

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDING 31 DECEMBER 2015

**Abu Dhabi Islamic Bank net profit for 2015 increases
10.5% to AED 1,934.0 million**

Group Financial Highlights

Income Statement: FYR 2015 vs. FYR 2014 and Q4 2015 vs. Q4 2014

- Group net profit for 2015 increased by 10.5% to AED 1,934.0 million vs. AED 1,750.7 million in 2014. Group net profit for Q4 2015 increased by 16.6% to AED 477.4 million vs. AED 409.6 million in Q4 2014.
- Group net revenues for 2015 increased by 12.0% to AED 5,134.4 million vs. AED 4,583.0 million in 2014. Group net revenues for Q4 2015 increased by 9.2% to AED 1,371.9 million vs. AED 1,256.2 million in Q4 2014.
- Credit provisions and impairments for 2015 increased by 8.2% to AED 820.0 million vs. AED 757.8 million for 2014. Credit provisions and impairments for Q4 2015 increased by 39.5% to AED 249.3 million vs. AED 178.7 million for Q4 2014.

Balance Sheet: 31 December 2015 vs. 31 December 2014 and 30 September 2015

- Total assets as of 31 December 2015 were AED 118.4 billion, representing an increase of 5.8% from AED 111.9 billion at the end of 31 December 2014 (and an increase of 1.2% over the AED 116.9 billion at 30 September 2015).
- Net customer financing grew 7.4% to AED 78.4 billion, from AED 73.0 billion at the end of 31 December 2014 (and an increase of 1.5% over the AED 77.2 billion at 30 September 2015).
- Customer deposits grew 12.0% to AED 94.9 billion, from AED 84.8 billion at the end of 31 December 2014 (and an increase of 6.1% over the AED 89.4 billion at 30 September 2015).

Capital adequacy and liquidity: 31 December 2015 vs. 31 December 2014 and 30 September 2015

- The capital adequacy ratio under Basel II at 31 December 2015, after the successful completion of the AED 504 million rights issue in Q3 2015, is 15.14% vs. 14.36% recorded at 31 December 2014 (14.70% at 30 September 2015).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 84.6% at 31 December 2015, vs. 86.5% at 31 December 2014 (88.3% at 30 September 2015) and an advances to deposits ratio at 31 December 2015 at 82.6% vs. 86.1% at 31 December 2014 (86.4% at 30 September 2015).

Group Financial highlights - Four-year performance

As at 31 December

All figures are in AED millions

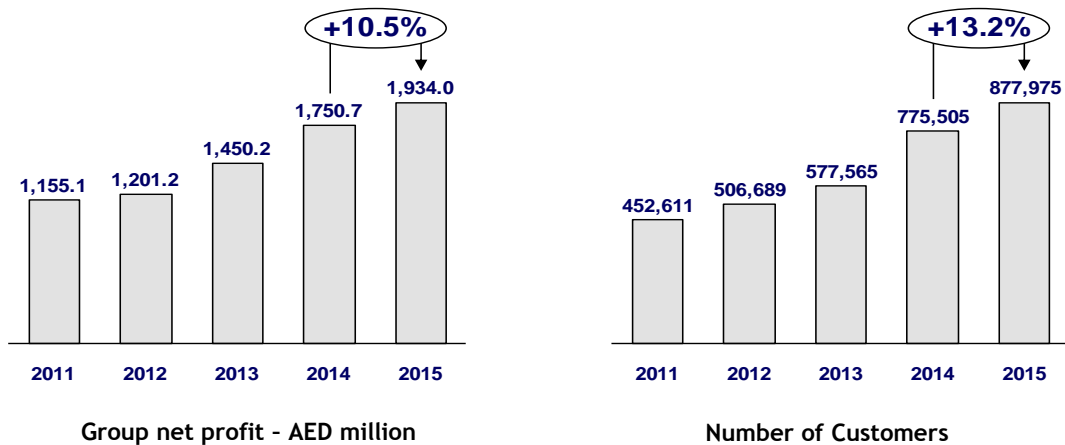
| Balance sheet | 2012 | 2013 | 2014 | 2015 | 3 YR (CAGR) |
|---|-------------|-------------|-------------|-------------|------------------------|
| Total assets | 86,084 | 103,160 | 111,904 | 118,378 | 11.2% |
| Gross customer financing | 54,294 | 65,109 | 75,760 | 81,398 | 14.5% |
| Customer deposits | 61,326 | 75,524 | 84,776 | 94,927 | 15.7% |
| Total equity | 12,652 | 13,074 | 13,687 | 15,075 | 6.0% |
| Capital adequacy ratio - Basel II | 21.42% | 16.86% | 14.36% | 15.14% | |
| Tier 1 ratio - Basel II | 18.43% | 16.42% | 13.87% | 14.59% | |
| Customer financing to deposit ratio | 83.5% | 81.8% | 86.1% | 82.6% | |
| Income statement | 2012 | 2013 | 2014 | 2015 | 3 YR (CAGR) |
| Net revenue | 3,566 | 3,931 | 4,583 | 5,134 | 12.9% |
| Operating profit (margin) | 2,003 | 2,232 | 2,512 | 2,760 | 11.3% |
| Credit provisions and impairment charge | 802 | 780 | 758 | 820 | 0.7% |
| Net profit after zakat & tax | 1,201 | 1,450 | 1,751 | 1,934 | 17.2% |
| Total non-performing accounts to gross financing assets ratio | 10.4% | 8.3% | 4.4% | 3.9% | |
| Provision coverage ratio | 54.7% | 62.5% | 83.2% | 95.5% | |
| Cost to income ratio | 43.8% | 43.3% | 45.3% | 46.2% | |
| Network - UAE | 2012 | 2013 | 2014 | 2015 | 3 YR (CAGR) |
| Total customers | 506,689 | 577,565 | 775,505 | 877,975 | 20.1% |
| Branches | 75 | 77 | 88 | 88 | 5.5% |
| ATMs | 549 | 590 | 683 | 769 | 11.9% |

Abu Dhabi, UAE - 14 February 2016: The Abu Dhabi Islamic Bank (ADIB) Group posted a 10.5% increase in net profit for 2015 to AED 1,934.0 million while increasing total assets by 5.8% to AED 118.4 billion and net customer financing assets by 7.4% to AED 78.4 billion vs. 31 December 2014. The Group net profit for Q4 2015 increased by 16.6% to AED 477.4 million vs. AED 409.6 million in Q4 2014.

The growth in customer financing assets reflects ADIB's continued conservative approach to capital management and new credit extension as concerns about domestic market credit spreads and the global economic outlook remain. Notwithstanding the challenging environment and repayment of the USD750 million 5-year senior sukuk issued in Q4 2010, ADIB has retained its focus on funding and remains one of the most liquid banks in the UAE, with the advances to deposits ratio at 31 December 2015 at 82.6% vs. 86.1% at 31 December 2014.

The business highlights for 2015 were:

- The raising of AED 504 million of new common equity capital, through a rights issue of 168 million new ordinary shares in Q3 2015, as part of ADIB's continued focus on building capital levels in order to lay the foundation for the next strategic growth cycle and prepare for the adoption of Basel III by the Central Bank of the UAE.
- The continued focus on selected customer segments, including the ongoing penetration of the 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 over 100,000 year-on-year to 877,975.
- The full integration of the Barclays UAE Retail business acquisition, and resultant customer proposition, was achieved ahead of plan.
- Despite the concerns over the credit environment and non-performing accounts decreasing by 5.3% during 2015, the Group continued its conservative practice of building provisions and took an additional AED 770.6 million in total credit provisions to improve the pre-collateral non-performing coverage ratio to 95.5% of the total non-performing portfolio.
- While recognizing the challenges of operating in the current environment, ADIB retained its strategic focus on building leadership in its chosen customer segments, services and geographies while simultaneously investing in best practice governance, control and compliance. As a result, the cost to income ratio remains remaining above ADIB's medium term target at 46.2%.

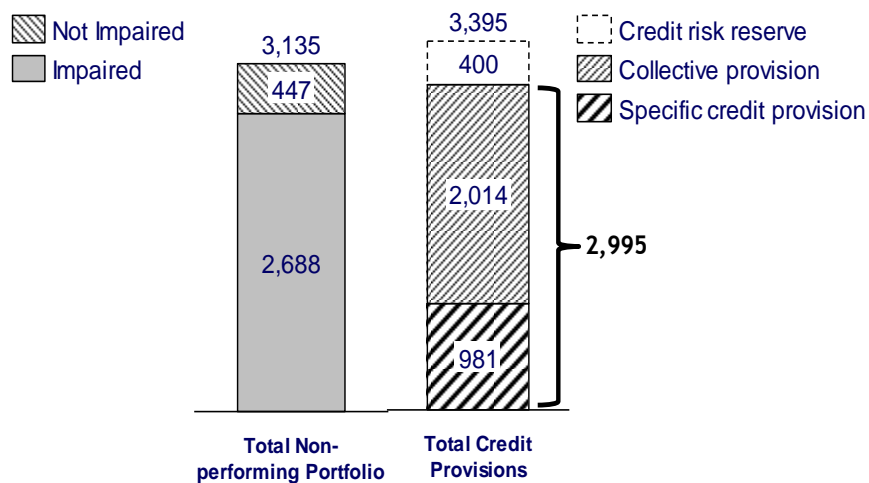


Risk management

ADIB’s continued application of best practice credit risk management and proactive remedial efforts, including having dedicated teams focus on achieving a positive and sustainable level of credit performance post-restructuring, saw total non-performing accounts decrease by 5.3% in 2015 to AED 3,135.1 million. Notwithstanding the improvement in asset quality indicators, ADIB took an additional AED 431.8 million in specific provisions while further increasing collective provisions by AED 338.8 million in 2015. The Bank’s collective provisions reflect the Bank’s conservative credit outlook and, excluding the AED 400 million credit risk reserve established in Q4 2012, now represent 2.30% of total customer risk weighted assets and are well above the 1.5% required by the Central Bank of the UAE.

Total credit provisions, net of write-offs, now stand at AED 2,995.1 million. Specific and collective provisions, excluding the credit risk reserve, now represent a healthy pre-collateral coverage ratio of 95.5% of the total non-performing portfolio and 111.4% of the impaired portfolio.

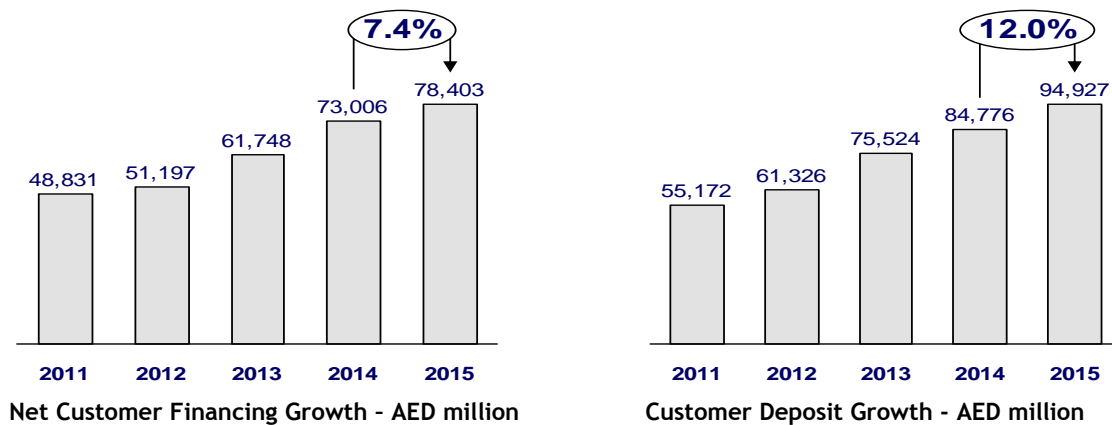
31 December 2015: AED million



Asset and Liability Management

ADIB maintained its position as one of the most liquid banks in the UAE. Customer deposits increased by 12.0% in the 2015 and stood at AED 94.9 billion as at 31 December 2015 - with Central Bank placements at AED 6.8 billion and the net interbank position at AED 1.6 billion. Furthermore, the Group’s strong liquidity position enabled it to repay the USD750 million 5-year senior sukuk issued in Q4 2010 without having to return to the capital markets to raise new funding.

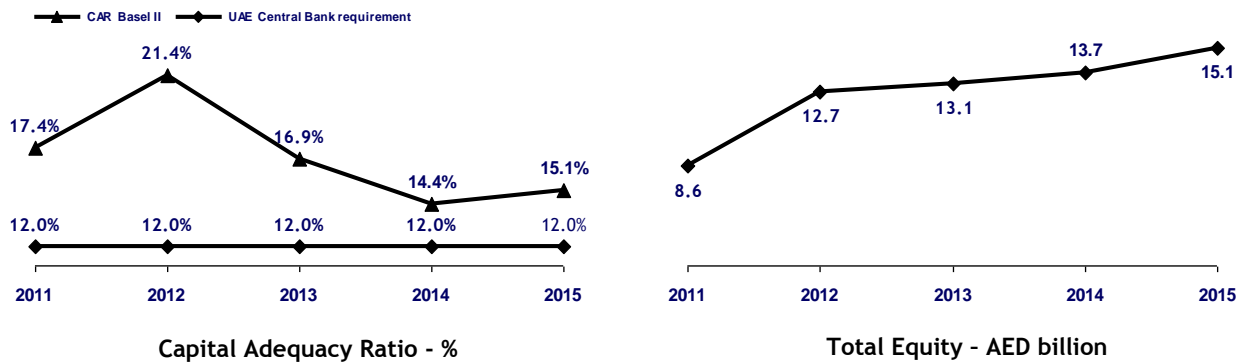
At the same time, a disciplined return on shareholders’ equity and capital conservation approach to asset growth informed by concerns about the economic outlook and continued low credit spreads saw customer financing assets grow by 7.4% since 31 December 2014 to reach AED 78.4 billion. As a result, ADIB ended 31 December 2015 with a healthy customer financing to deposits ratio of 82.6%.



Capital strength

Total Equity (including Tier 1 capital instruments), after the successful completion of the AED 504 million common equity right issue in Q3 2015, was AED 15.1 billion as at 31 December 2015. This represents an increase of 10.1% year-on-year and a 3-year compounded growth rate of 6.0%. ADIB’s capital adequacy ratio under Basel II principles now stands at 15.14% with the Basel II Tier 1 capital ratio at 14.59%.

Notwithstanding the fact that ADIB’s capital ratios continue to be well above Central Bank of the UAE’s current prescribed minimums of 12% for capital adequacy and 8% for Tier 1, ADIB’s intends to continue enhancing the Group’s capital base through a series of specific actions. These actions, which will follow and be aligned with the Central Bank of the UAE’s expected adoption of Basel III in 2016, will occur as and when market conditions are favorable and the cost benefits are in line with the Group’s 2020 strategic ambition.



Cost management

In line with ADIB’s growth strategy of becoming a top regional bank and notwithstanding the current economic environment, the Group has continued to recruit top performers and invest appropriately in expanding its operations across all selected customer segments in the UAE and in laying the foundations for its international franchises. Specifically, ADIB has continued to build a number of additional capabilities, including, but not limited to: enhancing its digital competence across all businesses and processes in line with its ambition to be a leading digital bank; building and diversifying its fee income capabilities in line with identified customer needs; establishing complementary business units such as merchant acquiring; and upgrading its technological infrastructure and core banking capabilities to ensure the Group operates in a stable and secure manner.

Furthermore, in line with the Group’s commitment to leadership in the application of regulatory and related governance best practice, ADIB has increased its investment in risk, control and compliance capabilities while simultaneously reviewing any pertinent historical activities and taking the necessary corrective actions.

As a result of the ongoing high levels of investment required to achieve the Group’s growth ambitions, including the amortization of the purchase consideration of the Barclay’s UAE Retail acquisition, and enhance the governance structures and capabilities, and related corrective actions, the cost to income ratio for 2015 increased to 46.2%.

Human resources

In line with the Group’s 2020 strategic ambition, ADIB has continued to recruit the necessary staff required to service the increasing number of client segments through a broader range of products and solutions while also enhancing the governance structures. Notwithstanding this, by retaining its established focus on performance management the Bank’s headcount in the UAE increased by a marginal 69 to 2,504 in 2015.

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 1,177 Nationals in the UAE with a resultant Emiratization ratio of 47.0%.

Management comment

On behalf of the Board of Directors and the management team, Tirad Al Mahmoud, Group CEO of ADIB, said: “The UAE continues to be the most competitive banking market in the region. This, when combined with the prevailing regional and global economic environment, has meant that we are currently operating in very challenging conditions. However, while we fully recognizing these challenges , ADIB has maintained its focus on implementing its long-term growth strategy and delivering the levels of customer service that have become synonymous with our brand, rather than take a short-term reactive approach to managing our business. It is therefore pleasing to report that over 100,000 new customers elected to bank with ADIB in 2015 while consumers in the UAE have voted ADIB as the best bank for customer service in the UAE for the 5th year in a row. As a result, ADIB has continued to deliver a sustainable level of financial performance with the Group’s full-year net profit increasing by 10.5% to AED 1,934.0 million for 2015 while total assets grew 5.8% to AED 118.4 billion versus 31 December 2014.

“We remain concerned about the liquidity outlook as well as the increasing indications of credit stress in our markets. These concerns, combined with a continued focus on building and optimizing the Bank’s capital, saw customer financing assets growing at a conservative 7.4% for 2015 versus a 12.0% increase in deposits for the same period. As a result, ADIB remains one of the most liquid banks in the UAE with a healthy customer financing assets to deposits ratio of 82.6%. Furthermore, the Group’s prudent approach to liquidity management enabled ADIB to repay the USD750 million 5-year senior sukuk issued in Q4 2010 without having to return to the capital markets to raise new funding.

“The financial performance reflects the continued robustness of ADIB’s 2020 ambition and related growth strategy and our ability to adapt this strategy to the economic realities and competitive environment in which we operate. What is particularly pleasing is that we have done so without compromising on our commitment to best in market customer experience, as is evidenced in the fact that we now serve over 875,000 active customers across multiple client segments in the UAE.

“However, and notwithstanding the fact that at its core ADIB is a customer centric organization, we recognize that being a top tier bank also means that we must also excel in meeting the needs and requirements of all our stakeholders, including regulators, shareholders and investors, our staff and the community at large. Therefore, it is of primary importance that ADIB continues to build the required level of capital, across all classes, that is appropriate for a bank with our ambition and profile. As evidence of this commitment, and on the back of the successful rights issue of 168 million shares in Q3 2015, ADIB increased total equity by 10.1% year-on-year to AED 15.1 billion and the Group’s capital adequacy ratio is now 15.14%.

“In addition to our focus on capital and balance sheet management, and notwithstanding the challenges relating to revenue growth and remedial credit management, 2015 has also seen ADIB bring an even greater focus to ensuring that the necessary expenditure required to build our customer focused franchises - and the infrastructure to support them - is matched by the commitment to ensuring that we operate, and have done so in the past, in accordance with the best practice governance, control and compliance requirements of regulators at home and abroad. Unfortunately the impact of these types of expenditure and any related remedial efforts they highlight, as measure by our cost to income ratio, is immediate while the benefits will only be realized and recognized through sustainable future revenue growth and continued control excellence.”

Other ADIB Group companies

Securities

“Despite the continued bearish sentiment of UAE and global equity markets linked to the increased economic uncertainty around Emerging Markets and negative outlook of sectors associated with oil and gas, our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 47.0 million in 2015. While this represents a decrease of 38.5% from 2014, we recognize the cyclical nature of this business and its importance to our Priority and Private client value proposition. We will therefore continue to provide our clients with best in market execution capabilities while ensuring that the business is well positioned for the next upturn.”

Real Estate

In respect to the Group’s real estate subsidiary, Burooj Properties: “With the downturn in some aspects of the Real Estate market in the UAE we deemed it prudent to increase the impairments relating to Burooj’s historical activities by a further AED 5.2 million in 2015. This prudent approach is in line with our ongoing focus on the orderly reduction of the Group’s exposure to proprietary Real Estate, when it makes good financial and business sense to do so, while simultaneously building a market leading customer focused Real Estate proposition across the Bank and its subsidiaries.”

Outlook

“We cannot ignore the economic realities of the markets in which we operate and remain cautious about the levels of growth forecast for 2016. This concern is exacerbated by the competitive pressure on credit spreads, which is expected to continue despite the increasing signs of credit stress in certain client segments and industry sectors. Furthermore, we anticipate that the Central bank of the UAE will initiate the introducing Basel III capital requirements in line with other regulators in the region. As a result, we continue to forecast modest new customer financing growth while ensuring that credit extension will continue to be done in such a manner that the risk related returns are commensurate with our long-term return of shareholders equity targets.

Furthermore, while ADIB remains one of the most liquid banks in the region, the pressure on market liquidity levels is expected to continue. While we have the capacity and capability to do further capital market issuances, market conditions are difficult to forecast given that the interest rate outlook remains unclear. As a result we will continue to grow and diversify our customer deposit base as the Group's primary source of funding.

“Notwithstanding the improvement in ADIB's non-performing asset indicators and provision coverage ratios in 2015, the credit environment means that ADIB will continue to build collective provisions. In addition, and despite the successes we have had in remedial management of the non-performing accounts, we will take further specific provisions as is necessary and prudent.

“Finally, given ADIB's market best practice approach to raising and optimizing capital, we will continue to act as necessary to ensure that the Group has the required capital base to support its 2020 growth strategy while being able to fully adopt Basel III as and when it is introduced in the UAE.”

Dividend

The Board of Directors recommends the distribution of 24.27% cash dividends for 2015. The cash dividends represent 39.8% of full year net profits for 2015.

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 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 and Full year summary

| Financials | Consolidated Group | | | | | | | | | |
|--|--------------------|----------------|----------------|---------------------------|---------------------------|----------------|----------------|----------------|-------------------------|-------------------------|
| | Q4 2013 | Q4 2014 | Q4 2015 | Chg Q4 14 vs. Q4 13 | Chg Q4 15 vs. Q4 14 | 2013 | 2014 | 2015 | Chg 2014 vs. 2013 | Chg 2015 vs. 2014 |
| | AED Mn | AED Mn | AED Mn | % | % | AED Mn | AED Mn | AED Mn | % | % |
| Net Revenue from Funding | 815.2 | 944.6 | 976.8 | 15.9% | 3.4% | 3,066.4 | 3,505.0 | 3,771.3 | 14.3% | 7.6% |
| Investment income | 77.6 | 63.4 | 107.4 | -18.3% | 69.3% | 243.7 | 276.8 | 378.1 | 13.6% | 36.6% |
| Fees & Commissions | 135.6 | 221.1 | 244.3 | 63.0% | 10.5% | 570.2 | 738.6 | 885.3 | 29.5% | 19.9% |
| FX | 16.9 | 25.6 | 35.8 | 51.6% | 39.9% | 46.2 | 60.1 | 79.6 | 30.1% | 32.5% |
| Other | 0.5 | 1.4 | 7.6 | 199.8% | 434.3% | 4.8 | 2.4 | 20.1 | -48.9% | 722.1% |
| Total Revenues | 1,045.8 | 1,256.2 | 1,371.9 | 20.1% | 9.2% | 3,931.3 | 4,583.0 | 5,134.4 | 16.6% | 12.0% |
| Operating profit (margin) | 565.3 | 589.5 | 728.6 | 4.3% | 23.6% | 2,231.8 | 2,512.0 | 2,760.3 | 12.6% | 9.9% |
| Credit Provisions and Impairment | 221.5 | 178.7 | 249.3 | -19.3% | 39.5% | 780.4 | 757.8 | 820.0 | -2.9% | 8.2% |
| Net Profit before Zakat & Tax | 343.8 | 410.8 | 479.4 | 19.5% | 16.7% | 1,451.4 | 1,754.2 | 1,940.3 | 20.9% | 10.6% |
| Zakat & Tax | 0.5 | 1.2 | 2.0 | 121.8% | 63.7% | 1.2 | 3.5 | 6.3 | 211.2% | 81.6% |
| Net Profit after Zakat & Tax | 343.3 | 409.6 | 477.4 | 19.3% | 16.6% | 1,450.2 | 1,750.7 | 1,934.0 | 20.7% | 10.5% |
| Total Assets in AED (Billion) | 103.2 | 111.9 | 118.4 | 8.5% | 5.8% | 103.2 | 111.9 | 118.4 | 8.5% | 5.8% |
| Customer Financing in AED (Billion) | 61.7 | 73.0 | 78.4 | 18.2% | 7.4% | 61.7 | 73.0 | 78.4 | 18.2% | 7.4% |
| Customer Deposits in AED (Billion) | 75.5 | 84.8 | 94.9 | 12.3% | 12.0% | 75.5 | 84.8 | 94.9 | 12.3% | 12.0% |

-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 Oceania 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)
42. Best Islamic Bank Award by Banker FT
43. Mohammed bin Rashid Al Maktoum Business Award
44. Employer of the Year by Higher Colleges of Technology
45. The Leading Arab Islamic Bank for 2015 by Union of Arab Banks

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