

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 30 JUNE 2014

**Abu Dhabi Islamic Bank net profit for Q2 2014 increases
22.5% to AED 454.8 million**

Total assets increased 15.4% year-on-year to AED 105.7 billion

Group Financial Highlights

Income Statement: Q2 2014 vs. Q2 2013 and Q1 2014

- Group net profit for Q2 2014 increased by 22.5% to AED 454.8 million vs. AED 371.4 million in Q2 2013 (and increased by 11.1% vs. AED 409.5 million for Q1 2014).
- Group net revenues for Q2 2014 increased by 13.9% to AED 1,082.9 million vs. AED 950.6 million in Q2 2013 (and increased by 0.9% vs. AED 1,073.0 million in Q1 2014).
- Credit provisions and impairments for Q2 2014 decreased by 2.2% to AED 175.8 million vs. AED 179.8 million for Q2 2013 (and decreased by 18.8% vs. AED 216.4 million for Q1 2014).

Income Statement: First half 2014 vs. First half 2013

- Group net profit for H1 2014 increased by 21.5% to AED 864.3 million vs. AED 711.4 million in H1 2013.
- Group net revenues for H1 2014 increased by 15.3% to AED 2,156.0 million vs. AED 1,869.6 million in H1 2013.
- Credit provisions and impairments for H1 2014 increased by 7.4% to AED 392.3 million vs. AED 365.4 million for H1 2013.

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

- Total assets as of 30 June 2014 were AED 105.7 billion, representing an increase of 15.4% from AED 91.6 billion at the end of 30 June 2013 (and an increase of 2.4% over the AED 103.2 billion at 31 December 2013).
- Net customer financing grew 15.4% to AED 64.9 billion, from AED 56.2 billion at the end of 30 June 2013 (and an increase of 5.1% over the AED 61.7 billion at 31 December 2013).
- Customer deposits grew 18.2% to AED 79.0 billion, from AED 66.9 billion at the end of 30 June 2013 (and an increase of 4.6% over the AED 75.5 billion at 31 December 2013).

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

- The capital adequacy ratio under Basel II at 30 June 2014, after the payment of the 2013 dividend and the Tier 1 coupons in Q2 2014, remains strong at 15.80% vs. 17.32% recorded at 30 June 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 79.0% at 30 June 2014, from 79.1% at 30 June 2013 (77.9% at 31 December 2013) and a customer financing to deposits ratio at 30 June 2014 at 82.1% vs. 84.0% at 30 June 2013 (81.8% at 31 December 2013).

Group Financial highlights - Four-year performance

As at 30 June

All figures are in AED millions

Balance sheet	Q2 2011	Q2 2012	Q2 2013	Q2 2014	3 YR (CAGR)
Total assets	72,327	78,857	91,565	105,666	13.5%
Gross customer financing	50,697	53,508	59,476	68,075	10.3%
Customer deposits	53,192	60,546	66,868	79,029	14.1%
Total equity	8,159	8,605	12,534	12,953	16.6%
Capital adequacy ratio - Basel II	16.1%	16.6%	17.3%	15.8%	
Tier 1 ratio - Basel II	12.4%	12.8%	16.9%	15.3%	
Customer financing to deposit ratio	90.5%	83.0%	84.0%	82.1%	

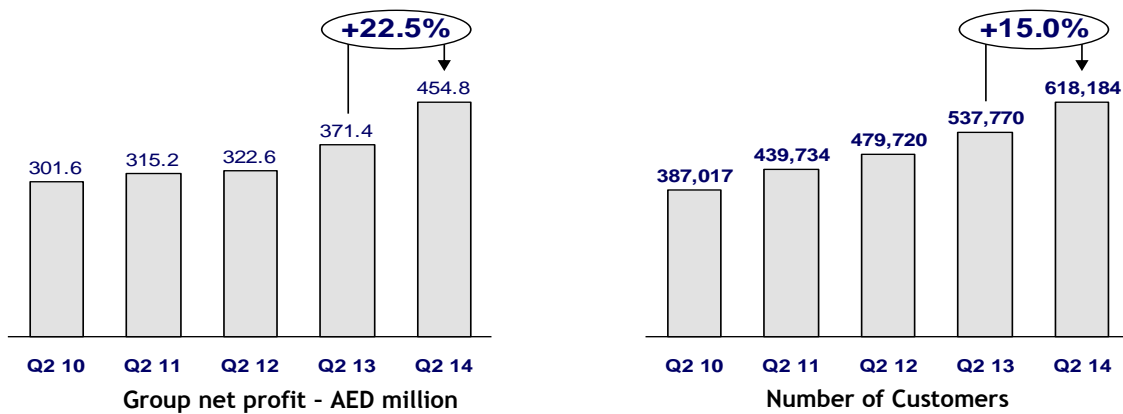
Income statement	Q2 2011	Q2 2012	Q2 2013	Q2 2014	3 YR (CAGR)
Net revenue	908.3	886.8	950.6	1,082.9	6.0%
Operating profit (margin)	551.0	509.2	551.2	630.6	4.6%
Credit provisions and impairment charge	235.8	186.6	179.8	175.8	-9.3%
Net profit	315.2	322.6	371.4	454.8	13.0%
Total non-performing accounts to gross financing assets ratio	12.7%	10.6%	9.6%	7.1%	
Cost to income ratio	39.3%	42.6%	42.0%	41.8%	

Network - UAE	Q2 2011	Q2 2012	Q2 2013	Q2 2014	3 YR (CAGR)
Total customers	439,734	479,720	537,770	618,184	12.0%
Branches	66	73	76	80	6.6%
ATMs	384	500	560	606	16.4%

Abu Dhabi, UAE - 20 July 2014: The Abu Dhabi Islamic Bank (ADIB) Group posted a 22.5% increase in net profit to AED 454.8 million for Q2 2014. The record financial performance was once again underpinned by the main banking business, with the Group's total asset growing 15.4% to AED 105.7 billion vs. Q2 2013. The focus of ADIB's strategy remains on delivering an award-winning customer experience across all segments in an increasing number of business lines and geographies. The customer-centric strategy places an emphasis on mutually beneficial relationships, service, innovation and convenience and is reinforced by robust enterprise risk management and best practice controls across the Group. This has seen ADIB grow its deposits by 18.2% to AED 79.0 billion and its customer financing assets by 15.4% to 64.9 billion while simultaneously managing its cost of credit and impairments on the legacy real estate exposures. As a result, total non-performing accounts as a percentage of gross customer financing decreased to 7.1% vs. 9.6% at 30 June 2013 while total credit provisions increased by 10.9% to AED 159.8 million during Q2 2014 as the Bank further increased its buffer in anticipation of the launch of the new UAE credit bureau.

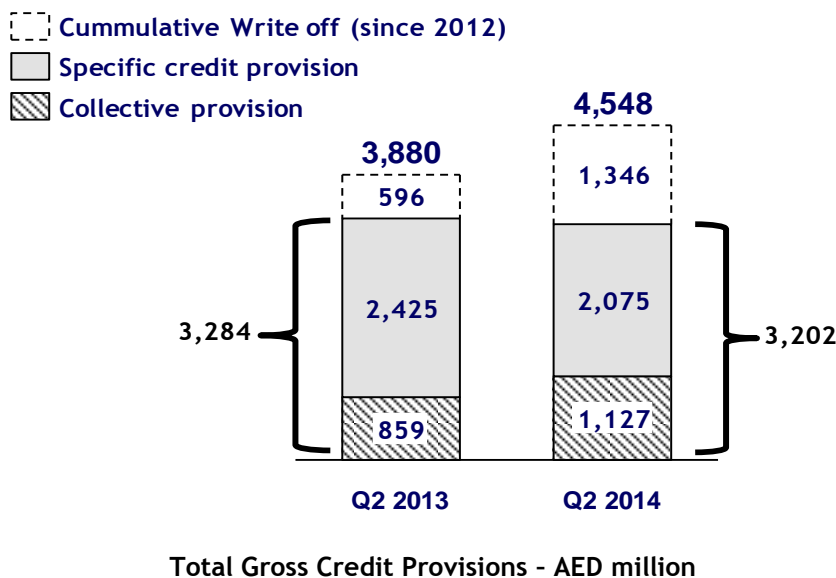
The business highlights for Q2 2014 were:

- The approval by the Central Bank of the UAE of ADIB's agreement to acquire the retail business of Barclays Bank in the UAE and the initiation of the customer, staff and business transfer process;
- The continued expansion into new customer segments, including 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 3.6% quarter-on-quarter to 618,184. This represented a 15.0% increase year-on-year.
- The Bank maintaining its position as one of the largest retail banking networks in the UAE with 80 retail branches, 606 ATMs and the leading mobile and internet banking platforms at the end of Q2 2014.
- A strong performance across all banking related businesses units saw ADIB's net customer financing assets increase by 5.1% vs. 31 December 2013, a 15.4% increase during last 12 months.
- Customer deposits grew to AED 79.0 billion, an increase of 18.2% from AED 66.9 billion at the end of 30 June 2013, and 4.6% over the AED 75.5 billion at 31 December 2013, as the Bank maintained its best in market liquidity ratios.
- ADIB Securities increased net profit for Q2 2014 by 223.9% to AED 24.8 million vs. AED 7.7 million for Q2 2013, as it continued to build its position as the leading retail stockbroker in the UAE.
- Maintaining a conservative policy of non-performing asset recognition and remedial management, including taking an additional AED 159.8 million in total credit provisions, to ensure a healthy pre-collateral non-performing asset coverage ratio of 82.2% of the impaired portfolio, net of write-offs.
- The establishment of Adimac, the Group's merchant-acquiring UAE joint venture, as ADIB seeks to expand its card and business banking related financial services capabilities.



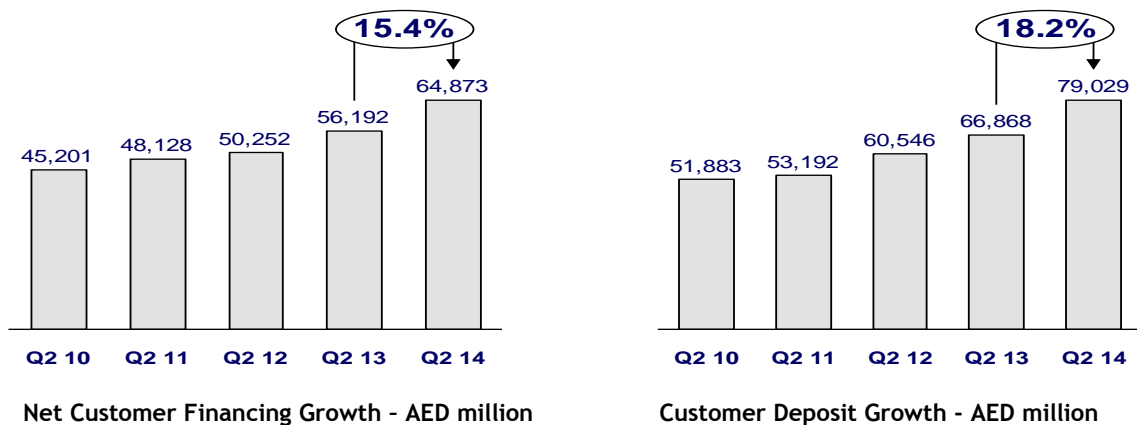
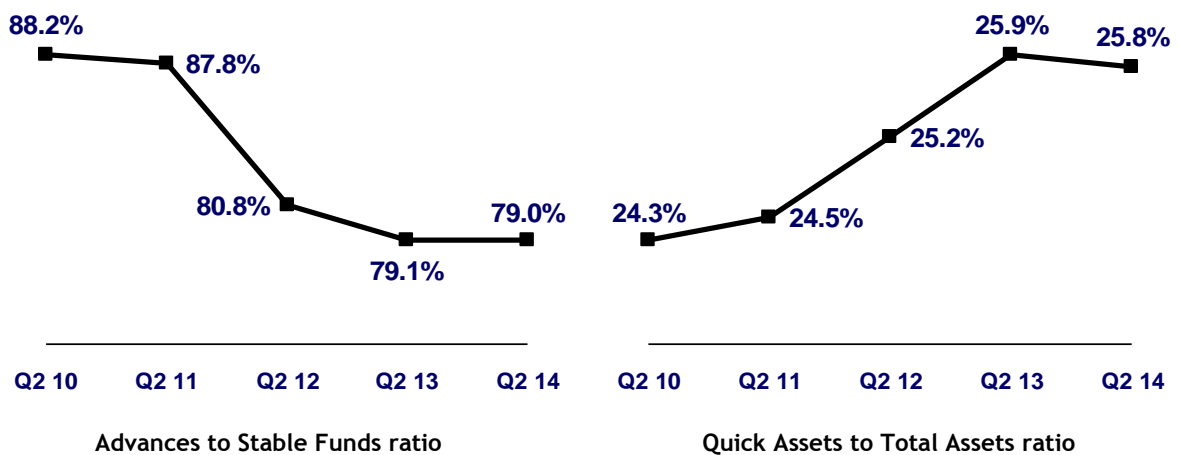
Risk management

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 7.1% vs. 8.3% at 31 December 2013 (9.6% at 30 June 2013). The Bank also took an additional AED 46.9 million in specific provisions and AED 112.9 million in collective provisions in Q2 2014, thereby increasing net credit provisions to AED 3,202 million, net of write-offs. Total net credit provisions now represent a pre-collateral non-performing coverage ratio of 66.5% of the total non-performing portfolio and 82.2% of the impaired portfolio. The Bank's collective provisions which, as a minimum, are required to track the net growth in customer financing at the Central Bank's prescribed level of 1.5%, have been further enhanced to 1.8% of total customer risk weighted assets as the Bank built a prudent buffer in anticipation of the launch of the new credit bureau in the UAE. Furthermore, the Bank's 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, remains unutilized.



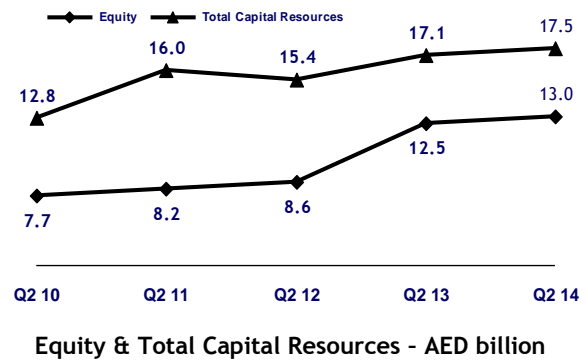
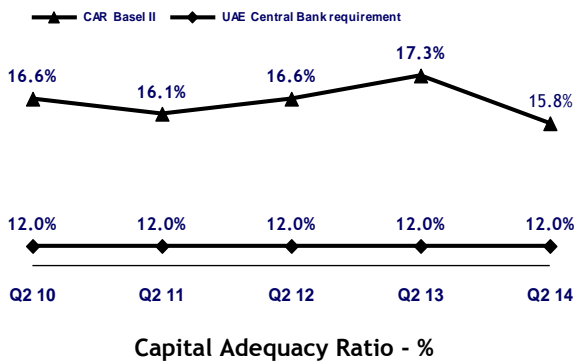
Asset and Liability Management

ADIB 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 79.0 billion at the end of Q2 2014, with Central Bank placements at AED 11.5 billion and the net interbank position at AED 1.4 billion. At the same time, net customer financing assets grew by 15.4% vs. Q2 2013 to reach a new high of AED 64.9 billion (AED 61.7 billion as at 31 December 2013) and, as a result, ADIB ended the quarter with a customer financing to deposits ratio of 82.1% and advances to stable funds ratio of 79.0%, which is significantly better than the regulatory threshold of 100%. Furthermore, it is noteworthy that ADIB's quick asset to total asset ratio was 25.8% at the end of Q2 2014.



Capital strength

Notwithstanding the 15.4% growth in net customer financing assets since Q2 2013 and the increase in total assets to AED 105.7 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 17.5 billion at the end of Q2 2014, an increase of 2.4 % year-on-year, with the capital adequacy ratio under Basel II principles at 15.80% and the Basel II Tier 1 capital ratio at 15.34%.



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 80 in the UAE); alternative channels (a 8.2% increase in ATMs to 606); growing the Arablink foreign exchange broking joint venture in the UAE (5 branches now opened); establishing a new merchant-acquiring joint venture, Adimac; and in building its regional and international capabilities in all 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 inter-related regions by offering Islamic financial solutions for everyone. Despite this focus on growth, the concurrent emphasis on efficiency saw the Group’s cost to income ratio decrease to 41.8% at the end of Q2 2014 vs. 42.0% at the end of Q2 2013.

Human resources

The continuation of ADIB’s domestic and international expansion strategy, along with an increasing number of client segments and business lines and expanding range of products and solutions, has seen the Bank’s headcount in the UAE increase to 1,900. 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 886 Nationals in the UAE with a resultant Emiratization ratio of 46.6%.

Management comment

On behalf of the Board of Directors and the management team, Tirad Al Mahmoud, CEO of ADIB, said: “ADIB’s vision of being a top-performing regional bank remains firmly on track as we continue our focus on building market leadership across an increasing range of segments and business lines in the UAE and an expanding presence in the other six countries in which we operate. The continued success of ADIB’s strategy, and our ability to implement it, is clear and the Group has delivered a 22.5% year-on-year increase in net profit to AED 454.8 million for Q2 2014 on the back of a 15.4% increase in customer financing assets and 18.2% growth in customer deposits over the past year.

“As was the case in the first quarter of the year, it is noteworthy that the record quarterly performance reflects the sustainable strength of our core banking businesses in that it did not rely on reducing provisioning and impairment levels as we continued our conservative approach in managing our legacy remedial portfolio. In this regard we added a further AED 175.8 million in total credit provisions and impairments during Q2 2014 taking the total credit provisions and impairments taken by the Group, including write-offs, since 2008 to AED 5,453.8 million. It should also be noted that we have further increased our collective provisions by AED 112.9 million in Q2 2014 and have brought our ratio to total customer risk weighted assets to 1.8%, which is well above the Central Bank minimum guidelines of 1.5%, by building a prudent buffer in anticipation of the launch of the new credit bureau in the UAE.

“We are pleased to have received the full support of and approval by the Central Bank of the UAE for the agreement to acquire the retail banking business of Barclays Bank in the UAE. ADIB and Barclays are now working together to ensure a seamless transition for customers and all the staff who have accepted our offer of ongoing employment, which we anticipate completing well before year-end. After completion, the customers will have full access to all ADIB’s products, networks and services in addition to enhanced versions of their existing products and branch access. It is anticipated that the transaction will result in over 115,000 new customers joining ADIB, taking our total active affluent base to almost 750,000 by the end of 2014, as we expand into the expatriate market segment without disrupting our existing UAE National customer base.

Other ADIB Group companies

Securities

“Despite the recent volatility and ongoing correction in the UAE equity markets, our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 24.8 million in Q2 2014, up 223.9% from the previous year. With over 45% of volumes now flowing through our online portals, we are committed to further enhancing the trading platform and related internet and mobile customer order and market information channels as we seek to expand our market presence.”

Real Estate

With regard to Burooj Properties, the Group’s real estate subsidiary: “Our systematic approach to repositioning Burooj is ongoing. Q2 2014 saw no further impairments on the portfolio and we believe that barring any further shocks to the real estate market or the failure of those partners, who we are engaging in ongoing discussions to reach agreement to further reduce the business’ legacy commitments, we can now focus our attention on enhancing its future prospects. In this regard, the next step is to complete the sale of Burooj’s last trading assets and, subject to regulatory approval, consolidate the Group’s real estate investment property portfolio into a future 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 now further expanding its business by offering a mix of property management, valuations, sales and leasing agency and related services. We 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 second half of 2014: “While we continue to identify and invest in new markets and establish new business lines, our core business remains our UAE banking operations. We are positive about the UAE’s economic outlook and will continue to invest in growing our market share in an increasing number of segments. In this regard, we look forward to completing the seamless integration of the Barclays UAE retail customers and staff into their new home as well as the continued performance of our existing segments, including our core UAE National and corporate customer bases.

“Notwithstanding our positive outlook we are closely monitoring the levels of consumer debt and the pending launch of the new UAE credit bureau, which will bring much welcomed clarity to the risk recognition of individual customers. Furthermore, while we have made significant progress in dealing with our legacy credit and real estate portfolios, we do not believe the impact of the recent financial crises on the UAE credit cycle has concluded and many non-performing customers are still under remedial action. Until these remedial discussions are concluded in a manner we consider sustainable we will continue our problem credit recognition, provisioning and related recovery management processes.”

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 6 months summary

Financials	Consolidated Group									
	Q2 2012	Q2 2013	Q2 2014	Chg Q2 13 vs. Q2 12	Chg Q2 14 vs. Q2 13	H1 2012	H1 2013	H1 2014	Chg H1 13 vs. H1 12	Chg H1 14 vs. H1 13
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	724.4	755.8	840.9	4.3%	11.3%	1,446.9	1,481.5	1,638.6	2.4%	10.6%
Investment income	47.5	32.1	68.2	-32.4%	112.4%	74.7	85.2	147.6	14.1%	73.2%
Fees & Commissions	102.0	143.1	167.3	40.4%	16.9%	210.8	294.9	344.2	39.9%	16.7%
FX	12.6	16.6	5.1	32.3%	-69.3%	24.6	4.8	23.7	-80.3%	388.9%
Other	0.3	3.0	1.4	633.2%	-51.2%	0.5	3.2	1.9	445.3%	-40.5%
Total Revenues	886.8	950.6	1,082.9	7.2%	13.9%	1,757.5	1,869.6	2,156.0	6.4%	15.3%
Operating profit (margin)	509.2	551.2	630.6	8.2%	14.4%	1,002.6	1,076.8	1,256.6	7.4%	16.7%
Credit Provisions and Impairment	186.6	179.8	175.8	-3.6%	-2.2%	372.7	365.4	392.3	-2.0%	7.4%
Net Profit	322.6	371.4	454.8	15.1%	22.5%	629.9	711.4	864.3	12.9%	21.5%
Total Assets in AED (Billion)	78.9	91.6	105.7	16.1%	15.4%	78.9	91.6	105.7	16.1%	15.4%
Customer Financing in AED (Billion)	50.3	56.2	64.9	11.8%	15.4%	50.3	56.2	64.9	11.8%	15.4%
Customer Deposits in AED (Billion)	60.5	66.9	79.0	10.4%	18.2%	60.5	66.9	79.0	10.4%	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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