

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 30 JUNE 2013

Abu Dhabi Islamic Bank net profit for Q2 2013 increases

15.1% to AED 371.4 million

Total Assets increased 15.1% to AED 90.7 billion

Group financial highlights - Second quarter 2013 vs. Second quarter 2012

- Group net revenue for Q2 2013 was AED 950.6 million vs. AED 886.8 million for Q2 2012, an increase of 7.2 %.
- Group operating profit (margin) for Q2 2013 was AED 551.2 million vs. AED 509.2 million for Q2 2012, an increase of 8.2%.
- Total credit provisions and impairments for Q2 2013 were AED 179.8 million vs. AED 186.6 million in Q2 2012.
- Group net profit for Q2 2013 was AED 371.4 million vs. AED 322.6 million in Q2 2012, an increase of 15.1%.
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio of 79.1%, a customer financing to deposits ratio of 84.0% and net due from banks and deposits with Central Bank totaling AED 10.1 billion.
- Capital adequacy position under Basel II remains strong at 17.32%. This is after the repayment in Q2 2013 of the entire AED 2.2 billion in Tier 2 capital, issued to the UAE Federal Government in 2009.

Bank financial highlights - Second quarter 2013 vs. Second quarter 2012

- Bank net revenue for Q2 2013 was AED 939.7 million vs. AED 888.1 million for Q2 2012, an increase of 5.8%.
- Bank operating profit (margin) for Q2 2013 was AED 562.9 million vs. AED 535.5 million for Q2 2012, an increase of 5.1%.
- Total credit provisions and impairments for Q2 2013 were AED 139.3 million vs. AED 138.9 million for Q2 2012, an increase of 0.3%.
- Bank net profit for Q2 2013 was AED 423.6 million vs. AED 396.6 million in Q2 2012, an increase of 6.8%.
- Total number of customers increased by 12.1% over Q2 2012, to reach 537,770.
- Total number of branches in the UAE stands at 76, from 73 at the end of Q2 2012.

Group financial highlights - First half 2013 vs. First half 2012

- Group net revenue for H1 2013 was AED 1,869.6 million vs. AED 1,757.5 million for H1 2012, an increase of 6.4%.
- Group net profit for H1 2013 was AED 711.4 million vs. AED 629.9 million in H1 2012, an increase of 12.9%.

Financial analysis

Income Statement: Q2 2013 vs. Q2 2012 and Q1 2013

- Group net revenues for Q2 2013 increased to AED 950.6 million vs. AED 886.8 million in Q2 2012, a 7.2% increase (and an increase of 3.4% over the AED 919.0 million in Q1 2013).
- Bank net revenues for Q2 2013 increased to AED 939.7 million vs. AED 888.1 million in Q2 2012, a 5.8% increase (and an increase of 2.5% over the AED 916.9 million in Q1 2013).
- Group fee and commission income for Q2 2013 increased to AED 143.1 million vs. AED 102.0 million in Q2 2012, an increase of 40.4% (and a decrease of 5.8% over the AED 151.8 million in Q1 2013).
- Group net profit for Q2 2013 was AED 371.4 million, after taking credit provisions and impairments of AED 179.8 million vs. a net profit of AED 322.6 million in Q2 2012, which was recorded after credit provisions and impairments of AED 186.6 million. Net profit for Q1 2013 was AED 340.1 million after taking credit provisions and impairments of AED 185.5 million.
- Bank net profit for Q2 2013 was AED 423.6 million, after taking credit provisions and impairments of AED 139.3 million vs. a net profit of AED 396.6 million in Q2 2012, which was recorded after credit provisions and impairments of AED 138.9 million. Net profit for Q1 2013 was AED 389.6 million after taking credit provisions and impairments of AED 156.8 million.

Income Statement: H1 2013 vs. H1 2012

- Group net revenues for H1 2013 increased to AED 1,869.6 million vs. AED 1,757.5 million in H1 2012, a 6.4% increase.
- Bank net revenues for H1 2013 increased to AED 1,856.6 million vs. AED 1,762.9 million in H1 2012, a 5.3% increase.
- Group fee and commission income for H1 2013 increased to AED 294.9 million vs. AED 210.8 million in H1 2012, an increase of 39.9%.
- Group net profit for H1 2013 was AED 711.4 million, after taking credit provisions and impairments of AED 365.4 million vs. a net profit of AED 629.9 million in H1 2012, which was recorded after credit provisions and impairments of AED 372.7 million.
- Bank net profit for H1 2013 was AED 813.2 million, after taking credit provisions and impairments of AED 296.1 million vs. a net profit of AED 757.0 million in H1 2012, which was recorded after credit provisions and impairments of AED 295.7 million.

Balance Sheet: 30 June 2013 vs. 30 June 2012 and 31 December 2012

- Total assets as of 30 June 2013 were AED 90.7 billion, representing an increase of 15.1% compared to AED 78.9 billion at the end of 30 June 2012 (and an increase of 5.9% over the AED 85.7 billion at 31 Dec 2012).
- Customer deposits grew 10.4% to AED 66.9 billion, from AED 60.5 billion at the same time last year (and an increase of 9.0% over the AED 61.3 billion at 31 Dec 2012).

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

- The capital adequacy ratio at 30 June 2013 stood at 17.32% vs. 16.55% recorded at 30 June 2012 (21.42% at 31 Dec 2012).
- The customer financing to deposits ratio at 30 June 2013 was 84.0% vs. 83.0% at 30 June 2012 (83.5% at 31 Dec 2012).
- The advances to stable funds ratio (a regulatory ratio) moved to 79.1% at 30 June 2013 from 80.8% at 30 June 2012 (75.7% at 31 Dec 2012).

Financial highlights - Four year performance

As at 30 June

All figures are in AED millions

Balance sheet	Q2 2010	Q2 2011	Q2 2012	Q2 2013	3 YR (CAGR)
Total assets	68,332	72,327	78,857	90,742	9.9%
Gross customer financing	47,133	50,697	53,508	59,476	8.1%
Customer deposits	51,883	53,192	60,546	66,868	8.8%
Total equity	7,701	8,159	8,605	12,534	17.6%
Capital adequacy ratio - Basel II	16.6%	16.1%	16.6%	17.3%	
Tier 1 ratio - Basel II	12.7%	12.4%	12.8%	16.9%	
Customer financing to deposit ratio	87.1%	90.5%	83.0%	84.0%	

Income statement	Q2 2010	Q2 2011	Q2 2012	Q2 2013	3 YR (CAGR)
Net revenue - Group	744.2	908.3	886.8	950.6	8.5%
Net revenue - Bank	747.8	874.3	888.1	939.7	7.9%
Operating profit (margin) - Group	436.2	551.0	509.2	551.2	8.1%
Operating profit (margin) - Bank	466.2	540.2	535.5	562.9	6.5%
Credit provisions and impairment charge - Group	134.6	235.8	186.6	179.8	10.1%
Credit provisions and impairment charge - Bank	134.6	148.9	138.9	139.3	1.1%
Net profit - Group	301.6	315.2	322.6	371.4	7.2%
Net profit - Bank	331.6	391.3	396.6	423.6	8.5%
Total credit provisions to gross financing assets ratio - Group	4.10%	5.07%	6.09%	5.52%	
Cost to income ratio - Group	41.4%	39.3%	42.6%	42.0%	
Cost to income ratio - Bank	37.7%	38.2%	39.7%	40.1%	

Network - UAE	Q2 2010	Q2 2011	Q2 2012	Q2 2013	3 YR (CAGR)
Total customers	387,017	439,734	479,720	537,770	11.6%
Branches	57	66	73	76	10.1%
ATMs	262	384	500	560	28.8%

Abu Dhabi, UAE - 23 July 2013: The Abu Dhabi Islamic Bank (ADIB) Group posted a 15.1% increase in net profit of AED 371.4 million for Q2 2013, after taking provisions and impairments of AED 179.8 million, as the next phase of its growth strategy continued to gain momentum. The performance of the main banking business in the first half of the year has been particularly strong with total assets reaching AED 90.7 billion for the first time.

The business highlights for Q2 2013 were:

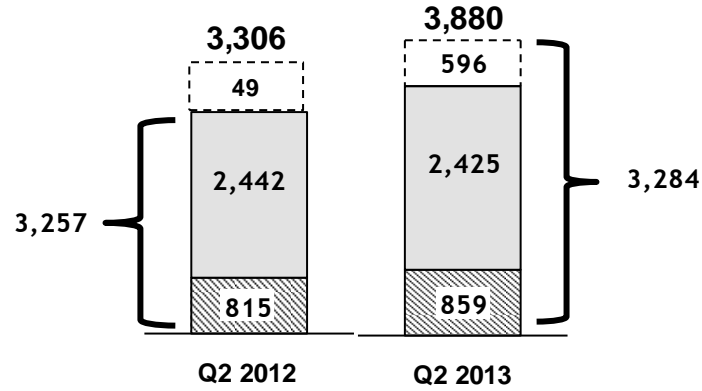
- A strong performance across a number of business units, saw ADIB's net customer financing assets increase by 4.0% vs. 31 March 2013, a 9.8% increase in H1 2013.
- The expansion into new customer segments, while remaining loyal to the core UAE National customer base, saw the number of active customers served by ADIB increase by 3.3% in Q2 2013 to 537,770, a 12.1% year-on-year increase.
- With 76 retail branches and 560 ATMs in the UAE at the end of Q2 2013 the Bank maintained its position as one of the largest retail banking networks in the UAE. It remains on track to have 80 branches in 2013.
- The deposit concentration risk was further reduced as current and savings account balances reached AED 36.7 billion, a 5.5% increase vs. Q1 2013 and a 19.9% 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 144.1 million in credit provisions, to ensure a healthy pre-collateral non-performing asset coverage ratio of 72.8% of the impaired portfolio, net of write-offs.

Risk management

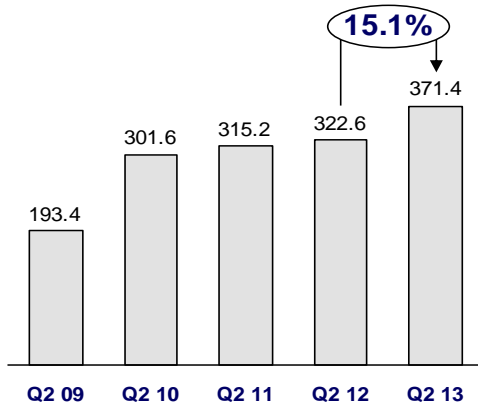
ADIB continued its best-practice approach to managing its non-performing portfolio. As a result, total non-performing accounts as a percentage of gross customer financing decreased to 9.6% vs. 10.4% at 31 December 2012 while the Bank took an additional AED 137.9 million in specific provisions and AED 6.2 million in collective provisions in Q2 2013, thereby increasing net credit provisions to AED 3,284 million, net of write-offs. Total net credit provisions now represent a pre-collateral non-performing coverage ratio of 72.8% of the impaired portfolio. The Bank's collective provisions represent 1.61% of total customer risk weighted assets, and remain ahead of the Central Bank's 2014 requirement of 1.5%. Furthermore, the Bank has an additional Credit Risk Reserve of AED 400 million, which was established in Q4 2012 as part of a preemptive move towards the emerging global best practice standard of expected loss coverage and establishment of capital buffers.

In addition to the credit portfolio, a further AED 39.6 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 614.2 million over the past four years.

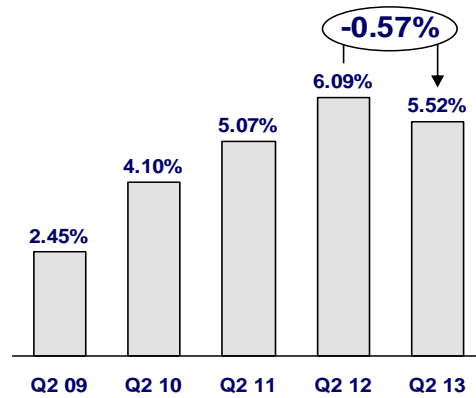
Write off
 Specific credit provision
 Collective provision



Total Gross Credit Provisions - AED Mn



Group net profit - AED Mn

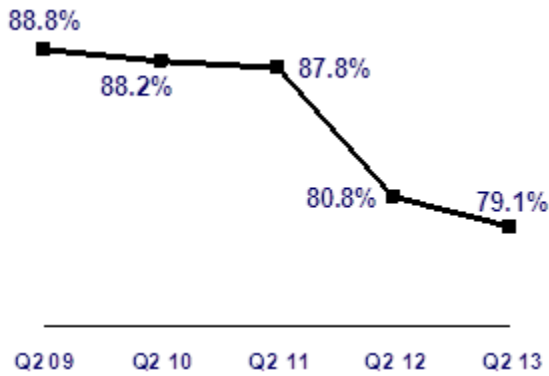


Total credit provisions to gross customer financing ratio. Net of write offs - %

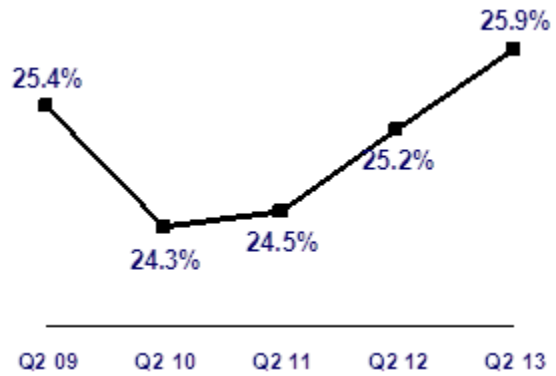
Liquidity

ADIB maintained its position as one of the most liquid banks in the UAE. At the end of Q2 2013, customer deposits stood at AED 66.9 billion, Central Bank placements at AED 5.0 billion and the net interbank position at AED 5.1 billion. A continued focus on reducing the cost of funds and deposit concentration saw current and savings accounts grow by 19.9% year-on-year to reach AED 36.7 billion, while overall deposits increased 10.4% to AED 66.9 billion during the same period.

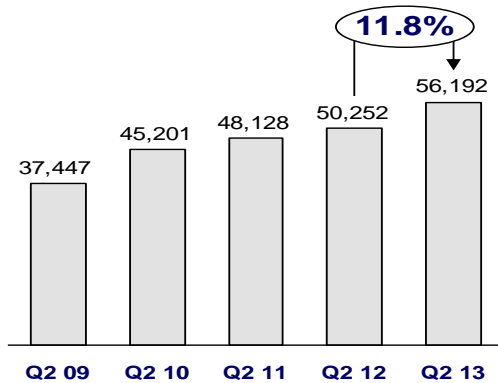
On the asset side, net customer financing grew by 9.8% in H1 2013 to reach a new high of AED 56.2 billion (AED 51.2 billion as at 31 December 2012) and the Bank ended the quarter with a customer financing to deposits ratio of 84.0% and an advances to stable funds ratio of 79.1%, which is significantly better than the regulatory threshold of 100%. Furthermore, it is noteworthy that ADIB's quick asset to total asset ratio was 25.9% at the end of Q2 2013.



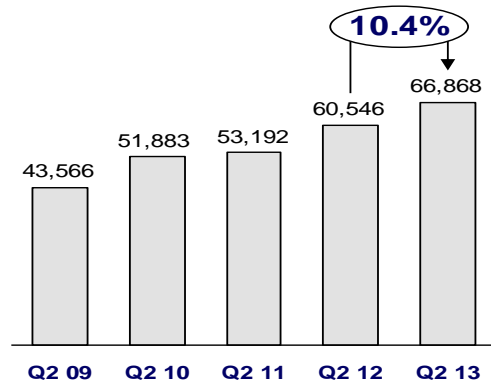
Advances to Stable Funds ratio



Quick Assets to Total Assets ratio



Net Customer Financing Growth - AED Mn

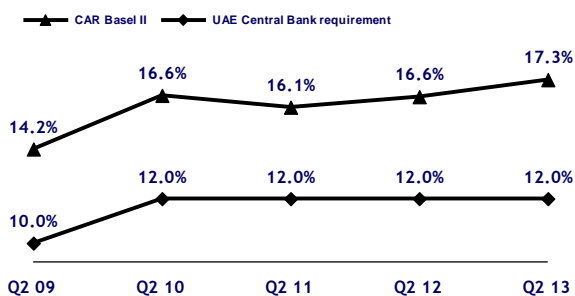


Customer Deposit Growth - AED Mn

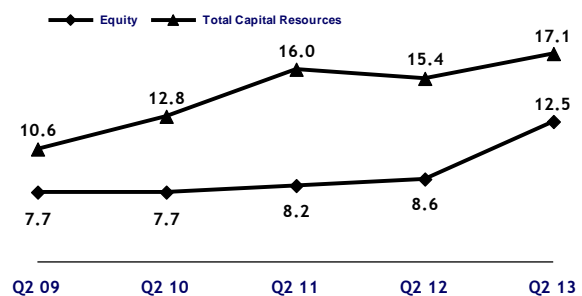
Capital strength

Q2 2013 saw ADIB repay the entire AED 2.2 billion in Tier 2 capital, which was issued to the UAE Federal Government in 2009, as part of its multi-pronged approach to capital management and optimization. The Bank's approach to capital management and optimization, which also included the successful Tier 1 issue in Q4 2012, means that the next phase of ADIB's growth is on track, as shown by the 9.8% increase in net customer financing in H1 2013 vs. 31 December 2012.

ADIB's capital ratios continue to be well above the UAE Central Bank of the prescribed minimums of 12% for capital adequacy and 8% for Tier 1. The capital adequacy ratio under Basel II principles ended Q2 2013 at 17.32% and the Basel II Tier 1 capital ratio was 16.87%.



Capital Adequacy Ratio - %



Equity & Total Capital Resources - AED Bn

Cost management

ADIB has continued to invest appropriately across all customer segments and has expanded its operations in new markets. During the past 12 months, investments were made in: distribution (with three new branches in UAE); alternative channels (60 new ATMs); and also building its regional and international capabilities with ADIB now present in 7 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 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 42.4% for H1 2013 (43.0% - H1 2012), while the Bank's cost to income ratio remained flat at 40.3% for H1 2013 (40.3% - H1 2012).

Human resources

A continued emphasis on efficiency and performance, despite ADIB's focus on the growth of its local and international operations, has seen the Bank's headcount decrease by 34 since Q2 2012 to 1,634.

ADIB remains one of the leading banks in regard to Emiratisation and as at the end of Q2 2013 the Bank employed 702 UAE Nationals.

Management comment

On behalf of the Board of Directors and the management team Tirad Al Mahmoud, CEO of ADIB, said: "I am pleased that the next phase of ADIB's growth strategy continues to gain momentum as shown by the underlying growth of our total assets which reached AED 90 billion for the first time. Our 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 liquidity, enabled ADIB to grow its net customer financing assets by 9.8% in the first half of 2013. The growth, which is well above the market average, reinforces ADIB's status as a top-tier UAE bank.

"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 79.1% at 30 June 2013. Most notably, our focus on building current and savings accounts saw their combined balances grow by 19.9% year-on-year. The overall result is that we not only meet the new Basel III based liquidity ratios but our deposit concentration risk continues to decline.

"With regards to provisioning, we have continued our prudent practices and added a further AED 180 million in total credit provisions and impairments during Q2 2013, while maintaining our collective provisions well above the Central Bank guidelines of 1.5%. Since 2008, total credit provisions and impairments taken by the Group amounts to AED 4,646 million. Despite both the positive outlook we have in new customer and financing asset growth, we remain cautious about any recovery in the non-

performing credit environment and fully intend to continue our diligent approach to both the recognition and management of remedial accounts.”

Other ADIB Group companies

ADIB Securities

“On the back of a strong recovery in the local equity markets and the welcome news about the UAE’s entrance to the MSCI emerging markets index, our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 7.7 million in Q2 2013, up 327% from the previous year. The business, which only deals in Shari’s compliant shares, recorded a market share of 6.0% for Q2 2013 and is now established as the top retail broker in the UAE. Its success reflects our strategic commitment to servicing our Private Banking and Retail Banking customers through the investment cycle, rather than entering and exiting sectors and segments based on market fluctuations.”

Burooj Properties

With regard to Burooj, the Group’s real estate subsidiary: “Notwithstanding the continued signs of recovery of the real estate market in an increasing number of segments and locations across the UAE, we remain cautious about the outlook of the sector as a whole which, is in our view, still overbuilt. Given this we have continued our prudent approach to bringing Burooj’s legacy development portfolio to account and during the quarter we were pleased with the progress made in resolving another one of Burooj’s commitments and thereby restricting impairments to AED 39.6 million in Q2 2013 vs 47.5 million in the same quarter last year. As a consequence Burooj made a loss of AED 60.7 million in Q2 2013 against the loss of AED 77.1 million in Q2 2012.

Outlook for 2013

Providing guidance on the Bank’s direction for 2013: “As a result of a strong first half for asset growth, our outlook for the full year is moderately positive. However, since we continue to have concerns about the sustainable recovery of global economy we remain focused on our remedial and problem credit management processes and until there is a meaningful improvement in the non-performing portfolio we will continue to take provisions as is prudent and necessary. 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 economic growth of the UAE and in 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.



Tirad Al Mahmoud
Chief Executive Officer

Financial summaries

ADIB Financial summary - Half year Summary

Financials	Banking					Consolidated Group				
	H1 2011	H1 2012	H1 2013	Chg H1 12 vs. H1 11	Chg H1 13 vs. H1 12	H1 2011	H1 2012	H1 2013	Chg H1 12 vs. H1 11	Chg H1 13 vs. H1 12
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	1,435.3	1,495.2	1,523.9	4.2%	1.9%	1,435.3	1,495.2	1,523.9	4.2%	1.9%
Fees, Commissions and FX	200.6	203.7	259.5	1.6%	27.3%	200.6	203.7	259.5	1.6%	27.3%
Investment Revenues	53.5	64.0	73.2	19.5%	14.5%	53.5	64.0	73.2	19.5%	14.5%
Net Banking Revenues	1,689.5	1,762.9	1,856.6	4.3%	5.3%	1,689.5	1,762.9	1,856.6	4.3%	5.3%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	8.7	10.9	17.5	24.7%	61.1%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	18.9	(19.6)	(14.5)	-203.6%	25.9%
Finance Company Revenues (SIH subsidiary)	-	-	-	-	-	-	3.2	9.9	100%	204.7%
Revenue from Other Minor Activities	-	-	-	-	-	-	0.1	0.1	100%	-
Net Non-banking Revenues	-	-	-	-	-	27.6	(5.4)	13.0	-119.6%	340.7%
	Banking					Consolidated Group				
Total Revenues	1,689.5	1,762.9	1,856.6	4.3%	5.3%	1,717.1	1,757.5	1,869.6	2.4%	6.4%
Operating profit (margin)	1,031.8	1,052.7	1,109.3	2.0%	5.4%	1,015.1	1,002.6	1,076.8	-1.2%	7.4%
Credit Provisions and Impairment charge	299.9	295.7	296.1	-1.4%	0.1%	395.3	372.7	365.4	-5.7%	-2.0%
Net Profit	731.9	757.0	813.2	3.4%	7.4%	619.8	629.9	711.4	1.6%	12.9%
Total Assets in AED (Billion)	72.1	79.1	91.2	9.7%	15.3%	72.3	78.9	90.7	9.0%	15.1%
Customer Financing in AED (Billion)	50.2	52.4	58.4	4.3%	11.4%	48.1	50.3	56.2	4.4%	11.8%
Customer Deposits in AED (Billion)	53.2	60.6	67.1	13.9%	10.6%	53.2	60.5	66.9	13.8%	10.4%

ADIB Financial summary - Quarter Summary

Financials	Banking					Consolidated Group				
	Q2 2011	Q2 2012	Q2 2013	Chg Q2 12 vs. Q2 11	Chg Q2 13 vs. Q2 12	Q2 2011	Q2 2012	Q2 2013	Chg Q2 12 vs. Q2 11	Chg Q2 13 vs. Q2 12
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	746.5	747.3	777.1	0.1%	4.0%	746.5	747.3	777.1	0.1%	4.0%
Fees, Commissions and FX	100.0	99.5	137.8	-0.4%	38.4%	100.0	99.5	137.8	-0.4%	38.4%
Investment Revenues	27.8	41.3	24.8	48.6%	-39.9%	27.8	41.3	24.8	48.6%	-39.9%
Net Banking Revenues	874.3	888.1	939.7	1.6%	5.8%	874.3	888.1	939.7	1.6%	5.8%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	4.5	5.0	10.8	10.9%	118.2%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	29.5	(9.6)	(5.4)	-132.5%	44.1%
Finance Company Revenues (SIH subsidiary)	-	-	-	-	-	-	3.2	5.4	100%	66.5%
Revenue from Other Minor Activities	-	-	-	-	-	-	0.1	0.1	100%	-
Net Non-banking Revenues	-	-	-	-	-	34.0	(1.3)	10.9	-103.8%	938.5%
	Banking					Consolidated Group				
Total Revenues	874.3	888.1	939.7	1.6%	5.8%	908.3	886.8	950.6	-2.4%	7.2%
Operating profit (margin)	540.2	535.5	562.9	-0.9%	5.1%	551.0	509.2	551.2	-7.6%	8.2%
Credit Provisions and Impairment charge	148.9	138.9	139.3	-6.7%	0.3%	235.8	186.6	179.8	-20.9%	-3.6%
Net Profit	391.3	396.6	423.6	1.4%	6.8%	315.2	322.6	371.4	2.3%	15.1%

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

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