



## Management Discussion and Analysis

### Abu Dhabi Islamic Bank posts AED 193.4 million second quarter profit

#### **Income Statement:**

- Net revenue from funding activities for the first half of 2009 up 25.9% to AED 1,016.7 million over first half of 2008.
- Non-banking revenues record a year-on-year decline of 77.9% due to an AED 156.2 million fall in revenues from the real estate subsidiary.
- Net revenues for the first half of 2009 increases to AED 1,178.3 million, up 7.1% over first half of 2008.
- Net profit for the first half of 2009 at AED 461.8 million, down 11.2% over first half of 2008 due to lower investment income of AED 156.2 million in the real estate subsidiary and credit loss provisions amounting to AED 171.4 million in Q2 09.
- Credit loss provisions increase by AED 264.4 million in first half of 2009.

#### **Balance Sheet:**

- Total assets grew to AED 58.1 billion in the first half of 2009, up 20.9% from first half of 2008.
- Customer deposits increased to AED 43.6 billion in the first half of 2009, up 29.2% from first half of 2008.

#### **Capital Adequacy and Liquidity:**

- Capital Adequacy ratio at the end of June 2009 stood at 15.3% without including the Federal Government's deposit in Tier II Capital as ADIB is still in the process of converting the AED 2.2 billion of deposits. After the conversion of the deposit, the Capital Adequacy ratio will increase to 20.3%.
- Customer financing to deposits ratio improves to 86.0%
- Stable funds ratio improves to 88.8%.



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**Abu Dhabi, 29 July 2009** – Abu Dhabi Islamic Bank (ADIB), a leading regional Islamic financial services group today announced its results for the first half of 2009. Revenues for the first half at AED 1,178.3 million rose by 7.1% compared to first half of 2008 despite the decline in real estate revenues of AED 156.2 million and also grew 3.5% compared to Q1 09.

Putting the significance of these results in perspective, Tirad Mahmoud, CEO, said: “Despite the major Credit Loss Provisions (AED 171.4 million) that were taken in Q2, 2009 and the major decrease in real estate Investment Income (AED 147.7 million); our profitability has remained strong in the second quarter. The strong performance of our banking activities provided a 32% increase in net profit versus the first half of last year and a 49% increase over the second quarter of 2008.”

In keeping with ADIB’s prudent practice, provisions at the Bank continue to grow. During Q2 2009 the bank took additional credit loss provisions of AED 171.4 million and total provisions now stand at AED 836 million versus AED 589.3 million on 31 December 2008. Provisions now cover 2.2% of the Gross Customer Financing portfolio.

Explaining the reason for increasing credit loss provisions, Tirad said: “The credit environment remains weak and we expect the rest of this year to remain challenging with further provisioning necessary. In early 2008 we started to build our provisions given our then view of the deepening economic downturn. While there are now some signs of recovery we will continue with our conservative approach. We are actively engaged with our clients who have been impacted by the current economic conditions and are working with them to develop solutions that will enable them to meet their commitments. Notwithstanding this, ADIB will maintain the prudent policy to take proactive provisions against the credit risk portfolio as circumstances require over the second half of the year.”



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## **GROUP COMPANIES**

Commenting on the performance of other Group companies besides the core Bank business, Tirad said:

### **Burooj / Real Estate Investment:**

Burooj, has been negatively influenced by market conditions and prudent measures are being adopted as reflected by Burooj posting a net loss of only AED 14.4 million during the first half of this year. This stands in contrast with the profit of AED 141.8 million Burooj posted in the first half of 2008 and reflects the prevailing challenges in the real estate sector. While the sector remains under pressure, Abu Dhabi is resilient and the future is starting to look promising. We expect Burooj to start making a positive contribution to our results before the end of the year and maintain the momentum going into 2010.

### **ADIFS**

Turning to ADIB's brokerage subsidiary, we are pleased to see that Abu Dhabi Islamic Financial Services has returned to profitability with net profit of AED 6.1 million in the second quarter of 2009 versus a loss in first quarter of this year. ADIFS is now the 8<sup>th</sup> largest share brokerage house, by market share, in the UAE and we expect it to consolidate its position in the next six months, despite low market volumes.

### **Outlook**

Providing guidance on the Bank's direction for the rest of this year, Tirad said: "ADIB's strategy is sound and is inspired by the principles of Shari'a in maintaining customer and shareholder trust. We see ourselves as integral to the UAE's economic future and are thankful for the support we receive from the government, shareholders, customers, the community and staff. We are committed to expanding our branches and ATM network by the end of the year and are on track. Our wealth management business is expected to come on stream later this year providing real support to our young Private Banking franchise. We also expect to see a pick-up in our Business Banking and Corporate Banking units. Continued growth in core business activities, robust liquidity and a well capitalized balance sheet are some key positives we aim to build on."



**ADIB Financials summary – First Half 2009 vs First Half 2008**

Financials	Banking			Consolidated Group		
	First Half 2009	First Half 2008	Change	First Half 2009	First Half 2008	Change
	AED Mn	AED Mn	%	AED Mn	AED Mn	%
Net Revenue from Funding	1,066.8	831.3	28.3%	1,066.8	831.3	28.3%
Fees, Commissions and FX	41.7	11.6	259.5%	41.7	11.6	259.5%
Investment Revenues	23.9	49.3	-51.6%	23.9	49.3	-51.6%
<b>Net Banking Revenues</b>	<b>1,132.4</b>	<b>892.2</b>	<b>26.9%</b>	<b>1,132.4</b>	<b>892.2</b>	<b>26.9%</b>
Brokerage Revenues (ADIFS - subsidiary)	-	-	-	9.8	14.7	-33.3%
Real Estate Revenues (Burooj – subsidiary)	-	-	-	29.3	185.5	-84.2%
Revenue from Other Minor Activities	-	-	-	6.8	7.8	-12.8%
<b>Net Non-banking Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45.9</b>	<b>208.0</b>	<b>-77.9%</b>
	<b>Banking</b>			<b>Consolidated Group</b>		
<b>Total Revenues</b>	<b>1,132.4</b>	<b>892.2</b>	<b>26.9%</b>	<b>1,178.3</b>	<b>1,100.2</b>	<b>7.1%</b>
<b>Margin</b>	<b>736.5</b>	<b>564.1</b>	<b>30.6%</b>	<b>726.2</b>	<b>719.9</b>	<b>0.9%</b>
Credit Loss Provisions and Impairments	257.4	199.7	28.9%	264.4	199.7	32.4%
<b>Net Profit</b>	<b>479.1</b>	<b>364.4</b>	<b>31.5%</b>	<b>461.8</b>	<b>520.2</b>	<b>-11.2%</b>
Total Assets in AED (Billion)	57.4	47.8	20.1%	58.1	48.1	20.9%
Customer Financing in AED (Billion)	39.3	31.3	25.8%	37.5	30.1	24.5%
Customer Deposits in AED (Billion)	43.8	34.2	27.9%	43.6	33.7	29.2%

**ADIB Financials summary – Second Quarter 2009 vs. Second Quarter 2008**

Financials	Banking			Consolidated Group		
	Second Quarter 2009	Second Quarter 2008	Change	Second Quarter 2009	Second Quarter 2008	Change
	AED Mn	AED Mn	%	AED Mn	AED Mn	%
Net Revenue from Funding	543.0	436.8	24.3%	543.0	436.8	24.3%
Fees, Commissions and FX	15.5	-3.4	555.9%	15.5	-3.4	555.9%
Investment Revenues	29.3	29.6	-1.2%	29.3	29.6	-1.2%
<b>Net Banking Revenues</b>	<b>587.8</b>	<b>463.0</b>	<b>26.9%</b>	<b>587.8</b>	<b>463.0</b>	<b>26.9%</b>
Brokerage Revenues (ADIFS - subsidiary)	-	-	-	9.3	7.3	27.4%
Real Estate Revenues (Burooj - subsidiary)	-	-	-	0.0	147.7	-100%
Revenue from Other Minor Activities	-	-	-	2.3	6.1	-62.3%
<b>Net Non-banking Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11.6</b>	<b>161.1</b>	<b>-92.8%</b>
	<b>Banking</b>			<b>Consolidated Group</b>		
<b>Total Revenues</b>	<b>587.8</b>	<b>463.0</b>	<b>26.9%</b>	<b>599.4</b>	<b>624.1</b>	<b>-4.0%</b>
<b>Margin</b>	<b>385.4</b>	<b>305.6</b>	<b>26.1%</b>	<b>364.8</b>	<b>437.4</b>	<b>-16.6%</b>
Credit Loss Provisions and Impairments	171.4	161.7	6.0%	171.4	161.7	6.0%
<b>Net Profit</b>	<b>214.0</b>	<b>143.9</b>	<b>48.8%</b>	<b>193.4</b>	<b>275.7</b>	<b>-29.8%</b>

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#### **About ADIB:**

Abu Dhabi Islamic Bank (ADIB) was established on 20th May 1997 as a Public Joint Stock Company following the Amiri 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. The Bank carries out all contracts, operations and transactions in accordance with Islamic Shari'a principles. ADIB's mission is to offer financial solutions for the global community, and its vision is to become a top tier Islamic financial services group.

ADIB prides itself on its values which reflect the Bank's commitment to the Islamic Shari'a, and the guidelines of the Bank's practices adhere to the principles of Islam.

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