

**MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 30 SEPTEMBER 2013**

**Abu Dhabi Islamic Bank net profit for Q3 2013 increases**

**20.4% to AED 395.5 million**

Total assets increased 18.2% to AED 96.4 billion

**Group Financial Highlights**

**Income Statement: Q3 2013 vs. Q3 2012 and Q2 2013**

- Group net profit for Q3 2013 increased by 20.4% to AED 395.5 million vs. a net profit of AED 328.5 million in Q3 2012 and increased by 6.5% vs. AED 371.4 million for Q2 2013. Credit provisions and impairments were AED 193.5 million for Q3 2013 vs. AED 202.1 million for Q3 2012 and AED 179.8 million for Q2 2013.
- Group net revenue for Q3 2013 increased by 9.9% to AED 1,015.9 million vs. AED 924.1 million in Q3 2012 and increased by 6.9% vs. AED 950.6 million in Q2 2013.

**Income Statement: 9 months 2013 vs. 9 months 2012**

- Group net profit for the first nine months 2013 increased by 15.5% to AED 1,107.0 million, after taking credit provisions and impairments of AED 558.9 million, vs. a net profit of AED 958.5 million in the first nine months 2012, after taking credit provisions and impairments of AED 574.7 million.
- Group net revenues for the first nine months 2013 increased to AED 2,885.5 million vs. AED 2,681.6 million in the first nine months 2012, a 7.6% increase.

**Balance Sheet: 30 September 2013 vs. 30 September 2012 and 31 December 2012**

- Total assets as of 30 September 2013 were AED 96.4 billion, representing an increase of 18.2% from AED 81.5 billion at the end of 30 September 2012 (and an increase of 12.5% over the AED 85.7 billion at 31 December 2012).
- Net customer financing grew 15.8% to AED 58.9 billion, from AED 50.9 billion at the end of 30 September 2012 (and an increase of 15.0% over the AED 51.2 billion at 31 December 2012).
- Customer deposits grew 14.7% to AED 70.2 billion, from AED 61.2 billion at the end of 30 September 2012 (and an increase of 14.4% over the AED 61.3 billion at 31 December 2012).

**Capital adequacy and liquidity: 30 September 2013 vs. 30 September 2012 and 31 December 2012**

- The capital adequacy ratio under Basel II at 30 September 2013 remains strong at 17.12% vs. 16.92% recorded at 30 September 2012 (21.42% at 31 December 2012).
- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 79.0% at 30 September 2013, from 78.6% at 30 September 2012 (75.7% at 31

December 2012) and a customer financing to deposits ratio at 30 September 2013 at 83.9% vs. 83.1% at 30 September 2012 (83.5% at 31 December 2012).

## Group Financial highlights - Four year performance

*As at 30 September*

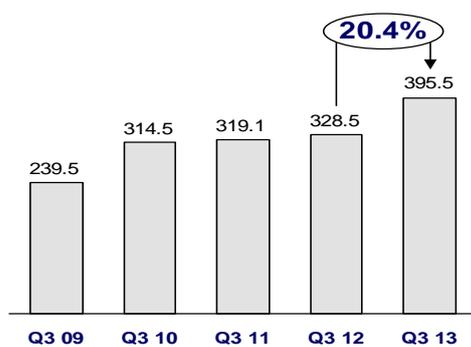
All figures are in AED millions

<b>Balance sheet</b>	<b>Q3 2010</b>	<b>Q3 2011</b>	<b>Q3 2012</b>	<b>Q3 2013</b>	<b>3 YR (CAGR)</b>
Total assets	71,175	74,163	81,540	96,382	10.6%
Gross customer financing	49,239	51,171	54,166	62,256	8.1%
Customer deposits	54,038	54,398	61,188	70,165	9.1%
Total equity	8,064	8,465	8,999	12,942	17.1%
Capital adequacy ratio - Basel II	16.5%	16.3%	16.9%	17.1%	
Tier 1 ratio - Basel II	13.2%	13.4%	13.7%	16.7%	
Customer financing to deposit ratio	87.3%	89.1%	83.1%	83.9%	
<b>Income statement</b>	<b>Q3 2010</b>	<b>Q3 2011</b>	<b>Q3 2012</b>	<b>Q3 2013</b>	<b>3 YR (CAGR)</b>
Net revenue	810.3	824.6	924.1	1,015.9	7.8%
Operating profit (margin)	480.1	469.9	530.6	589.1	7.1%
Credit provisions and impairment charge	165.6	150.8	202.1	193.5	5.3%
Net profit	314.5	319.1	328.5	395.5	7.9%
Total credit provisions to gross financing assets ratio	4.22%	5.33%	6.11%	5.43%	
Cost to income ratio	40.7%	43.0%	42.6%	42.0%	
<b>Network - UAE</b>	<b>Q3 2010</b>	<b>Q3 2011</b>	<b>Q3 2012</b>	<b>Q3 2013</b>	<b>3 YR (CAGR)</b>
Total customers	409,247	448,512	493,298	558,826	10.9%
Branches	60	66	73	77	8.7%
ATMs	284	417	522	579	26.8%

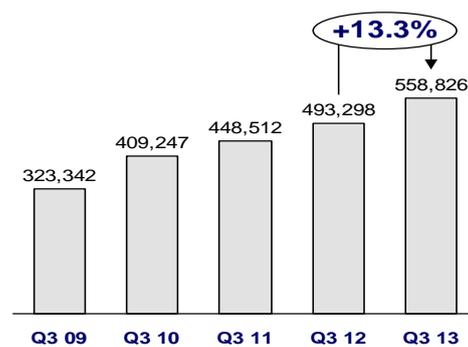
Abu Dhabi, UAE - 28 October 2013: The Abu Dhabi Islamic Bank (ADIB) Group posted a 20.4% increase in net profit of AED 395.5 million for Q3 2013. Since the Bank entered the current phase of its renewed growth strategy at the beginning of 2013, the performance of the main banking business has been particularly strong - with total assets increasing by 18.2% to AED 96.4 billion since Q3 2012. The foundation of ADIB's record financial performance remains its focus on delivering a customer centric strategy, which has led to its recognition as the best bank for customer service in the UAE for the third consecutive year.

The business highlights for Q3 2013 were:

- The expansion into new customer segments, including long-term expatriates and emerging commercial entities, while remaining loyal to the core UAE National customer base and large corporates, saw the number of active customers served by ADIB increase by 3.9% in Q3 2013 to 558,826, a 13.3% increase year-on-year.
- With 77 retail branches and 579 ATMs in the UAE at the end of Q3 2013 the Bank maintained its position as one of the largest retail banking networks in the country.
- A strong performance in the Retail and Wholesale Banking business saw ADIB's net customer financing assets increase by 4.8% vs.30 June 2013, a 15.0% increase in the first nine months of 2013.
- The deposit concentration risk was further reduced as current and savings account balances reached AED 37.4 billion, a 22.3% year-on-year increase, and these now represent 53.3% of total deposits.
- ADIB Securities, recognized as the best broker in the UAE 2013 by Global Investor magazine, increased net profit by 1,466% as the UAE equity markets continued their recovery.
- Maintaining a conservative policy of non-performing asset recognition and remedial management, including taking an additional AED 149.9 million in credit provisions, to ensure a healthy pre-collateral non-performing asset coverage ratio of 74.6% of the impaired portfolio, net of write-offs.
- Reduction of commitments by Burooj by a net AED 560 million as material progress was made bringing its legacy portfolio to account.



Group net profit - AED million

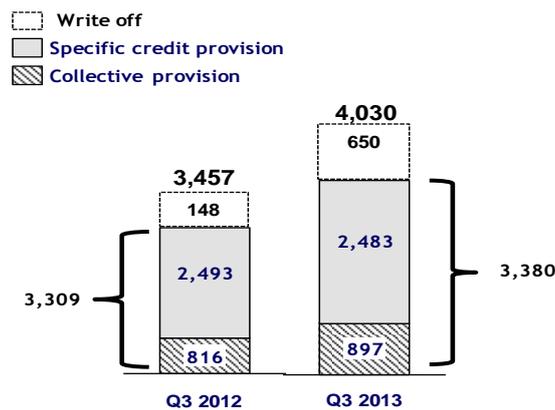


Number of Customers

**Risk management**

ADIB continued its well-established, best-practice approach to managing its non-performing portfolio. As a result, total non-performing accounts as a percentage of gross customer financing decreased to 8.9% vs. 10.4% at 31 December 2012. The Bank also took an additional AED 111.6 million in specific provisions and AED 38.3 million in collective provisions in Q3 2013, thereby increasing net credit provisions to AED 3,380 million, net of write-offs. Total net credit provisions now represent a pre-collateral non-performing coverage ratio of 74.6% of the impaired portfolio. The Bank's collective provisions, which track the net growth in customer financing, represent 1.60% of total customer risk weighted assets and remain ahead of the Central Bank's 2014 requirement of 1.5%. Furthermore, the Bank has an additional Credit Risk Reserve of AED 400 million, which was established in Q4 2012 as part of a preemptive adoption of the emerging global best practice standards of expected loss coverage and establishment of capital buffers.

In addition to the credit portfolio, a further AED 41.0 million in impairments was taken against the real estate subsidiary's legacy development portfolio, bringing total impairments related to this business to AED 655.2 million over the past four years.



**Total Gross Credit Provisions - AED million**

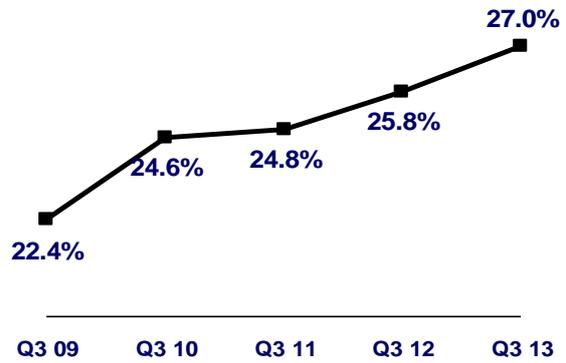
**Asset and Liability Management**

ADIB maintained its position as one of the most liquid banks in the UAE. At the end of Q3 2013, customer deposits stood at AED 70.2 billion, Central Bank placements at AED 6.1 billion and the net interbank position at AED 6.4 billion.

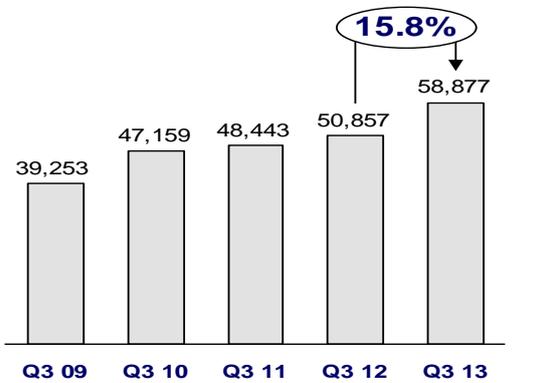
The continued focus on reducing the cost of funds and deposit concentration saw current and savings accounts grow by 22.3% year-on-year to reach AED 37.4 billion, while overall deposits increased 14.7% to AED 70.2 billion during the same period. Simultaneously, net customer financing assets grew by 15.8% in the nine months ending 30 September 2013 to reach a new high of AED 58.9 billion (AED 51.2 billion as at 31 December 2012) and ended the quarter with a customer financing to deposits ratio of 83.9% and advances to stable funds ratio of 79.0%, which is significantly better than the regulatory threshold of 100%. Furthermore, it is noteworthy that ADIB's quick asset to total asset ratio was 27.0% at the end of Q3 2013.



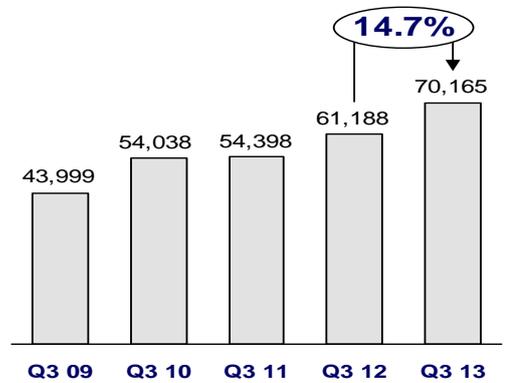
Advances to Stable Funds ratio



Quick Assets to Total Assets ratio



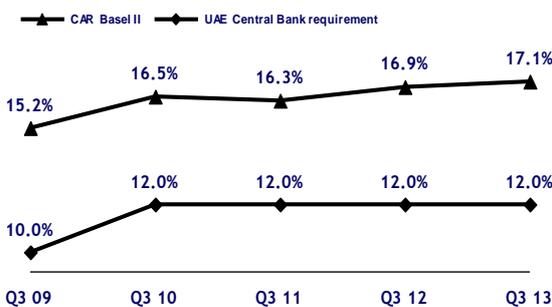
Net Customer Financing Growth - AED million



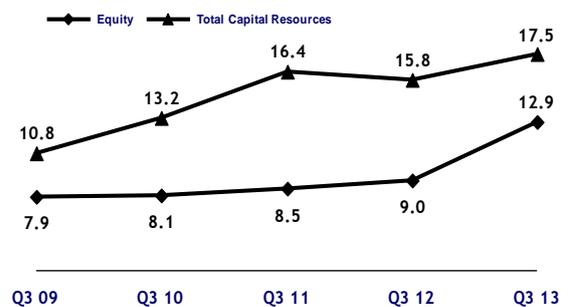
Customer Deposit Growth - AED million

### Capital strength

Following the Bank's capital actions in Q4 2012 and Q2 2013, and notwithstanding the 15.0% growth in net customer financing for the first nine months of 2013 and the increase in total assets to AED 96.4 billion, ADIB's capital ratios continue to be well above both global averages and the Central Bank of the UAE's prescribed minimums of 12% for capital adequacy and 8% for Tier 1. Equity and Capital Resources were AED 17.5 billion at the end of Q3 2013, an increase of 11.0% year-on-year, with the capital adequacy ratio under Basel II principles at 17.12% and the Basel II Tier 1 capital ratio at 16.67%.



Capital Adequacy Ratio - %



Equity & Total Capital Resources - AED billion

### **Cost management**

ADIB has continued to invest strategically across an increasing number of customer segments in the UAE and has expanded its range of aligned financial services operations both in the UAE and in new markets. During the past 12 months, investments were made in: distribution (with four new branches in UAE); alternative channels (57 new ATMs and further enhancement of the Bank's award-winning internet banking and securities trading platforms); and in building its regional and international capabilities with ADIB now present in seven countries. Behind this investment is a clear strategy to ensure that ADIB continues to consolidate its position as one of the top retail banks in the UAE while continuing to work towards the Group's vision of becoming a top-tier regional bank offering Islamic financial solutions for everyone. Despite this focus on growth, a concurrent emphasis on efficiency saw the Group's cost to income ratio decrease to 42.0% at the end of Q3 2013 vs. 42.6% at the end of Q3 2012.

### **Human resources**

A continued emphasis on efficiency and performance has seen the Bank's UAE headcount increase limited to 21 since Q3 2012, to stand at 1,660. This is despite the growth of the domestic operations.

ADIB remains one of the leading banks in advocating Emiratisation, employing 664 UAE Nationals at the end of Q3 2013.

### **Management comment**

On behalf of the Board of Directors and the management team Tirad Al Mahmoud, CEO of ADIB, said: "I am pleased that ADIB's vision of becoming a top-tier regional bank is firmly on track, as demonstrated by the 18.2% year-on-year growth of our total assets, which now stands at AED 96.4 billion, and a 20.4% increase in net profit of AED 395.5 million for Q3 2013 over the same period last year. Equally pleasing is that this performance is underpinned by a clear commitment to excellence in customer service and it is a matter of great pride that ADIB was recognized for the third consecutive year as the best bank in the UAE for customer service. This continued focus on a customer-centric strategy across an increasing number of segments and markets, combined with our now established ability to optimize capital and manage funding, enabled ADIB to grow its net customer financing assets by 15.0% in the first nine months of 2013. This growth, which is well above the market average, reinforces ADIB's status as a top-tier UAE bank and emerging regional player.

"Notwithstanding the growth in our net customer financing assets, ADIB continued to demonstrate its strong liquidity capabilities by improving the advances to stable funds ratio to 79.0% at 30 September 2013. Most notably, our focus on building current and savings accounts saw their combined balances grow by 22.3% year-on-year and these now represent 53.3% of total deposits. The overall result is that we not only meet the new Basel III based liquidity ratios but our deposit concentration risk also continues to decline.

"With regards to provisioning, we continued our prudent practices and added a further AED 193.5 million in total credit provisions and impairments during Q3 2013, while maintaining our collective provisions well

above the Central Bank guidelines of 1.5%. Since 2008, the total credit provisions and impairments taken by the Group amount to AED 4,840.0 million. Despite the positive outlook we have on the UAE economy and therefore on new customer and financing asset growth, we remain cautious about any recovery in the non-performing credit environment relating to our legacy portfolio. We fully intend to continue our diligent approach to both the recognition and the provisioning and recovery management of remedial accounts.”

### **Other ADIB Group companies**

#### **Securities**

“Our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 9.2 million in Q3 2013, up 1,466% from the previous year. This is due to our continued investment in internet and mobile trading capabilities, the provision of personalized services, the continued recovery of the local equity markets and the welcomed news about the UAE’s entrance to the MSCI Emerging Markets Index. The business, which deals only in Shari’a-compliant shares, recorded a market share of 5.7% for Q3 2013 and is now established as the top retail broker in the UAE. This success, which was recognized by the recent award of Best Broker in the UAE 2013, reflects our strategic commitment to servicing our customers throughout the investment cycle, rather than entering and exiting sectors and segments based on market fluctuations.”

#### **Real Estate**

With regard to Burooj, the Group’s real estate investment subsidiary: “I am pleased that our focus on bringing Burooj’s legacy exposure to account, including working with our partners, is now starting to yield results. This progress, when combined with the recent improvement in the overall real estate environment in the UAE, bodes well for a material and meaningful reduction in future impairments on Burooj’s portfolio.

“In addition, we are restructuring our real estate operations into a Property Management business and a Real Estate Investment and Development business. Each business will be managed independently of each other with a clear focus on improving performance for all stakeholders”

### **Outlook for 2013**

Providing guidance on the Bank’s direction for the remainder of 2013: “On the back of three quarters of sustained asset and profitability growth, our outlook for the full year is positive and we remain committed to our growth strategy. In this regard, we will continue to invest across both our existing and new segments in the UAE while simultaneously diversifying our banking and related financial services business across the broader MENA region. However, since we continue to have concerns about the certainty of the recovery of global economy - particularly should there be a repeat of recent events in the United States, we also remain focused on our remedial and problem credit management processes. Therefore, until there is a meaningful and sustained improvement in the non-performing portfolio, we will continue to take provisions as is prudent and necessary.”

**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 Mohammed 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.



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Tirad Al Mahmoud  
Chief Executive Officer

## Financial summaries

### ADIB Group Financial summary - 3 months and 9 months Summary

Financials	Consolidated Group									
	Q3 2011	Q3 2012	Q3 2013	Chg Q3 12 vs. Q3 11	Chg Q3 13 vs. Q3 12	YTD 2011	YTD 2012	YTD 2013	Chg YTD 12 vs. YTD 11	Chg YTD 13 vs. YTD 12
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	692.4	721.5	769.8	4.2%	6.7%	2,079.7	2,168.4	2,251.3	4.3%	3.8%
Investment income	-1.6	91.8	71.3	5,843.2%	-22.3%	77.7	154.0	141.4	98.1%	-8.2%
Fees & Commissions	118.9	90.5	139.6	-23.9%	54.2%	335.4	301.3	434.5	-10.2%	44.2%
FX	8.8	11.6	24.4	32.3%	110.1%	22.2	36.2	29.3	63.1%	-19.0%
Other	6.1	8.7	10.8	42.2%	24.3%	26.7	21.7	29.0	-18.8%	33.8%
<b>Total Revenues</b>	<b>824.6</b>	<b>924.1</b>	<b>1,015.9</b>	<b>12.1%</b>	<b>9.9%</b>	<b>2,541.7</b>	<b>2,681.6</b>	<b>2,885.5</b>	<b>5.5%</b>	<b>7.6%</b>
<b>Operating profit (margin)</b>	<b>469.9</b>	<b>530.6</b>	<b>589.1</b>	<b>12.9%</b>	<b>11.0%</b>	<b>1,485.0</b>	<b>1,533.2</b>	<b>1,665.9</b>	<b>3.2%</b>	<b>8.7%</b>
Credit Provisions and Impairment	150.8	202.1	193.5	34.0%	-4.2%	546.1	574.7	558.9	5.2%	-2.8%
<b>Net Profit</b>	<b>319.1</b>	<b>328.5</b>	<b>395.5</b>	<b>3.0%</b>	<b>20.4%</b>	<b>938.9</b>	<b>958.5</b>	<b>1,107.0</b>	<b>2.1%</b>	<b>15.5%</b>
Total Assets in AED (Billion)	74.2	81.5	96.4	9.9%	18.2%	74.2	81.5	96.4	9.9%	18.2%
Customer Financing in AED (Billion)	48.4	50.9	58.9	5.0%	15.8%	48.4	50.9	58.9	5.0%	15.8%
Customer Deposits in AED (Billion)	54.4	61.2	70.2	12.5%	14.7%	54.4	61.2	70.2	12.5%	14.7%

**-Ends-**

#### About ADIB:

Abu Dhabi Islamic Bank (ADIB) was established on 20<sup>th</sup> May 1997 as a Public Joint Stock Company following the Emiri Decree No. 9 of 1997. The Bank commenced commercial operations on 11<sup>th</sup> November 1998, and was formally inaugurated by His Highness Sheikh Abdullah Bin Zayed Al Nahyan on 18<sup>th</sup> 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. Best Overall Bank in the UAE in customer service in 2013 for 3 consecutive years by Ethos Consultancy.
2. Best website in the UAE for 2013 by Ethos Consultancy.
3. Sheikh Khalifa Excellence Award - Gold category - in 2012.
4. Best Islamic bank in the Middle east by Banker Financial Times.
5. Best Islamic Bank in the UAE for 2013 for 4 consecutive years by Global Finance.
6. Best brokerage firm in the UAE by Global Investor magazine.
7. Best Islamic Bank in the UAE by EMEA Finance magazine for 2012.
8. Best overall Islamic bank by Islamic Finance News magazine for 2012.
9. Best Islamic bank in the UAE for 2012 by Euromoney.
10. Best Islamic Bank in the UAE by Islamic Finance News magazine for 2012.
11. Best Islamic Bond by International Financing Review for 2012.
12. Best Co-branded card and best covered card by Banker Middle East for 2012.
13. Best Islamic card and best co-branded card by Smart Card Middle East for 2012.
14. Human Resource Development award by Emirates Banking Institute and Finance for 2012.
15. Best Islamic Retail Bank by Islamic Finance News for 2012.
16. Best Corporate deal of the year by Islamic Finance News for 2012.
17. Best Mudarabah Deal of the year by Islamic Finance News for 2012.

18. Best Syndicated deal of the year by Islamic Finance News for 2012.
19. Best UAE deal of the year by Islamic Finance News for 2012.
20. CSR label for 2012 from Dubai Chamber of Commerce.

**For media information, please visit [www.adib.ae](http://www.adib.ae) or contact:**

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