

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING SEPTEMBER 30, 2010

Abu Dhabi Islamic Bank increases Q3 2010 Net Profit by 31.3% to AED 314.5 million

Financial highlights - Third quarter 2010

- Group net profit for Q3 2010 was a record AED 314.5 million vs. AED 239.5 million in Q3 2009, an increase of 31.3%.
- Group operating profit (“margin”) for Q3 2010 was AED 480.1 million vs. AED 361.0 million for Q3 2009, an increase of 33.0%.
- Total provisions were AED 165.6 million for Q3 2010 vs. AED 121.5 million in Q3 2009.
- Remains one of the most liquid banks in the UAE as customer deposits grew by 29.3% year-on-year, after adjusting to exclude the AED 2.2 billion of deposits that converted into Tier 2 capital at the end of 2009, resulting in a strong customer financing to deposits ratio of 87.3% (93.9% at the end of Q3 2009) and net due from banks increasing by 41.6% year-on-year to AED 12.0 billion.
- Capital adequacy position under Basel II remains strong at 16.52% (16.96% at the end of 2009).
- Total number of customers increased by 22,230 in Q3 10 to reach 409,247
- Total number of branches increased by 3 in Q3 2010 to 60.

Financial highlights - Nine months ending September 30, 2010

- Group operating profit (“margin”) for 9 months 2010 was AED 1,314.9 million vs. AED 1,087.2 million for 9 months 2009, an increase of 20.9%.
- Group net profit for 9 months 2010 was a record AED 909.5 million vs. AED 701.3 million in 9 months 2009, an increase of 29.7%.

As at September 30, 2010

All figures are in AED millions

Balance Sheet	Q3 2008	Q3 2009	Q3 2010
Total assets	49,115.0	58,662.7	71,175.4
Gross customer financing	32,651.6	40,212.5	49,238.6
Customer deposits	33,649.5	41,791.3*	54,037.9
Total equity	5,598.4	7,911.2	8,064.3
Capital adequacy ratio - Basel II	12.21%	15.16%	16.52%
Customer financing to deposit ratio	95.3%	89.2%	87.3%

* Excludes AED 2.2bn of deposits converted to Tier 2 Capital on 31 December 2009

Income statement	Q3 2008	Q3 2009	Q3 2010
Net revenue - Group	585.2	608.6	810.3
Operating profit (margin) - Group	324.1	361.0	480.1
Operating profit (margin) - Bank	274.1	387.1	508.1
Credit provisions and impairment charge	107.6	121.5	165.6
Net profit - Group	216.5	239.5	314.5
Net profit - Bank	166.5	263.1	342.5
Total credit provisions to gross financing assets ratio	1.74%	2.39%	4.22%
Cost to income ratio - Group	44.6%	40.7%	40.7%
Cost to income ratio - Bank	46.0%	35.9%	37.5%

Network	Q3 2009	Q3 2010	Change
Total customers	323,342	409,247	26.6%
Branches	50	60	20.0%
ATMs	189	284	50.3%

Financial analysis - Q3 2010 vs. Q3 2009 and Q2 2010

Income Statement:

- Group operating profit for Q3 2010 was AED 480.1 million vs. AED 361.0 million for Q3 2009, an increase of 33.0% (an increase of 10.1% over the AED 436.2 million in Q2 2010).
- Bank operating profit for Q3 2010 reached AED 508.1 million vs. AED 387.1 million for Q3 2009, an increase of 31.3% (an increase of 9.0% over the AED 466.2 million in Q2 2010) which is mainly driven by top line revenue growth of 34.7%.
- Net revenue from funding activities for Q3 2010 increased to AED 668.8 million vs. 529.1 million for Q3 2009, an increase of 26.4% (an increase of 3.3% over the AED 647.6 million in Q2 2010).
- Fee and commission income for Q3 2010 increased to AED 118.2 million vs. AED 66.8 million in Q3 2009, an increase of 76.8% (and an increase of 49.8% over the 78.9 million in Q2 2010).
- Group total revenues for Q3 2010 increased to AED 810.3 million vs. AED 608.6 million in Q3 2009, a 33.1% increase (and an increase of 8.9% over the AED 744.2 million in Q2 2010).
- Group net profit for Q3 2010 was AED 314.5 million, after taking credit provisions and impairments of AED 165.6 million for the quarter (vs. a net profit of AED 239.5 million in Q3 2009 which was recorded after taking credit provisions and impairments of AED 121.5 million). Net profit for Q2 2010 was AED 301.6 million after taking credit provisions of AED 134.6 million.
- Total credit provisions reached AED 2.08 billion at the end of Q3 2010, which amounts to 4.22% of the Gross Customer Financing assets.

Balance Sheet:

- Total assets as of September 30, 2010 were AED 71.2 billion, representing an increase of 21.3% compared to AED 58.7 billion at the same point last year (AED 68.3 billion at 30 June 2010).
- Net Customer Financing has increased to AED 47.2 billion growing 20.1% over the AED 39.2 billion at the end of September 2009 (AED 45.2 billion at 30 June 2010).
- Customer deposits grew by 22.8% to AED 54.0 billion, from AED 44.0 billion at the same time last year when including the Tier 2 AED 2.2 billion in 2009 (AED 51.9 billion at 30 June 2010).

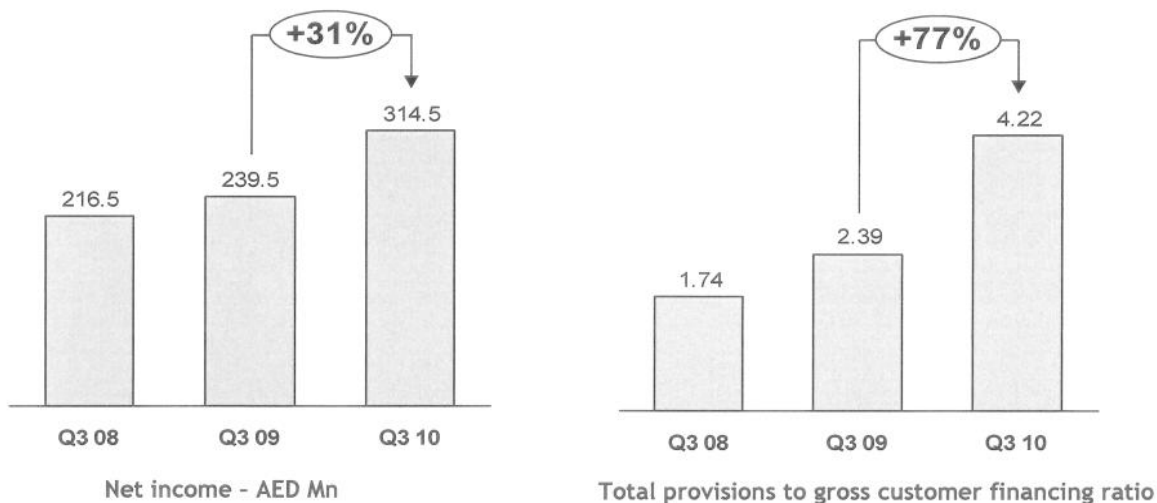
Capital Adequacy and Liquidity:

- Capital Adequacy ratio at September 30, 2010 stood at 16.52%, up from the 15.16% recorded at September 30, 2009.
- Customer financing to deposits ratio at September 30, 2010 was 87.3% vs. 89.2% at September 30, 2009 (87.1% at 30 June 2010).
- Advances to stable funds ratio (regulatory ratio) improved to 86.3% from 91.7% at September 30, 2009 (88.2% at 30 June 2010).

Abu Dhabi, UAE - 18 October 2010: Abu Dhabi Islamic Bank (ADIB) posted a record net profit of AED 314.5 million for the third quarter of 2010, an increase of 31.3% over the same period in 2009. This is the third consecutive record quarter for ADIB. It coincides with the welcoming of ADIB's four hundred thousandth customer, the opening of ADIB's 60th branch in the UAE and the launch of a number of new card initiatives, most notably its co-branding with Etihad Airways. Total assets increased to AED 71.2 billion while the Bank maintained its strong liquidity by matching financing growth with deposit growth as the financing to deposits ratio improved to 87.3% at quarter end. ADIB continued its conservative approach to provisioning, maintaining its prudent policy of taking a minimum 1.25% collective provision and taking individual provisions as necessary.

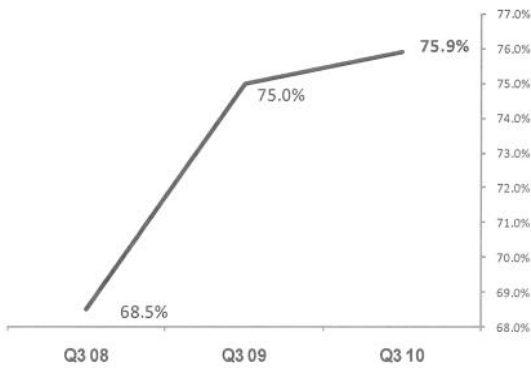
A focus on the Bank's vision and mission continues to drive growth

The third quarter of 2010 saw ADIB's management continue to take a conservative approach to recognizing non-performing credit exposures and investments. As a result, the Bank has taken an additional AED 55.2 million in individual provisions and AED 110.4 million in collective provisions, thereby increasing total provisions to AED 2.08 billion, which now amounts to 4.22% of gross customer financing. Notwithstanding this, quarterly net profit reached a new high of AED 314.5 million reflecting the underlying strength of core banking operations.

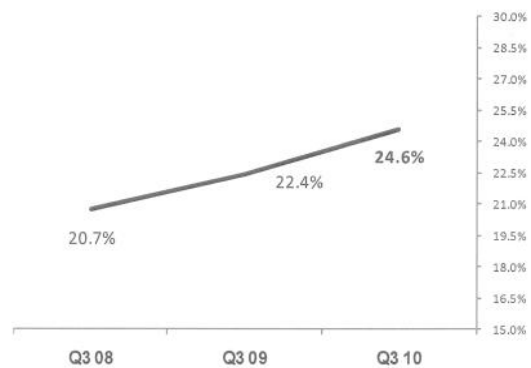


Liquidity

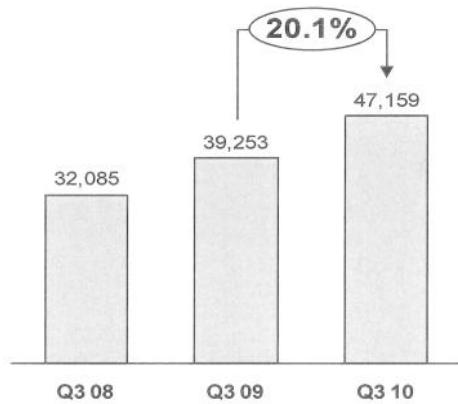
In line with the historical focus on liquidity, ADIB grew its customer deposits by 29.3% to AED 54.0 billion (AED 41.8 billion in Q3 2009 - after adjusting to exclude AED 2.2 billion of deposits which were converted to Tier 2 Capital on 31 December 2009). Net customer financing grew by 20.1% to AED 47.2 billion (AED 39.2 billion as at September 30, 2009), further strengthening the advances to deposits ratio to 87.3%. The growth in customer financing comes on the back of a robust credit process that ensured the booking of AED 2.1 billion in quality assets, including a number of high-profile transactions, during the quarter across both the Personal Banking and Wholesale Banking customer segments.



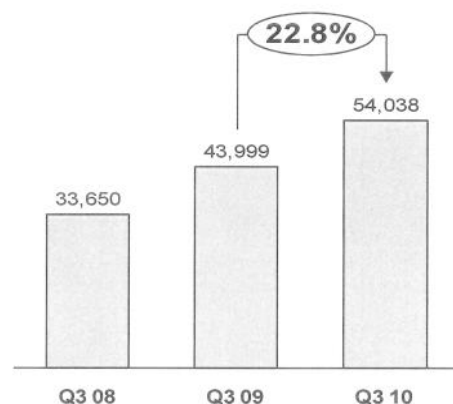
Total Deposits to Total Assets ratio



Quick Assets to Total Assets ratio



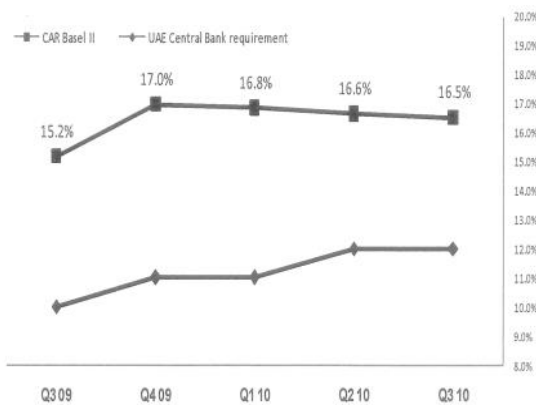
Net Customer Financing Growth



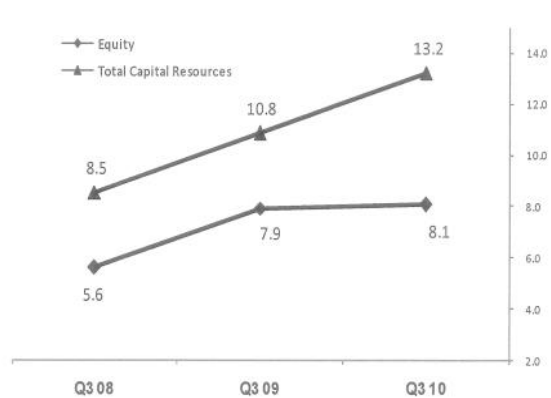
Customer Deposit Growth

Capital strength

The Bank's capital position remains strong. Total capital resources, including both the Tier 1 and Tier 2 capital, as at September 30, 2010 improved to AED 13.2 billion vs. AED 10.8 billion at September 30, 2009. Capital adequacy ratio remained strong at 16.52% under Basel II principles (15.16% as at September 30, 2009) with the Basel II Tier 1 capital ratio stable at 13.23% (16.59% at September 30, 2009).



Capital Adequacy Ratio



Equity / Total Capital Resources

Cost management

Investments in 10 new branches in the past 12 months, related infrastructure and human capital saw operating expenses increase by 33.4% to AED 330.1 million year-on-year with the Group cost to income ratio increasing to 40.7%. The Bank's cost to income ratio was a more acceptable 37.5% for the quarter down from 37.7% in the second quarter of 2010. ADIB expects Group cost to income ratio to further improve once the core growth investment cycle is completed and the non-banking businesses return to profitability.

Human resources

The bank's headcount increased marginally by 14 in the quarter and now stands at 1,571. Furthermore, ADIB is particularly proud of the fact that by the end of Q3 2010 the Bank's Emiratisation ratio improved to over 41%. A focus on training and enhancing the professional qualifications of staff to better service customers has begun to prove itself as customer satisfaction levels have improved and numbers of customers attracted to ADIB's value proposition increases.

Management comment

On behalf of the Board of Directors and the management team, Tirad Mahmoud, ADIB's CEO, said: "The third quarter of 2010 has seen us build upon the momentum that was established in the first half of 2010 and is clear evidence of the success of our growth strategy. The 30.2% increase in the Bank's net profit compared to the same quarter last year reflects our successes in meeting the needs of our customers and is particularly pleasing given that it has been achieved during challenging global economic times. The foundations of our growth remain customer service excellence, qualified staff and best practice risk management. This, when combined with our outstanding capital and liquidity position, means that we have entered a phase of sustainable growth as we move into the future.

'It is now well recognized that the decisive cost of credit action we took in 2009 was market leading and we have continued with this approach in 2010. It is noteworthy that our collective provisions, based on taking a minimum of 1.25% of our gross performing financing portfolio, now stands at over AED 703 million. We have also taken appropriate individual provisions on the impaired portfolio in line with our 90 days past due and conservative collateral recognition approach. Since the new management team took over in 2008, total credit provisions and impairments have increased to AED 2,494 million from AED 403 million at the end of 2007, as the portfolio of old investments and credits from the past five years have been further reviewed and prudent decisions taken. The efforts of the two remedial management units we established in 2009 are now clearly visible and we will continue to work with those customers who are in genuine difficulty, and actively engage with us, to assist them in the sustainable restructuring of their financing.

'Both our Retail Banking and Wholesale Banking franchises had a particularly good quarter on the back of their focus on quality asset growth backed by strong customer relationships while the repositioning of our Private Banking proposition has begun. We saw customer financing grow by over AED 2.1 billion in the

quarter to AED 47.2 billion matched by our deposits increasing by AED 2.2 billion to AED 54.0 billion as we balanced growth and liquidity.”

Other ADIB Group companies

Commenting on the performance of other Group companies besides the core Bank business, Tirad said: “ADIB’s stock-brokerage subsidiary, Abu Dhabi Islamic Financial Services, posted a small profit of AED 0.2 million for the quarter. The third quarter has been a very subdued period for the financial markets and it is a credit to the management team at ADIFS that they maintained profitability despite the fall in overall market volumes. This is proof that our efforts to position ADIFS as one of the leading securities agency businesses in the UAE are gaining ground. As part of this new positioning, our new e-trading platform has gone live and was rolled out to customers during the quarter as planned and is expected to materially enhance ADIFS transaction flow going forward.

‘Burooj, the Group’s real estate subsidiary, had another weak quarter, posting a loss of AED 28.5 million, which was slightly better than the loss of AED 31.5 million in the second quarter of this year. We expect the rest of the year to remain challenging for Burooj as real estate market supply and demand factors continue to depress values. Nonetheless Burooj continues to be operated independently from the banking and financial services business.”

Outlook for the rest of 2010

Providing guidance on the Bank’s direction for the remainder of 2010, Tirad said: “Despite the continuation of the weak global economic environment, ADIB remains firmly on it’s now established growth trajectory. While the brunt of the legacy portfolio’s cost of credit was absorbed in 2009 we will continue to take prudent measures, including further credit provisions and impairments, in line with the relevant policies and developments.”

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 Mohamed 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.



Financial summaries

ADIB Financials summary - Nine months period ending summary

Financials	Banking					Consolidated Group				
	YTD 2008	YTD 2009	YTD 2010	Chg YTD 09 vs YTD 08	Chg YTD 10 vs YTD 09	YTD 2008	YTD 2009	YTD 2010	Chg YTD 09 vs YTD 08	Chg YTD 10 vs YTD 09
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	1,298.9	1,625.6	1,961.9	25.2%	20.7%	1,298.9	1,625.6	1,961.9	25.2%	20.7%
Fees, Commissions and FX	44.2	90.6	209.1	105.2%	130.7%	44.2	90.6	209.1	105.2%	130.7%
Investment Revenues	56.5	19.9	49.4	-64.9%	148.6%	56.5	19.9	49.4	-64.9%	148.6%
Net Banking Revenues	1,399.6	1,736.1	2,220.4	24.0%	27.9%	1,399.6	1,736.1	2,220.4	24.0%	27.9%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	20.0	15.8	13.7	-21.0%	-13.3%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	257.4	24.0	4.1	-90.7%	-83.1%
Revenue from Other Minor Activities	-	-	-	-	-	8.4	11.0	(3.1)	30.9%	-128.4%
Net Non-banking Revenues	-	-	-	-	-	285.8	50.8	14.7	-82.2%	-71.0%
	Banking					Consolidated Group				
Total Revenues	1,399.6	1,736.1	2,220.4	24.0%	27.9%	1,685.4	1,786.9	2,235.1	6.0%	25.1%
Operating profit (margin)	838.2	1,123.6	1,369.5	34.1%	21.9%	1,044.0	1,087.2	1,314.9	4.1%	20.9%
Credit Provisions and Impairment charge	307.3	381.4	405.5	24.1%	6.3%	307.3	385.9	405.4	25.6%	5.0%
Net Profit	530.9	742.2	964.0	39.8%	29.9%	736.7	701.3	909.5	-4.8%	29.7%
Total Assets in AED (Billion)	47.1	58.0	70.5	23.1%	21.6%	49.1	58.7	71.2	19.4%	21.3%
Customer Financing in AED (Billion)	33.3	41.2	49.2	23.6%	19.4%	32.1	39.2	47.2	22.3%	20.1%
Customer Deposits in AED (Billion)	33.7	42.0*	54.2	24.5%	29.1%	33.6	41.8*	54.0	24.2%	29.3%

* Excludes AED 2.2bn of deposits converted to Tier 2 Capital on 31 December 2009

ADIB Financials summary - Quarter summary

Financials	Banking					Consolidated Group				
	Q3 2008	Q3 2009	Q3 2010	Chg Q3 09 vs. Q3 08	Chg Q3 10 vs. Q3 09	Q3 2008	Q3 2009	Q3 2010	Chg Q3 09 vs. Q3 08	Chg Q3 10 vs. Q3 09
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	467.6	558.8	692.7	19.5%	24.0%	467.6	558.8	692.7	19.5%	24.0%
Fees, Commissions and FX	32.6	48.9	98.0	50.0%	100.6%	32.6	48.9	98.0	50.0%	100.6%
Investment Revenues	7.2	(4.0)	22.7	-156.0%	663.4%	7.2	(4.0)	22.7	-156.0%	663.4%
Net Banking Revenues	507.4	603.7	813.4	19.0%	34.7%	507.4	603.7	813.4	19.0%	34.7%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	5.3	6.0	3.6	12.4%	-39.5%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	71.9	(5.3)	(5.7)	-107.4%	-8.3%
Revenue from Other Minor Activities	-	-	-	-	-	0.6	4.2	(1.0)	600.0%	-124.4%
Net Non-banking Revenues	-	-	-	-	-	77.8	4.9	(3.1)	-93.8%	-164.6%
	Banking					Consolidated Group				
Total Revenues	507.4	603.7	813.4	19.0%	34.7%	585.2	608.6	810.3	4.0%	33.1%
Operating profit (margin)	274.1	387.1	508.1	41.2%	31.3%	324.1	361.0	480.1	11.4%	33.0%
Credit Provisions and Impairment charge	107.6	124.0	165.6	15.3%	33.5%	107.6	121.5	165.6	12.9%	36.3%
Net Profit	166.5	263.1	342.5	58.0%	30.2%	216.5	239.5	314.5	10.6%	31.3%

-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

- ADIB was named 'The Best Islamic Bank' in the Middle East at the Banker Middle East Industry Awards 2010, reaffirming its leadership position in the growing Islamic finance sector.
- ADIB also won the HRD award from the Emirates Institute Of Banking & Financial Studies.
- ADIB's GHINA saving program won the Best Savings Account award at the Banker Middle East Product Awards 2010.
- ADIB won the 'Best Private Sector Customer Service Team' award at the 2010 UAE Customer Service Week forum, held by The International Customer Service Institute UK.

For media information, please contact:

Lamia Hariz
Corporate Communications
Abu Dhabi Islamic Bank
Tel: +971 2 6100093
Mobile: +971 50 682 4207
Email: lamia.hariz@adib.ae

Mohammad Al-Qassem
Senior Account Executive
Weber Shandwick - MENA
Tel: +971 4 3210077 Ext. 1254
Mobile: +971 50 288 9601
Email: mohammad.alqassem@ws-mena.com