

Press Release: Immediate Release

ABU DHABI COMMERCIAL BANK REPORTS

FULL YEAR 2010 NET PROFIT OF AED 391 MN, ON RECORD OPERATING INCOME OF AED 5,336 MN

FOURTH QUARTER 2010 NET PROFIT OF AED 371 MN, ON OPERATING INCOME OF AED 1,404 MN

Abu Dhabi, 25 January 2011 – Abu Dhabi Commercial Bank PJSC (“**ADCB**” or the “**Bank**”) today reported its results for the year ended 31 December 2010 subject to approval by the UAE Central Bank.

Annual highlights – Year on year comparison (2010 vs. 2009)

- Pre – provision profits at record level, up 14% at AED 3,687 mn
- Operating income at record level, up 12% at AED 5,336 mn
- Customer deposit growth of 23% at AED 106 bn vs net loan growth of 5% at AED 123 bn
- Loan to deposit ratio at 116% down from a high of 151% in March 2009
- Cost to income ratio reduced to 30.9%

Commenting on the Bank’s performance, **H.E. Eissa Al Suwaidi**, Chairman of ADCB said “The Bank continues to have a strong franchise and delivered a robust performance in 2010, despite a continued challenging credit environment. ADCB’s bottom line returned to positive territory and the Bank delivered record operating and pre – provision profits, something I am very proud to report. The difficult environment has understandably had an impact on the Bank’s net profitability, as well as resulted in continued provisioning requirements. In line with our performance the Bank continues to remain optimistic about the long term growth prospects of the UAE.

I wish to extend our most sincere appreciation and gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the UAE President 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 His Highness Sheikh Mansour Bin Zayed Al Nahyan, Deputy Prime Minister and Minister of Presidential Affairs, the Chairman and Governor of the UAE Central Bank for their continued support for ADCB and the banking sector as a whole.”

Ala’a Eraiqat, member of the Board and Chief Executive Officer commented on the results; “2010 was a year of measured growth for ADCB. After a difficult 2009, the Bank looked to solidify its position within the local banking market, and add scale and momentum to its business divisions where appropriate. The most significant development in 2010 was the successful acquisition of the UAE retail banking, wealth management and SME businesses of The Royal Bank of Scotland PLC (“**RBS**”). This was the first acquisition in UAE of an international bank’s franchise by a local bank and resulted in substantial growth of our strategically important consumer banking business. The integration of the two businesses continues to remain on track and the fourth quarter results include the performance of the above mentioned businesses. The Bank also remained committed to its strategy of Emiratisation; recruiting and developing UAE nationals, with 36% of the employees (excluding the recent acquisition), i.e. over 1,000 UAE nationals as at 31 December 2010.

The Bank continued to strengthen its balance sheet and execute its strategy to bring down the loans to deposit ratio, which ended the year at 116%. Customer deposits reached over AED 106 bn whilst the Bank also successfully managed to keep its cost of funding stable and increase NIMs by 6 bps. The record operating and pre-provision profits reported reflect strength in our core operations, solid client relationships and strategic investments for growth.

I am pleased to announce that the Bank declared a profit of AED 391 mn for the year after taking significant impairment provisions of AED 3,287 mn (net) of which AED 2,860 mn (net) related to loans and advances and the rest for funded and unfunded investment securities.

On behalf of the Executive Management Team, I would like to express our sincere appreciation and gratitude to all of our shareholders and the Board of Directors for their support, our employees for their hard work, and our customers for their ongoing loyalty and trust. We enter 2011 with a clear vision, strategy and healthy capitalisation. The Bank has emerged from 2010 with improved business lines, and strengthened partnerships across its operations, and is well positioned and committed for continued success in the year ahead.”

Further analysis of ADCB’s full year and fourth quarter results:

AED million	Quarterly trends					Full year highlights		
	4Q'10	3Q'10	4Q'09	4Q'10 change %		2010	2009	2010 Change %
				3Q'10	4Q'09			2009
Income statement highlights				%				%
Net interest income	1,034	877	858	18	21	3,682	3,276	12
Non-interest income	370	574	356	(36)	4	1,654	1,507	10
Operating income	1,404	1,451	1,214	(3)	16	5,336	4,783	12
Operating expenses	(379)	(470)	(375)	19	(1)	(1,649)	(1,539)	(7)
Pre-provision profit	1,025	981	839	4	22	3,687	3,244	14
Net impairment allowances	(647)	(656)	(2,052)	1	68	(3,287)	(3,753)	12
Income tax	(7)	0	–	NA	NA	(9)	(3)	(200)
Net profit	371	325	(1,213)	13	NA	391	(513)	NA
EPS (AED)	0.07	0.04	(0.22)	75	NA	0.04	(0.09)	NA
Balance sheet highlights	Dec'10	Sept'10	Dec'09	QoQ% Change	YoY% Change	Dec'10	Dec'09	YoY% Change
Total assets	178,271	175,867	160,209	1	11	178,271	160,209	11
Gross loans	129,068	125,990	120,843	2	7	129,068	120,843	7
Deposits	106,134	100,623	86,300	5	23	106,134	86,300	23
Ratios	Dec'10	Sept'10	Dec'09	QoQ% Change	YoY% Change			
CAR %	16.65	15.95	17.38	0.70	(0.73)			
Tier I ratio (%)	11.97	11.50	12.35	0.47	(0.38)			
NIM %	2.57	2.53	2.51	0.04	0.06			
LTD %	115.68	119.60	135.12	(3.92)	(19.44)			

Net profit

ADCB reported a net profit of AED 391 mn in 2010 compared to a net loss of AED 513 mn in 2009. Fourth quarter net profit was AED 371 mn compared with a net loss of AED 1,213 mn for the fourth quarter of 2009. Profit for the full year will be retained to maintain the capital base of the Bank.

Total operating income and net interest margins

Total operating income in 2010 reached a record level of AED 5,336 mn, an increase of 12% over 2009. Fourth quarter revenues in 2010 also registered an increase of 16% year on year reaching AED 1,404 mn.

Net interest income

The solid growth in total operating income was mainly attributed to stronger contribution of net interest income which recorded an increase of 12% over 2009 reaching AED 3,682 mn for the year and AED 1,034 mn for the fourth quarter. Net interest income in the fourth quarter of 2010 crossed AED 1 bn for the first time, representing a strong growth of 21% over the same period in 2009. Whilst gross interest income for the full year represented an increase of 7% at AED 7,376 mn, the Bank was able to keep interest expenses stable at AED 3,694 mn compared to AED 3,622 mn in 2009 and at the same time successfully grow the deposit base to AED 106 bn, an increase of 23% over 2009.

Net interest margin increased by 6 bps from 2.51% in 2009 to 2.57% in 2010. NIM for the fourth quarter of 2010 was 2.79%.

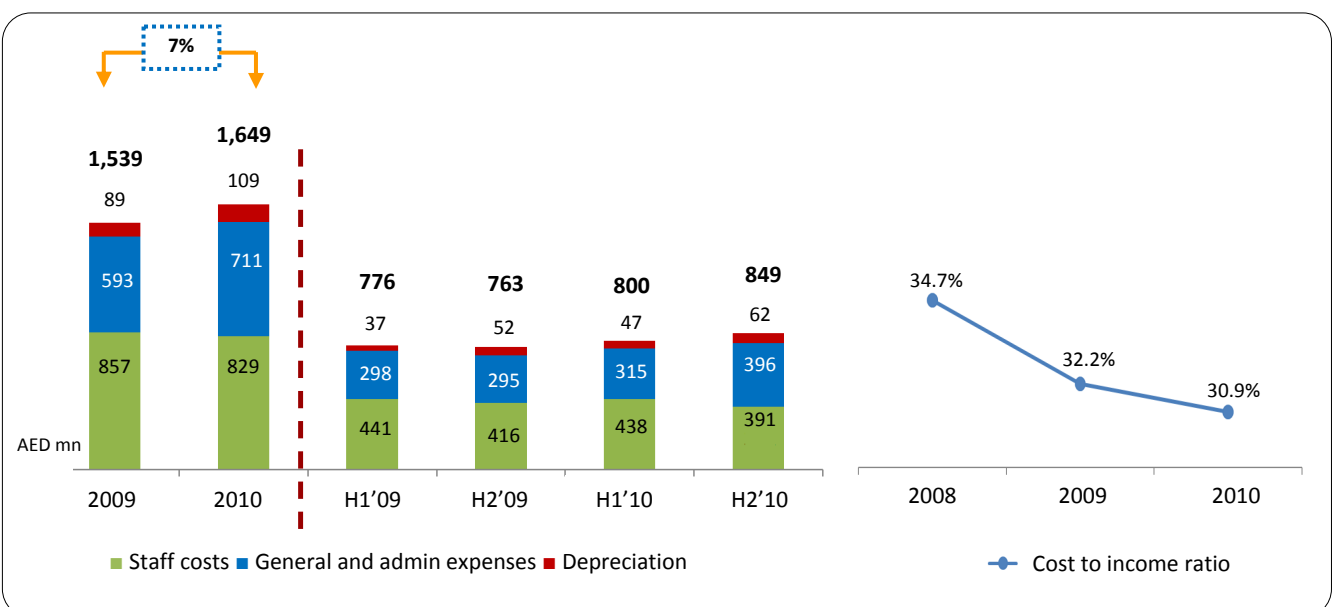
Non – interest income

Non – interest income for the full year reported a healthy increase of 10% over 2009 reaching AED 1,654 mn. Fees and commission for the year were 3% lower compared to 2009 at AED 956 mn and loss from the decrease in fair value of investment property totaled AED 116 mn. This was offset by higher revenues in trading and improved contribution from profit from associates. Net gain on trading and derivative income grew over 100% in 2010 and reached AED 313 mn compared to AED 150 mn in 2009. Income from RHB Capital Berhad stood at AED 340 mn in 2010, an increase of 59% over 2009 contributing 21% of the Bank's non-interest income.

Operating expenses

Operating expenses were AED 1,649 mn for 2010, 7% higher than 2009 and remained stable for the fourth quarter of 2010 at AED 379 mn compared to AED 375 mn for the fourth quarter of 2009 representing a marginal increase of 1%. The increase in the cost base was primarily attributable to launch of new products such as the 'Above' co-branded Visa credit card through an alliance agreement with Etihad Airways in April and integration related expenses for the acquisition of the UAE retail banking, wealth management and SME businesses of RBS. The fourth quarter expenses also include the expenses of the RBS' businesses acquired on 1 October 2010. Staff expenses reported a 3% decline from AED 857 mn in 2009 to AED 829 mn in 2010.

The cost control initiatives adopted by the Bank resulted in a progressive reduction in the cost to income ratio from 32.2% in 2009 to 30.9% in 2010.



Provision and impairment allowances

Charges for the year

The net impairment allowances for 2010 were AED 3,287 mn, 12% lower compared to 2009 at AED 3,753 mn. Of this, AED 2,860 mn (net) were provisioned for loans and advances. Provision for the investment portfolio was at AED 249 mn and AED 178 mn for the unfunded structured portfolio. The specific loan impairment provisions for the year include AED 1,055 mn for one entity – Dubai World. The specific loan impairment provisions for the year also include AED 554 mn for two troubled Saudi entities – the Saad and Al gosaibi Groups which have been taken in accordance with the Central Bank guidelines.

Balance at year end

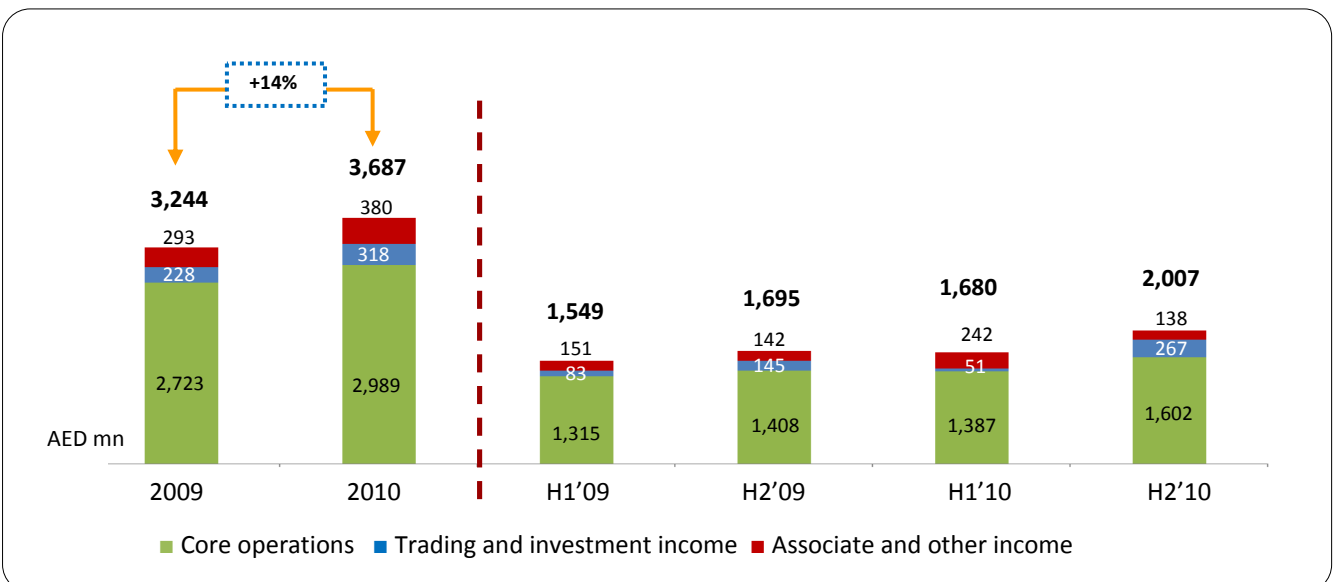
At the year end, the individual impairment balance stood at AED 4,653 mn and collective impairment balance stood at AED 1,643 mn.

Non – performing loans and provision coverage

The NPL ratio of the Bank was 5.8% marginally higher than 5.2% as at 31 December 2009 and provision coverage ratio was at 69.6% as at 31 December 2010 (2009 - 67.8%). Including the exposure to Dubai World, the NPL ratio stood at 11.1% and provision coverage at 44.1%.

Pre-provision profits

Pre-provision profits for the full year were at a record level of AED 3,687 mn, an increase of 14% over 2009. Fourth quarter 2010 pre-provision profits crossed AED 1 bn for the first time and represented an increase of 22% over the same period in 2009. The strong growth in pre-provision profits was primarily driven by higher earnings from core operations, coupled with higher trading and investment income as well as increased earnings from associate and other income. Income from core operations represented a 10% increase year on year in 2010, mainly driven by higher interest income. Trading and investment income in 2010 was up 39% mainly due to higher derivative and FX trading income. Associate and other income was 30% higher year on year in 2010, boosted by contribution from RHB Capital Berhad.



Assets

Total assets aggregated to AED 178 bn as at 31 December 2010, representing controlled growth of 11% over 31 December 2009. Net customer loans as at 31 December 2010 increased to AED 123 bn, up 5% over 31 December 2009 and gross loans reached AED 129 bn, an increase of 7% over 31 December 2009.

Customer deposits

Aggregate customer deposits were AED 106 bn as at 31 December 2010, representing an increase of 23% over 31 December 2009.

Ratios

As at 31 December 2010, the Bank's loans to deposit ratio was 116% and the advances to stable resources ratio as defined by the UAE Central Bank remained flat at 91%.

Capital

As at 31 December 2010, the Bank's capital ratio was 16.65%, compared to 17.38% as at 31 December 2009 and above the minimum requirement of 12% determined by the Central Bank. The Bank's Tier I ratio stood at 11.97% as at 31 December 2010.

Awards

ADCB received two awards in the first quarter of 2010 - in February 2010 ADCB won the World Finance Award (UK) for the best corporate governance in the UAE and in March 2010 won the Best Retail Bank in UAE and Best Retail Bank in the Gulf States Awards from the Asian Banker Excellence in Retail Financial Services Awards Programme.

In the second quarter of 2010, the following awards were won by ADCB. In April 2010, ADCB was awarded the Banker Middle East Product Awards 2010 for the BusinessEdge suite of products offered by the Small and Medium Enterprises (SME) Banking Division. In May 2010, ADCB won "The Best SME Bank in MENA" at the Banker Middle East Industry Award 2010 by CPI Financial, a leading financial media group, for the highest standards of innovation and excellence in banking and financial services.

In the third quarter of 2010, ADCB won The Best Consumer Internet Bank in the UAE by Global Finance Magazine at its 11th World's Best Internet Bank Awards.

About ADCB:

ADCB was formed in 1985 and as at 31 December 2010 employed over 3,824 people from 48 nationalities, serving approximately 550,000 retail customers and over 23,000 wholesale clients in 53 branches including India. It is the third largest bank in the UAE and second largest in Abu Dhabi by assets, at AED 178 billion as at 31 December 2010.

ADCB is a full-service commercial bank which offers a wide range of products and services such as retail banking, wealth management, private banking, corporate banking, commercial banking, cash management, investment banking, corporate finance, foreign exchange, interest rate, currency, derivative, Islamic products, project finance and property management services.

ADCB is owned 64.8% by the Abu Dhabi Government through the Abu Dhabi Investment Council. Its shares are traded on the Abu Dhabi Securities Market. As at 31 December 2010, ADCB's market capitalisation was AED 10 bn.

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