

MANAGEMENT DISCUSSION & ANALYSIS FOR THE YEAR ENDING 31 DECEMBER 2014

Abu Dhabi Islamic Bank net profit for 2014 increases

20.7% to AED 1,750.7 million

Customer financing assets increased 18.2% year-on-year to AED 73.0 billion

Group Financial Highlights

Income Statement: FYR 2014 vs. FYR 2013 and Q4 2014 vs. Q4 2013

- Group net profit for 2014 increased by 20.7% to AED 1,750.7 million vs. AED 1,450.2 million in 2013. Group net profit for Q4 2014 increased by 19.3% to AED 409.6 million vs. AED 343.3 million in Q4 2013.
- Group net revenues for 2014 increased by 16.6% to AED 4,583.0 million vs. AED 3,931.3 million in 2013. Group net revenues for Q4 2014 increased by 20.1% to AED 1,256.2 million vs. AED 1,045.8 million in Q4 2013.
- Credit provisions and impairments for 2014 decreased by 2.9% to AED 757.8 million vs. AED 780.4 million for 2013. Credit provisions and impairments for Q4 2014 decreased by 19.3% to AED 178.7 million vs. AED 221.5 million for Q4 2013.

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

- Total assets as of 31 December 2014 were AED 111.9 billion, representing an increase of 8.5% from AED 103.2 billion at the end of 31 December 2013 (and an increase of 2.7% over the AED 109.0 billion at 30 September 2014).
- Net customer financing grew 18.2% to AED 73.0 billion, from AED 61.7 billion at the end of 31 December 2013 (and an increase of 1.9% over the AED 71.6 billion at 30 September 2014).
- Customer deposits grew 12.3% to AED 84.8 billion, from AED 75.5 billion at the end of 31 December 2013 (and an increase of 2.2% over the AED 82.9 billion at 30 September 2014).

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

- The capital adequacy ratio under Basel II at 31 December 2014 remains well above the Central Bank of the UAE requirement at 14.36% vs. 16.86% recorded at 31 December 2013 (14.34% at 30 September 2014).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 86.5% at 31 December 2014, vs. 77.9% at 31 December 2013 (86.6% at 30 September 2014) and a customer financing to deposits ratio at 31 December 2014 at 86.1% vs. 81.8% at 31 December 2013 (86.4% at 30 September 2014).

Group Financial highlights - Four-year performance

As at 31 December

All figures are in AED millions

Balance sheet	2011	2012	2013	2014	3 YR (CAGR)
Total assets	74,335	86,084	103,160	111,904	14.6%
Gross customer financing	51,842	54,294	65,109	75,760	13.5%
Customer deposits	55,172	61,326	75,524	84,776	15.4%
Total equity	8,571	12,652	13,074	13,687	16.9%
Capital adequacy ratio - Basel II	17.39%	21.42%	16.86%	14.36%	
Tier 1 ratio - Basel II	13.50%	18.43%	16.42%	13.87%	
Customer financing to deposit ratio	88.5%	83.5%	81.8%	86.1%	

Income statement	2011	2012	2013	2014	3 YR (CAGR)
Net revenue	3,426	3,566	3,931	4,583	10.2%
Operating profit (margin)	1,976	2,003	2,231	2,508	8.3%
Credit provisions and impairment charge	821	802	780	758	-2.6%
Net profit	1,155	1,201	1,450	1,751	14.9%
Total non-performing accounts to gross financing assets ratio	11.5%	10.4%	8.3%	4.4%	
Cost to income ratio	42.3%	43.8%	43.3%	45.3%	

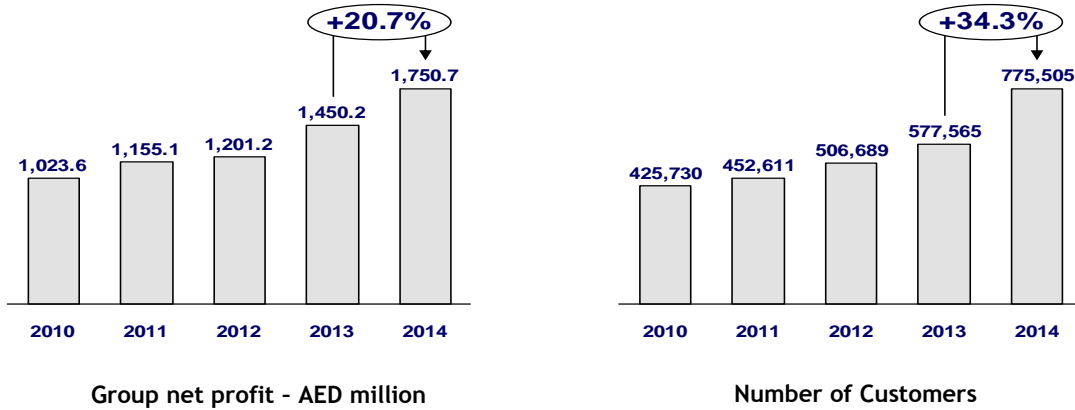
Network - UAE	2011	2012	2013	2014	3 YR (CAGR)
Total customers	452,611	506,689	577,565	775,505	19.7%
Branches	69	75	77	88	8.4%
ATMs	460	549	590	683	14.1%

Abu Dhabi, UAE - 25 January 2015: The Abu Dhabi Islamic Bank (ADIB) Group posted a 20.7% increase in net profit for 2014, to AED 1,750.7 million. The financial performance, which included the cost of acquiring and converting Barclay's UAE retail banking business, was underpinned by the main banking business in the UAE, with the Group's net customer financing assets growing 18.2% to AED 73.0 billion. The focus of ADIB's customer-centric strategy remains on delivering an award-winning experience to over 775,000 customers across all major segments through an expansive branch network and market leading digital channels. This has seen ADIB increase its deposits by 12.3% to AED 84.8 billion and its total assets by 8.5% to AED 111.9 billion. Total non-performing accounts as a percentage of gross customer financing improved to 4.4% vs. 8.3% at 31 December 2013, while total credit provisions and impairments decreased by 2.9% to AED 757.8 million during the year, which resulted in a pre-collateral non-performing coverage ratio of 95.6% of the impaired portfolio.

The business highlights for 2014 were:

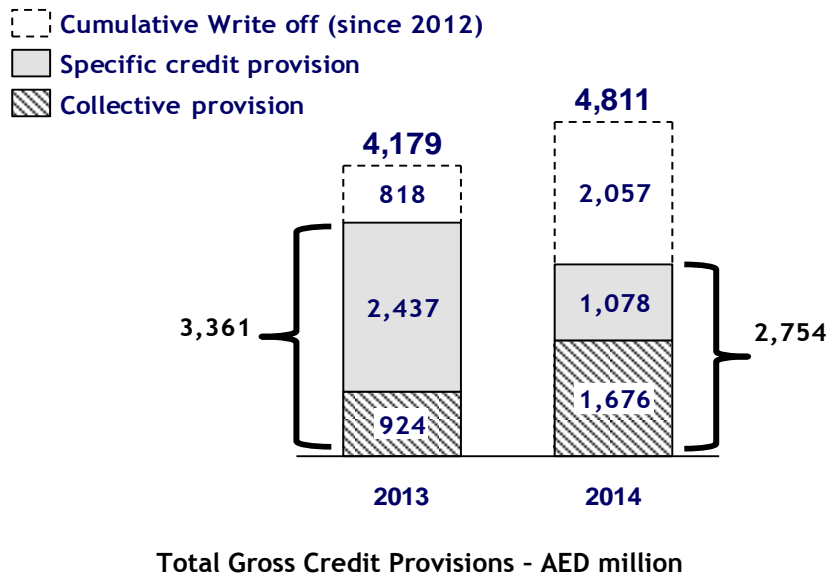
- Being named as the “Best Bank in the UAE”, with the award considering both Islamic and conventional banks;
- Being recognized as the Best Bank for customer service in the UAE for the fourth consecutive year;
- Being recognized, out of 63 banks in the GCC, as the best overall bank in customer experience;
- The completion of the acquisition of the retail business of Barclays Bank in the UAE and conversion of the card, personal finance and deposits and transfer onto ADIB's platform;
- The continued expansion into new customer segments, including further penetration of all major expatriate segments while remaining loyal to the core UAE National customer base and community, corporate and commercial clients, saw the number of active customers served by ADIB increase by 34.3% year-on-year to 775,505.
- The Bank further enhancing its position as one of the top three retail banking networks in the UAE with 88 branches, 683 ATMs and the leading mobile and internet banking platforms.
- A strong performance across all banking related businesses units, particularly Wholesale Banking and Private Banking in addition to the acquisition of the Retail Banking business of Barclays Bank in the UAE, saw ADIB's net customer financing assets increase by 18.2% vs. 31 December 2013.
- Growing customer deposits to AED 84.8 billion, an increase of 12.3% from AED 75.5 billion at the end of 31 December 2013, as the Bank maintained its best in market liquidity ratios.
- Being recognized as the best Private Bank in the UAE while the Bank as a whole increased Assets under Management by 91.2% to AED 2.7 billion vs. AED 1.4 billion at the end of 31 December 2013.
- Increasing fee income for 2014 by 29.5% vs. 2013 as the Corporate Finance and Investment Banking, Transaction Services and Treasury units, along with Retail and Private Banking expanded their range of services to clients.
- ADIB Securities increasing net profit for 2014 by 157.0% to AED 76.3 million vs. AED 29.7 million for 2013, as it consolidated 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 625.6 million in total credit provisions, to ensure a healthy pre-

collateral non-performing asset coverage ratio of 83.2% of the total non-performing portfolio, net of write-offs.



Risk management

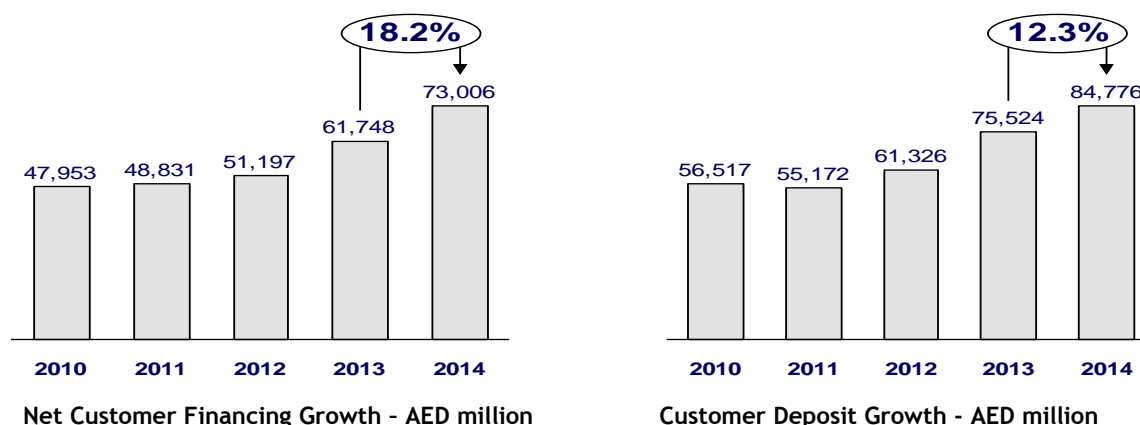
ADIB continued its well-established best-practice approach in risk management by having a dedicated team manage its legacy non-performing portfolio and as a result total non-performing accounts decreased to AED 3,309.2 million. At the same time the ratio of total non-performing assets to gross customer financing assets decreased to 4.4% vs. 8.3% at 31 December 2013. Given this reduction in the legacy non-performing portfolio, and notwithstanding the levels of collateral held, there has been a structural change in provisions associated with the restructured assets where the Bank has taken the conservative approach of re-categorizing them and as a result collective provisions increased by AED 751.8 million to AED 1,675.6 million and now represent 2.01% of total credit risk weighted assets. This represents a further buffer over the 1.5% Central Bank prescribed ratio, in addition to that created in anticipation of the introduction of the new Credit Bureau, and the Bank will maintain this approach until the sustainability of the performance of the restructured and rescheduled customers is confirmed.



When combined with the decline in total non-performing accounts, the combined collective and specific provisions now represent a pre-collateral non-performing coverage ratio of 95.6% of the impaired assets and 83.2% of the total non-performing portfolio.

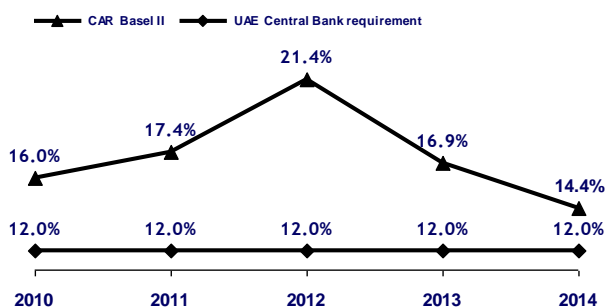
Asset and Liability Management

ADIB, as an early adopter of Basel III liquidity measures, 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 12.3% year-on-year and stood at AED 84.8 billion at the end of 31 December 2014, with Central Bank placements at AED 7.7 billion and the net interbank position at AED 0.8 billion. At the same time, net customer financing assets grew by 18.2% vs. 31 December 2013 to reach a new high of AED 73.0 billion and, as a result, ADIB ended the year with a customer financing to deposits ratio of 86.1% and advances to stable funds ratio of 86.5%, which remains significantly better than the regulatory threshold of 100%.

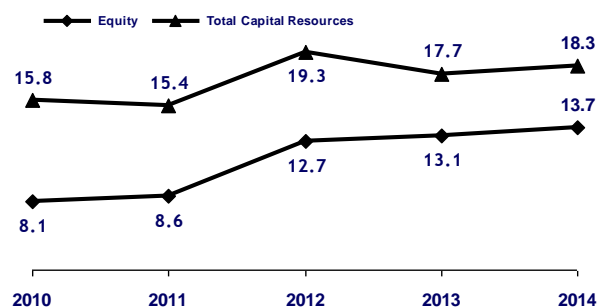


Capital strength

Equity and Capital Resources were AED 18.3 billion at the end of 31 December 2014, an increase of 3.5% year-on-year. However, given the: 18.2% growth in net customer financing assets; increase in total assets to AED 111.9 billion; acquisition of the Barclay’s UAE Retail Banking business (a once off capital impact of approximately 0.8%); and introduction by the Central Bank of the UAE of a change to the treatment of risk-weighted assets in mid-2014, ADIB’s capital adequacy ratio under Basel II principles declined to 14.36% and the Basel II Tier 1 capital ratio to 13.87%. Notwithstanding the fact that ADIB’s capital ratios continue to be well above Central Bank of the UAE’s prescribed minimums of 12% for capital adequacy and 8% for Tier 1, the Bank intends further enhancing its capital to a level that supports sustaining growth and is in line with global best practice.



Capital Adequacy Ratio - %



Equity & Total Capital Resources - AED billion

Cost management

ADIB continues to invest strategically in expanding its operations in new markets and across an increasing number of customer segments in the UAE. Aside from the upfront costs associated with the Barclay's retail acquisition, which was completed in Q3 2014, the primary areas of focus in the past 12 months included: distribution (increasing the number of branches by 11 to 88 in the UAE); alternative channels (a 15.8% increase in ATMs to 683 in the UAE); rolling-out the Arablink foreign exchange broking joint venture in the UAE; launching a new merchant-acquiring joint venture, ADIMAC; and building its regional and international capabilities as appropriate in the 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 unique regions by offering Islamic financial solutions for everyone. Given the simultaneous convergence of these factors, and the lag in revenue associated with them, the Group's cost to income ratio for 2014 increased to 45.3% vs. 43.3% in 2013.

Human resources

ADIB's continued expansion strategy, including servicing an increasing number of client segments through a broader range of products and solutions and the acquisition of Barclay's UAE Retail Banking business, has seen the Bank's headcount in the UAE increase to 2,435. 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 1,172 Nationals in the UAE with a resultant Emiratisation ratio of 48.1%.

Management comment

On behalf of the Board of Directors and the management team, Tirad Al Mahmoud, CEO of ADIB, said: "I am particularly pleased that the year in which ADIB was awarded the Best Bank in the UAE it also welcomed its 775,000th client and was recognized as the best bank in the UAE for customer service for an unprecedented fourth year in a row. These, and many other awards, together with the resultant customer loyalty and all the related efforts by our staff, has seen the Group deliver another set of record results with net profit increasing by 20.7% to AED 1,750.7 million and total assets growing 8.5% to AED 111.9 billion.

“All customer facing units - Retail Banking; Private Banking; Community Banking; and Wholesale Banking backed by our Treasury - continued to grow market share. As a consequence we saw the Bank’s customer financing assets increase 18.2% year-on-year to AED 73.0 billion, while customer deposits increased by 12.3% to AED 84.8 billion over the same period, resulting in ADIB remaining one of the most liquid banks in the UAE with a customer financing to deposits ratio of 86.1%.

“Furthermore, after having completed the acquisition of Barclay’s UAE Retail Banking business in Q3 we had by year end already converted the deposits, cards and personal financing and are now making good progress in doing the same to the mortgage portfolio. While the upfront acquisition costs saw ADIB’s cost to income increase to 45.3% for 2014, the revenue and related benefits from expanding our award winning value proposition into the Western and South Asian expatriate market will start to make a real contribution to our profits going forward.

“Turning to our legacy customer financing portfolio, it is pleasing to note that, notwithstanding the significant reduction in our non-performing assets, where total non-performing assets as a percentage of gross customer financing decreased from 8.3% to 4.4% year-on-year, that the full year performance did not rely on reducing credit provisions. In fact the sustained strength of our core banking businesses enabled ADIB to add a further AED 625.6 million in total credit provisions during 2014 and these now represent a pre-collateral non-performing coverage ratio of 95.6% of the impaired portfolio. Total credit provisions and impairments taken by the Group since 2008, including write-offs, now stand at AED 5.82 billion.

“We are also well aware that the 18.2% year-on-year growth in net customer financing assets, which included the absorption of the Barclay’s UAE Retail portfolio, and the resultant increase in total assets to AED 111.9 billion at the end of 2014, has seen ADIB’s capital adequacy ratio decline to 14.36%. ADIB has always been at the forefront of banks in the UAE when it comes to capital management, having issued the first hybrid Tier 1 instrument in the region, and notwithstanding the fact that the Central Bank has not yet issued its capital guidelines in regard to Basel III we will take the necessary actions - including retaining more earnings - to be able to support our continued growth in the most effective and efficient manner while at the same time improving our capital ratios above the levels expected by regulators, rating agencies and investors”.

Other ADIB Group companies

Securities

“Despite the continued volatility in the UAE equity markets and increased economic uncertainty in sectors linked to oil and gas, our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 76.3 million in 2014, up 157.0% from the previous year. A key aspect of this performance was the further enhancement of our online and mobile portals, which now account for more than 50% of our volumes. We

will continue to invest in the both the personal service and digital capabilities of the business, given its importance to our Priority and Private Banking clients.”

Real Estate

With regard to Burooj Properties, the Group’s real estate subsidiary: “Burooj remains non-core to ADIB and we have consequently made material progress in repositioning the business. Specifically, we have now concluded our negotiations to restructure and, in some cases, exit the legacy development property related portfolio and this saw Burooj incur a further AED 74.9 million in impairments on the back of an AED 317.4 million reduction in future commitments. We also anticipate the sale of Burooj’s last trading assets in Q1 2015 and expect to start recognizing the revenue from these assets within the next 12 months. Furthermore, subject to regulatory approval, we have started reviewing options related to exiting the real estate investment property portfolio which is still carried at the lower of cost or impaired value.”

In respect to the Group’s property management subsidiary, MPM: “Our twin focus has been on bringing MPM’s customer service levels up to the same standards of the Bank while simultaneously building their new business model as an integrated real estate services company focused on: property management, valuations, sales and leasing and real estate advisory. Today, MPM manages over 22,000 units and is now expanding its business beyond Abu Dhabi into Dubai and the Northern Emirates. As a result we expect MPM start making a positive contribution to ADIB’s profitability in 2015.”

Outlook for 2015

Providing guidance on the Bank’s outlook for the 2015: “There is little doubt that the decline in the oil price will, along with the differing monetary policy and interest rate outlooks by the Federal Reserve and European Central Bank, have an impact on economic growth with lower GDP forecast across the region for 2015. Nonetheless, our focus remains on our banking activities and we will continue our successful strategy, underpinned by conservative risk management practices, to build a diversified financial services proposition in the UAE and those markets we have elected to enter. This will see ADIB continue to invest appropriately in growing our market share in all major segments in the UAE, including remaining loyal to our core UAE National customer base, by delivering an award winning customer experience in the most convenient manner, be it through our people, our branches or our digital channels.

“Furthermore, while 2014 saw ADIB make significant progress in reducing the legacy non-performing portfolio, we will continue with our remedial and related recovery efforts in regard to these clients and their obligations to the Bank. As previously stated, notwithstanding the high level of collateral that we hold in regard to this portfolio, we will continue our conservative approach to provisioning until the remedial portfolio is dealt with in a manner that we consider sustainable, and the build-up of both our specific and collective provisions is an indication of this.”

Dividend

The Board of Directors recommends the distribution of 23.34% cash dividends for 2014. The cash dividends represent 40% of full year net profits for 2014.

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
Chief Executive Officer

Financial summaries

ADIB Group Financial summary - 3 months and Full year summary

Financials	Consolidated Group									
	Q4 2012	Q4 2013	Q4 2014	Chg Q4 13 vs. Q4 12	Chg Q4 14 vs. Q4 13	2012	2013	2014	Chg 2013 vs. 2012	Chg 2014 vs. 2013
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	736.9	815.2	944.6	10.6%	15.9%	2,905.3	3,066.4	3,505.0	5.5%	14.3%
Investment income	44.7	77.6	63.4	73.7%	-18.3%	219.0	243.7	276.8	11.3%	13.6%
Fees & Commissions	94.3	135.6	221.1	43.9%	63.0%	395.6	570.2	738.6	44.1%	29.5%
FX	0.5	16.9	25.6	3,014.2%	51.6%	36.8	46.2	60.1	25.7%	30.1%
Other	7.6	0.5	1.4	-93.8%	199.8%	8.9	4.8	2.4	-46.5%	-48.9%
Total Revenues	884.0	1,045.8	1,256.2	18.3%	20.1%	3,565.6	3,931.3	4,583.0	10.3%	16.6%
Operating profit (margin)	470.4	564.8	588.3	20.1%	4.2%	2,003.5	2,230.6	2,508.5	11.3%	12.5%
Credit Provisions and Impairment	227.6	221.5	178.7	-2.7%	-19.3%	802.3	780.4	757.8	-2.7%	-2.9%
Net Profit	242.8	343.3	409.6	41.4%	19.3%	1,201.2	1,450.2	1,790.7	20.7%	20.7%
Total Assets in AED (Billion)	86.1	103.2	111.9	19.8%	8.5%	86.1	103.2	111.9	19.8%	8.5%
Customer Financing in AED (Billion)	51.2	61.7	73.0	20.6%	18.2%	51.2	61.7	73.0	20.6%	18.2%
Customer Deposits in AED (Billion)	61.3	75.5	84.8	23.2%	12.3%	61.3	75.5	84.8	23.2%	12.3%

-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. 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

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