

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDING 31 DECEMBER 2010

Abu Dhabi Islamic Bank revenue exceeds AED 3 billion as Net Profit reaches AED 1.024 billion for 2010

Group Financial highlights - Full year

- Group net revenue for 2010 exceeded AED 3 billion to reach AED 3,074.0 million vs. AED 2,520.3 million for 2009, an increase of 22.0%.
- Group operating profit (“margin”) for 2010 was AED 1,772.8 million vs. AED 1,526.8 million for 2009, an increase of 16.1%.
- Total credit provisions and impairments for 2010 were AED 749.2 million vs. AED 1,448.8 million in 2009, a decrease of 48.3%.
- Group net profit for 2010 exceeded the AED 1 billion mark for the first time to reach a record AED 1,023.6 million vs. AED 78.0 million in 2009, an increase of 1,211.8%.
- Remains one of the most liquid banks in the UAE, with customer deposits growing by 17.2% year-on-year, resulting in a strong customer financing to deposits ratio of 84.8% (83.9% at the end of 2009) and net due from banks increasing by 10.9% year-on-year to AED 14.8 billion.
- Capital adequacy position under Basel II remains strong at 16.03% (16.96% at the end of 2009).

Bank Financial highlights - Full year

- Bank net revenue for 2010 was AED 3,049.8 million vs. AED 2,386.7 million for 2009, an increase of 27.8%.
- Bank operating profit (“margin”) for 2010 was AED 1,844.5 million vs. AED 1,516.0 million for 2009, an increase of 21.7%.
- Total credit provisions and impairments for 2010 were AED 629.9 million vs. AED 1,404.9 million in 2009, a decrease of 55.2%.
- Bank net profit for 2010 was a record AED 1,214.6 million vs. AED 111.1 million 2009, an increase of 993.4%.
- Total number of customers increased by 83,633 in 2010 to 425,730
- Total number of branches increased by 14 in 2010 to 66.

Financial analysis

Income Statement: Q4 2010 vs. Q4 2009 and Q3 2010

- Group net revenues for Q4 2010 increased to AED 839.0 million vs. AED 733.4 million in Q4 2009, a 14.4% increase (and an increase of 3.5% over the AED 810.3 million in Q3 2010).
- Bank net revenues for Q4 2010 increased to AED 829.5 million vs. AED 650.6 million in Q4 2009, a 27.5% increase (and an increase of 2.0% over the AED 813.4 million in Q3 2010).
- Group net revenue from funding activities for Q4 2010 increased to AED 707.7 million vs. 562.7 million for Q4 2009, an increase of 25.8% (an increase of 5.8% over the AED 668.8 million in Q3 2010).
- Group fee and commission income for Q4 2010 increased to AED 90.2 million vs. AED 63.0 million in Q4 2009, an increase of 43.0% (and a decrease of 23.7% over the AED 118.2 million in Q3 2010).
- Group operating profit (margin) for Q4 2010 reached AED 457.9 million vs. AED 439.6 million for Q4 2009, an increase of 4.2% (a decrease of 4.6% over the AED 480.1 million in Q3 2010).
- Bank operating profit (margin) for Q4 2010 reached AED 475.0 million vs. AED 392.4 million for Q4 2009, an increase of 21.1% (a decrease of 6.5% over the AED 508.1 million in Q3 2010).
- Group net profit for Q4 2010 was AED 114.1 million, after taking credit provisions and impairments of AED 343.8 million for the quarter (vs. a net loss of AED 623.3 million in Q4 2009 which was recorded after taking credit provisions and impairments of AED 1,062.9 million). Net profit for Q3 2010 was AED 314.5 million after taking credit provisions and impairments of AED 165.6 million.
- Bank net profit for Q4 2010 was AED 250.6 million, after taking credit provisions and impairments of AED 224.4 million for the quarter (vs. a net loss of AED 631.1 million in Q4 2009 which was recorded after taking credit provisions and impairments of AED 1,023.5 million). Net profit for Q3 2010 was AED 342.5 million after taking credit provisions and impairments of AED 165.6 million.

Balance Sheet: FYR 2010 vs. FYR 2009 and Q3 2010

- Total assets as of 31 Dec 2010 were AED 75.3 billion, representing an increase of 17.4% compared to AED 64.1 billion at the end of 2009 (AED 71.2 billion at 30 Sept 2010).
- Net Customer Financing has increased to AED 48.0 billion growing 18.5% over the AED 40.5 billion at the end of 2009 (AED 47.2 billion at 30 Sept 2010).
- Customer deposits grew by 17.2% to AED 56.5 billion, from AED 48.2 billion at the same time last year (AED 54.0 billion at 30 Sept 2010).

Capital Adequacy and Liquidity: FYR 2010 vs. FYR 2009 and Q3 2010

- The Capital Adequacy ratio at 31 Dec 2010 stood at 16.03%, down from the 16.96% recorded at 31 Dec 2009 (16.52% at 30 Sept 2010).
- The Customer Financing to Deposits ratio at 31 Dec 2010 was 84.8% vs. 83.9% at 31 Dec 2009 (87.3% at 30 Sept 2010).
- The Advances to Stable Funds ratio (regulatory ratio) improved to 83.1% at 31 Dec 2010 from 91.3% at 31 Dec 2009 (86.3% at 30 Sept 2010).

Financial highlights - Three year performance

As at 31 December

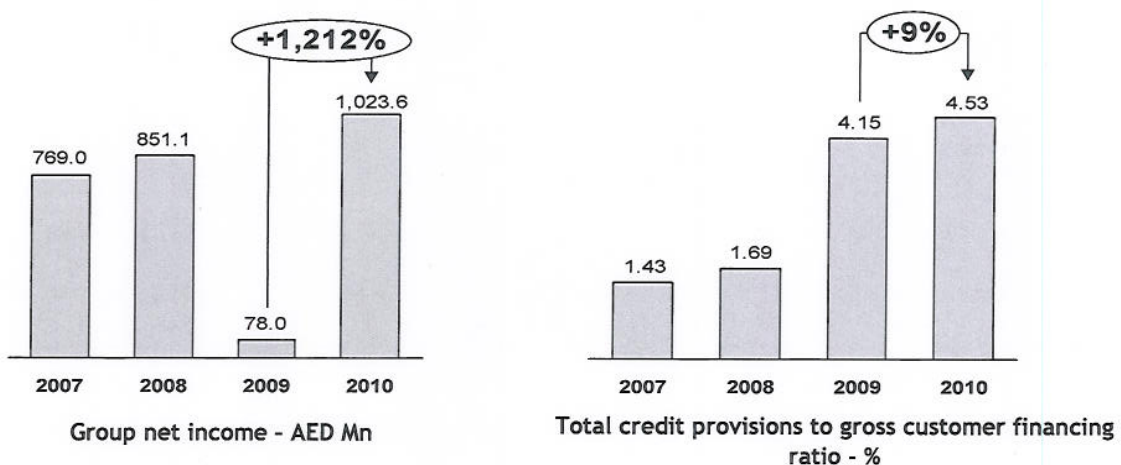
All figures are in AED millions

Balance Sheet	2007	2008	2009	2010	3 YR (CAGR)
Total assets	44,040	51,210	64,084	75,258	19.6%
Gross customer financing	24,679	34,768	42,225	50,229	26.7%
Customer deposits	29,629	37,486	48,220	56,517	24.0%
Total equity	5,421	5,637	7,145	8,111	14.4%
Capital adequacy ratio - Basel II	16.50%	11.64%	16.96%	16.03%	
Customer financing to deposit ratio	82.1%	91.2%	83.9%	84.8%	
Income statement - FYR	2007	2008	2009	2010	3 YR (CAGR)
Net revenue - Group	1,438	2,199	2,520	3,074	28.8%
Net revenue - Bank	1,261	1,905	2,387	3,050	34.2%
Operating profit (margin) - Group	886	1,311	1,527	1,773	26.0%
Operating profit (margin) - Bank	765	1,162	1,516	1,845	34.0%
Credit provisions and impairment charge - Group	117	460	1,449	749	85.6%
Credit provisions and impairment charge - Bank	117	371	1,405	630	75.1%
Net profit - Group	769	851	78	1,024	10.0%
Net profit - Bank	648	791	111	1,215	23.3%
Total credit provisions to gross financing assets ratio - Group	1.43%	1.69%	4.15%	4.53%	
Cost to income ratio - Group	38.4%	40.4%	39.4%	42.3%	
Cost to income ratio - Bank	39.3%	39.0%	36.5%	39.5%	
Network	2007	2008	2009	2010	3 YR (CAGR)
Total customers	202,276	269,037	342,097	425,730	28.1%
Branches	40	44	52	66	18.1%
ATMs	75	116	204	323	62.6%

Abu Dhabi, UAE - 14 February 2011: Abu Dhabi Islamic Bank (ADIB) posted a record net profit of AED 1,023.6 million for 2010, an increase of 1,211.8% over the same period in 2009 as total assets moved above AED 75 billion for the first time. Performance from the main banking business was particularly strong as the Bank's net revenues grew to AED 3,049.8 million on the back of strong customer, branch and financing growth. ADIB ended the year with more than 425,000 customers, coinciding with the opening of the bank's 66th branch in the UAE and robust performances from both its Personal Banking and Corporate Banking units. The Bank's strong liquidity position was further enhanced with the successful issue of a USD 750 million sukuk and by matching financing growth with deposit growth, which saw the advances to stable funds ratio improve to 83.1% at year end. ADIB continued its conservative approach to provisioning, maintaining its prudent policy of taking collective and individual provisions on a quarterly basis in line with the UAE Central Bank guidelines.

A focus on the Bank's strategy continues to drive growth

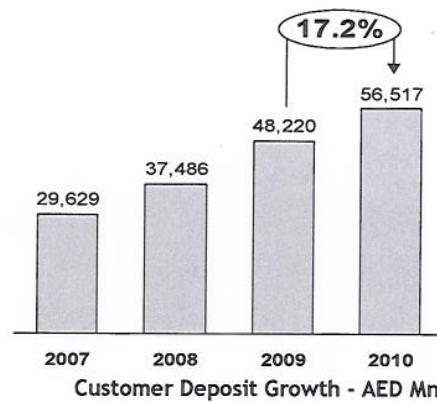
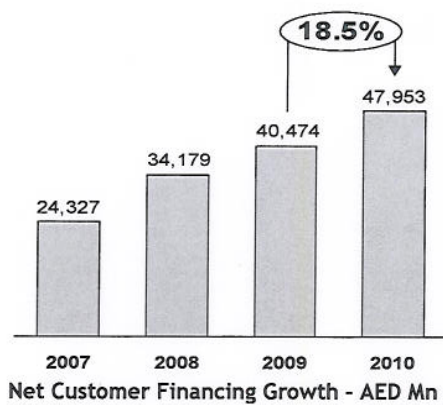
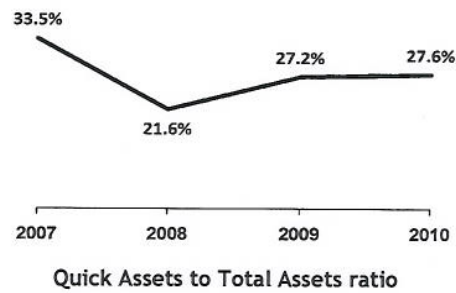
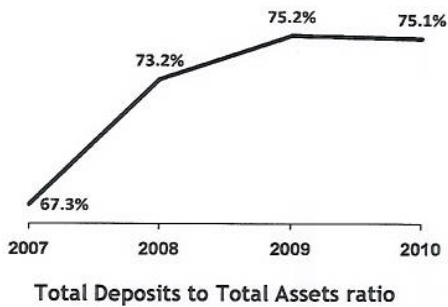
The fourth quarter of 2010 saw ADIB's management continue to take a conservative approach to the recognition of non-performing credit exposures and investments. As a result, the Bank has taken an additional AED 224.4 million in credit provisions and impairments in Q4 2010, thereby increasing total credit provisions to AED 2.28 billion, which now amounts to 4.53% of gross customer financing. In addition a further 119.5 million in impairments were taken against the Real Estate subsidiary's portfolio. The Real Estate subsidiary posted an AED 196.1 million loss, but notwithstanding this, net profit for the Group reached a new high of AED 1,023.6 million. This highlights the underlying strength of the core banking operations, where the Bank posted a 993.4% growth in net profit for the year to AED 1,214.6 million.



Liquidity

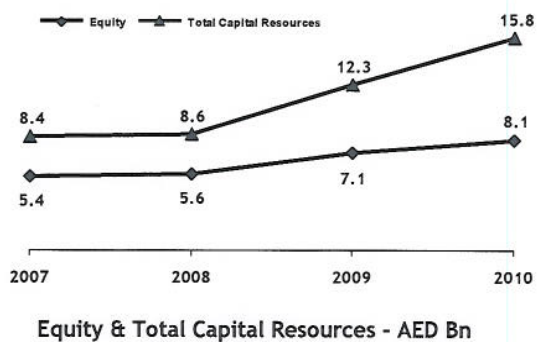
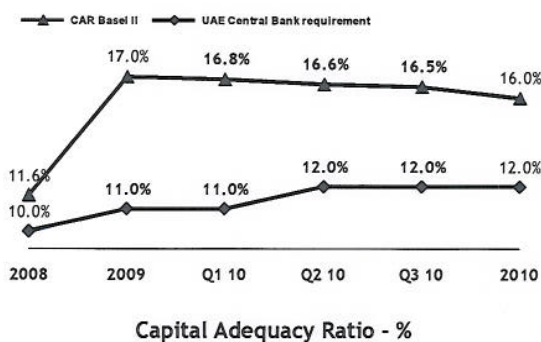
ADIB maintained its position as one of the most liquid banks in the UAE as it successfully returned to the international capital markets in Q4 2010 with a benchmark USD 750 million 3.745% profit rate sukuk issue and grew its customer deposits by 17.2% to AED 56.5 billion (AED 48.2 billion at 31 December 2009). Net customer financing grew by 18.5% to AED 48.0 billion (AED 40.5 billion as at 31 December 2009) and the Bank ended the year with a strong customer financing to deposits ratio of 84.8% and advances to stable funds ratio of 83.1%, which is significantly better than the regulatory threshold of 100%. The growth in customer financing comes on the back of a rigorous credit process that ensured the booking of AED 1.0

customer financing comes on the back of a rigorous credit process that ensured the booking of AED 1.0 billion in quality assets during the quarter, including a number of high-profile transactions by the Corporate Banking unit.



Capital strength

The Bank's capital position remains strong. Total capital resources, including both Tier 1 and Tier 2 capital, as at 31 December 2010 improved to AED 15.8 billion vs. AED 12.3 billion at 31 December 2009. The Capital Adequacy ratio remained strong at 16.03% under Basel II principles (16.96% at 31 December 2009) with the Basel II Tier 1 capital ratio stable at 13.04% (13.52% at 31 December 2009).



Cost management

Investments in 14 new branches in the past 12 months, related infrastructure and human capital saw the Group's operating expenses increase by 31.0% to AED 1,301.2 million year-on-year with the Group cost to income ratio increasing to 42.3%. The Bank's cost to income ratio was 39.5% for 2010. ADIB expects the Bank's cost to income ratio to stabilize in 2011 as the continued investment in growth is matched by further revenue increases.

Human resources

The Bank's headcount increased by 213 during the year and now stands at 1,672. Furthermore, ADIB is particularly proud of the fact that by the end of Q4 2010 the Bank's Emiratisation ratio had reached 44%. 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 risen, as recognized by ADIB's award as the most improved bank for customer service in the UAE in 2010 and its top three rating in the bank sector.

Management comment

On behalf of the Board of Directors and the management team, ADIB's CEO, Tirad Mahmoud, said: "The fourth quarter of 2010 has vindicated ADIB's preemptive decision, in the same quarter in 2009, to adopt a proactive best practice approach to credit provisions and impairment recognition. A commitment to strong credit quality management allowed us to maintain our growth momentum while simultaneously managing the impact of the legacy portfolio, enabling us to post a Group net profit of AED 1,023.6 million for 2010 and, more importantly, a net profit of AED 1,214.6 million from our banking operations for the year. The management team has now ended its third year in charge and in this period we have: more than doubled our customer financing assets; attracted over AED 27 billion in new deposits; built the balance sheet to AED 75.3 billion; doubled the number of customers; increased our branch network to 66; and quadrupled the number of ATM's. We also issued a benchmark USD 750 million sukuk in Q4 2010 and had our credit ratings reaffirmed. That we have achieved these milestones during the global financial crisis clearly validates the growth strategy we put in place for ADIB at the beginning of 2008. It also highlights the quality of the management team we have leading the strategy and the dedication of the staff who are implementing it. The foundations of our growth remain customer service excellence, best practice risk management and qualified staff. This, when combined with our outstanding capital and liquidity position, means that our growth is sustainable and ADIB's strategy to become a top tier UAE bank and global Islamic bank is well on track.

'It is now well recognized that the decisive cost of credit action we took in 2009 was market leading and preempted the new UAE Central Bank guidelines in regard to provisioning and the recognition of non-performing accounts. It is noteworthy that our collective provisioning policy has been adjusted to recognize both on and off balance sheet customer credit risk weighted assets and already stands at AED 575.3 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, in line with the Central Bank regulations. Since the new management team took over in 2008, total credit provisions and impairments have increased to AED 2,847 million from AED 404 million at the end of 2007, as the portfolio of old investments and credits from before the financial crisis 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.

‘In addition to the continued good performance of our Personal Banking business I am pleased that our Corporate Banking franchise had an excellent quarter on the back of its focus on quality asset growth supported by strong customer relationships. We saw gross customer financing grow by over AED 1.0 billion in the quarter to AED 50.2 billion, matched by a AED 2.5 billion increase in deposits to AED 56.5 billion as we balanced growth and liquidity.’

Other ADIB Group companies

ADIB Securities:

Commenting on the performance of other Group companies besides the core banking business, Tirad said: “ADIB’s stock-brokerage subsidiary has been rebranded ADIB Securities as we continue to align it with our Personal and Private Banking customer propositions. The fourth quarter was a very subdued period for the financial markets in the UAE and it is a credit to the management team at ADIB Securities that they managed to post a profit of AED 4.4 million for the year and grow their market share to over 5%. During 2010 we saw our new e-trading platform go live; it is already making a real contribution to our securities transaction flow.

Burooj Properties:

Burooj, the Group’s real estate subsidiary, continues to be operated independently from the banking and financial services business. A comprehensive review of Burooj’s portfolio resulted in a further AED 119.5 million in impairments in Q4 2010 and a consequent loss of AED 196.1 million for the year, compared to the loss of AED 37.4 million in the previous year. We expect Burooj to sustain further losses in 2011 and as a result the plan is to cut costs and refocus its business model. However, until there is a meaningful and sustained change in the real-estate market we will continue our conservative approach to accounting for this portfolio, which now represents less than 3.8% of ADIB’s total assets.

Outlook for 2011

Providing guidance on the Bank’s direction for 2011, Tirad said: “While we expect 2011 to be another year of muted global economic activity, we are also aware of the increasingly competitive environment in which operate. ADIB remains on a clear growth trajectory and we will continue to focus on building our

banking and financial services businesses both in the UAE and abroad as opportunities present themselves. While the brunt of the legacy portfolio's cost of credit was absorbed in 2009, and we took further action in 2010, we will continue to take prudent measures, including further impairments in the Burooj Real Estate portfolio, particularly as our clients continue to deal with the economic realities.”

Dividend

The Board of Directors is recommending an AED 0.216 cash dividend per share, equivalent to 50% of 2010 Net Profit, to the shareholders at the Annual General Assembly.

Approvals

These results, including the cash dividend, are subject to approval by the Central Bank of the United Arab Emirates and the shareholders at the Annual General Assembly.

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 - Full year

Financials	Banking					Consolidated Group				
	2008	2009	2010	Chg 09 vs. 08	Chg 10 vs. 09	2008	2009	2010	Chg 09 vs. 08	Chg 10 vs. 09
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	1,783.8	2,217.5	2,694.7	24.3%	21.5%	1,783.8	2,217.5	2,694.7	24.3%	21.5%
Fees, Commissions and FX	83.3	139.3	287.7	67.3%	106.6%	83.3	139.3	287.7	67.3%	106.6%
Investment Revenues	37.4	29.9	67.4	-20.2%	125.6%	37.4	29.9	67.4	-20.2%	125.6%
Net Banking Revenues	1,904.5	2,386.7	3,049.8	25.3%	27.8%	1,904.5	2,386.7	3,049.8	25.3%	27.8%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	21.6	22.3	18.2	3.1%	-18.5%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	259.1	98.0	5.8	-62.2%	-94.1%
Revenue from Other Minor Activities	-	-	-	-	-	13.3	13.3	0.2	-	-98.5%
Net Non-banking Revenues	-	-	-	-	-	294.0	133.6	24.2	-54.6%	-81.9%
	Banking					Consolidated Group				
Total Revenues	1,904.5	2,386.7	3,049.8	25.3%	27.8%	2,198.5	2,520.3	3,074.0	14.6%	22.0%
Operating profit (margin)	1,162.1	1,516.0	1,844.5	30.5%	21.7%	1,310.7	1,526.8	1,772.8	16.5%	16.1%
Credit Provisions and Impairment charge	370.9	1,404.9	629.9	278.8%	-55.2%	459.6	1,448.8	749.2	215.2%	-48.3%
Net Profit	791.2	111.1	1,214.6	-86.0%	993.4%	851.1	78.0	1,023.6	-90.8%	1,211.8%
Total Assets in AED (Billion)	50.3	63.3	74.9	25.9%	18.3%	51.2	64.1	75.3	25.1%	17.4%
Customer Financing in AED (Billion)	35.8	42.6	50.0	19.0%	17.4%	34.2	40.5	48.0	18.4%	18.5%
Customer Deposits in AED (Billion)	37.7	48.5	56.6	28.5%	16.7%	37.5	48.2	56.5	28.6%	17.2%

ADIB Financials summary - Quarterly

Financials	Banking					Consolidated Group				
	Q4 2008	Q4 2009	Q4 2010	Chg Q4 09 vs. Q4 08	Chg Q4 10 vs. Q4 09	Q4 2008	Q4 2009	Q4 2010	Chg Q4 09 vs. Q4 08	Chg Q4 10 vs. Q4 09
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	484.9	592.0	732.8	22.1%	23.8%	484.9	592.0	732.8	22.1%	23.8%
Fees, Commissions and FX	39.1	48.6	78.7	24.3%	61.9%	39.1	48.6	78.7	24.3%	61.9%
Investment Revenues	(19.1)	10.0	18.0	152.4%	80.1%	(19.1)	10.0	18.0	152.4%	80.1%
Net Banking Revenues	504.9	650.6	829.5	28.9%	27.5%	504.9	650.6	829.5	28.9%	27.5%
Brokerage Revenues (ADIFS subsidiary)	-	-	-	-	-	2.1	6.5	4.5	209.5%	-31.1%
Real Estate Revenues (Burooj subsidiary)	-	-	-	-	-	1.7	74.0	1.7	4,252.9%	-97.7%
Revenue from Other Minor Activities	-	-	-	-	-	4.5	2.3	3.3	-48.9%	43.5%
Net Non-banking Revenues	-	-	-	-	-	8.3	82.8	9.5	897.6%	-88.5%
	Banking					Consolidated Group				
Total Revenues	504.9	650.6	829.5	28.9%	27.5%	513.2	733.4	839.0	42.9%	14.4%
Operating profit (margin)	323.9	392.4	475.0	21.1%	21.1%	266.8	439.6	457.9	64.8%	4.2%
Credit Provisions and Impairment charge	63.6	1,023.5	224.4	1,508.7%	-78.1%	152.4	1,062.9	343.8	597.4%	-67.7%
Net Profit	260.3	(631.1)	250.6	-342.5%	139.7%	114.4	(623.3)	114.1	-644.9%	118.3%

-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

1. 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.
2. ADIB won the "*Best Islamic Bank*" at the 2010 Islamic Banking and Finance Awards organized by CPI Financial.
3. ADIB won the best Islamic bank in the UAE award by Islamic Finance Asia
4. ADIB won the best Islamic bank in the UAE by EMEA Finance
5. ADIB won the UAE Deal of the year by Islamic Finance News
6. ADIB also won the "*HRD Award*" from the Emirates Institute of Banking & Financial Studies.
7. ADIB's GHINA saving program won the "*Best Savings Account Award*" at the Banker Middle East Product Awards 2010.
8. 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.
9. ADIB won the "*Most Improved Bank*" in service excellence and got the top rank in "*Call Centre Performance*" in the 6th Annual Bank Benchmarking Index for service excellence by Ethos Consultancy.
10. ADIB won the "*Best Islamic Bank*" at the 2010 Islamic Banking and Finance Awards organized by CPI Financial.
11. ADIB also won the award for "*Best Branding Category*" at the 2010 Islamic Banking and Finance Awards organized by CPI Financial.

For media information, please visit www.adib.ae or contact:

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

Mohammad Z. Al-Qassem
Associate Account Manager
Corporate & Finance Practice
Weber Shandwick - MENA
Tel: +971 4 3210077
Mobile: +971 50 288 9601
Email: mohammad.alqassem@ws-mena.com