of the Board of Directors and the management team Tirad Al Mahmoud, CEO of ADIB, said: "While we remain cautious about the overall prospects of the markets in which we operate, I am pleased that, after our emphasis on capital preservation and retail deposit growth in 2012, ADIB has resumed its growth path.

"Our continued focus on a customer-centric strategy, combined with our now established ability to access capital and manage liquidity, enabled ADIB to grow its net customer financing assets by 5.5% in the first three months of 2013. The growth, which reinforces ADIB's status as a top-tier UAE bank, was underpinned by a particularly strong performance by Wholesale Banking and backed by our market leading Retail Banking franchise.

"Notwithstanding the growth in our net customer financing assets, ADIB continued to demonstrate its strong liquidity capabilities by improving the advances to stable funds ratio to 77.7% at 31 March 2013. Most notably, our focus on building current and savings accounts saw their combined balances grow by 23.9% year-on-year. The result is that not only does ADIB continue to meet both the new Basel III based liquidity ratios but deposit concentration risk continues to decline.

“With regards to provisioning, we have continued our prudent practices and added a further AED 186 million in total credit provisions and impairments during Q1 2013, while maintaining our collective provisions well above the Central Bank guidelines of 1.5%. Since 2007, total credit provisions and impairments have increased to AED 3,878 million, from AED 404 million. Furthermore, we established an additional Credit Risk Reserve of AED 400 million in line with the global best practice move to a forward looking expected loss coverage model.

“In addition to our conservative approach to the recognition of problem credits, the ongoing work of our remedial management units continues to bear fruit with a 2.7% decrease in total non-performing accounts since 31 December 2012. Despite this, we remain cautious about any recovery in the credit environment and fully intend to continue our diligent approach to both the recognition and management of non-performing accounts.”

Other ADIB Group companies

ADIB Securities

“On the back of the continued improvement in the local equity markets our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 3.5 million in Q1 2013, up 25.0% from the previous year. The business recorded a market share of 6.6% for Q1 2013 and, given our continued support during the downturn, is now established as one of the top three brokers in the UAE. Its success is a manifestation of a strategic commitment to servicing customers through the investment cycle, rather than entering and exiting sectors and segments based on short-term market fluctuations..”

Burooj Properties

With regard to Burooj, the Group’s real estate subsidiary: “We have made significant progress in bringing Burooj’s legacy development portfolio to account. Despite this, our approach to valuing this portfolio as first adopted in late 2010, resulted in a further AED 28.3 million in impairments in Q1 2013 and a consequent loss of AED 55.0 million against the loss of AED 56.7 million in Q1 2012. Notwithstanding some welcome signs of recovery of the real estate market in an increasing number of locations across the UAE, and an improvement in the yields of Burooj’s investment portfolio, we are still cautious about the outlook of the real estate market. As a result, we believe Burooj will in all probability incur further losses in 2013 on its development portfolio.

Outlook for 2013

Providing guidance on the Bank’s direction for 2013: “Despite a strong first quarter for asset growth, our outlook remains moderately conservative for the full year. We remain concerned about the impact of the slow pace of the global economic recovery on our customers and continue to keep a close watch on the recovery of the Global Banking System. Notwithstanding our caution, we will continue to invest across all segments and business units for long-term growth potential and market leadership, as we remain committed to playing a leading role in the economies of those countries in which we and our clients operate.”

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.



Tigrad Al Mahmoud
Chief Executive Officer

Financial summary

Financials	Banking					Consolidated Group				
	Q1 2011	Q1 2012	Q1 2013	Chg Q1 12 vs. Q1 11	Chg Q1 13 vs. Q1 12	Q1 2011	Q1 2012	Q1 2013	Chg Q1 12 vs. Q1 11	Chg Q1 13 vs. Q1 12
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	688.8	747.9	746.8	8.6%	-0.1%	688.8	747.9	746.8	8.6%	-0.1%
Fees, Commissions and FX	100.6	104.2	121.7	3.5%	16.8%	100.6	104.2	121.7	3.5%	16.8%
Investment Revenues	25.8	22.7	48.4	-11.9%	113.3%	25.8	22.7	48.4	-11.9%	113.3%
Net Banking Revenues	815.2	874.8	916.9	7.3%	4.8%	815.2	874.8	916.9	7.3%	4.8%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	4.3	5.9	6.7	39.1%	13.3%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	(10.7)	(10.0)	(9.1)	6.1%	8.3%
Finance Company Revenues (SIH subsidiary)	-	-	-	-	-	-	-	4.5	-	100%
Revenue from Other Minor Activities	-	-	-	-	-	-	0.1	-	100%	-100%
Net Non-banking Revenues	-	-	-	-	-	(6.4)	(4.0)	2.1	37.5%	152.5%
	Banking					Consolidated Group				
Total Revenues	815.2	874.8	916.9	7.3%	4.8%	808.8	870.8	919.0	7.7%	5.5%
Operating profit (margin)	491.6	517.2	546.4	5.2%	5.6%	464.2	493.4	525.6	6.3%	6.5%
Credit Provisions and Impairment charge	151.0	156.8	156.8	3.9%	0%	159.6	186.1	185.5	16.6%	-0.3%
Net Profit	340.6	360.4	389.6	5.8%	8.1%	304.6	307.3	340.1	0.9%	10.7%
Total Assets in AED (Billion)	71.2	76.6	89.1	7.6%	16.2%	71.5	76.5	88.7	7.0%	15.9%
Customer Financing in AED (Billion)	50.2	51.7	56.2	3.1%	8.6%	48.1	49.6	54.0	3.1%	8.9%
Customer Deposits in AED (Billion)	52.0	57.7	63.6	10.9%	10.3%	51.9	57.6	63.4	10.9%	10.2%

-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. Sheikh Khalifa Excellence Award - Gold category - in 2012.
2. Best Islamic Bank in the UAE by Global Finance in 2012 for three consecutive years.
3. "Best Overall Bank in the UAE in customer service" in 2012) by Ethos Consultancy.
4. "Best Call center Award in the UAE" for 2012 by Ethos Consultancy for two consecutive years.
5. Best Branch Award in the UAE by Ethos Consultancy for 2012 for two consecutive years.
6. Best Islamic Bank in the UAE by EMEA Finance magazine for 2012.
7. Best overall Islamic bank by Islamic Finance News magazine for 2012.
8. Best Islamic bank in the UAE for 2012 by Euromoney.
9. Best Islamic Bank in the UAE by Islamic Finance News magazine for 2012.
10. Best Islamic Bond by International Financing Review for 2012.
11. Best Co-branded card and best covered card by Banker Middle East for 2012.
12. Best Islamic card and best co-branded card by Smart Card Middle East for 2012.
13. Human Resource Development award by Emirates Banking Institute and Finance for 2012.
14. Best Islamic Investment strategist of the year by Islamic Finance News for 2012.
15. Excellence in Islamic Banking Award by the International Alternative Investment Review for 2012.
16. Best Islamic Retail Bank by Islamic Finance News for 2012.
17. Best Corporate deal of the year by Islamic Finance News for 2012.
18. Best Mudarabah Deal of the year by Islamic Finance News for 2012.
19. Best Syndicated deal of the year by Islamic Finance News for 2012.
20. Best UAE deal of the year by Islamic Finance News for 2012.

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