

Press Release: Immediate Release

Abu Dhabi Commercial Bank Reports First Half 2010 Financial Results

Abu Dhabi, July 31, 2010 - Abu Dhabi Commercial Bank (ADCB) today announced its financial results for the first half of 2010 ("1H'10").

1H'10 key highlights over 1H'09

- Customer deposits up 12% vs. loan growth of 3% over December 2009
- Loan to deposit ratio down from 135% to 123% over December 2009
- Net interest income up 11% at AED 1,772 mn
- Operating income up 7% at AED 2,480 mn
- Net interest margin up by 8 bps at 2.58%
- Cost to income ratio dropped to 32% from 33% over 1H'09
- Pre-provision profit up by 8% at 1,680 mn
- Net loss of AED 306 mn, negatively impacted by provisions of AED 2 bn

Commenting on the Bank's performance, **Eissa Al Suwaidi, Chairman** of ADCB said "The Bank continued to pursue its efforts to achieve its strategic targets on all levels and continued to improve its performance in the fields of restructuring of its operational and financial activities as well as in the field of providing innovative products and outstanding banking and financial services in line with the highest international standards of the industry. Furthermore, the Bank continued to realize satisfactory levels of profitability, however, the enforcement of provisions and impairments, especially those associated with ADCB's exposure to Dubai World resulted in reporting a net loss."

Speaking on the first half results, **Ala'a Eraiqat, CEO and a member of the Board** said "Despite the continuing tough economic conditions, the bank has maintained revenue momentum and turned out a resilient performance. We continue to invest in the business in the UAE in line with our strategy, especially core banking activities of the Bank which offer us the highest potential for growth. We were recently awarded the mandate for the Etihad co-brand card which was successfully launched in June 2010. We also signed an agreement to acquire the retail banking and wealth management business of the Royal Bank of Scotland (RBS) in the UAE which is subject to UAE Central Bank approval. This would be the first acquisition of an international bank's retail banking franchise in the UAE by a local bank and would provide tremendous opportunities for the Bank. On the corporate side, ADCB was recently awarded 'The Best SME Bank in MENA Award' by CPI Financial and also received 'The Banker Middle East Product Awards 2010' for the BusinessEdge suite of products offered by the SME business. These initiatives in consumer and wholesale banking will see us growing our market share, revenue and profit. We remain committed to our strategy to grow in the UAE and continue to invest in our brand, in improving operational efficiency and building capacity and scale for growth.

We continue to reshape our business, in the middle of last year we had set out a goal to increase customer deposits and are pleased with a growth of 12% over December 2009, which has reduced our loans to deposits ratio to 123% from a high of 151% in March 2009. We have taken a more disciplined approach to pricing risk and have significantly enhanced our capabilities in risk management and strengthened controls across the business. As a result of the current economic environment, both corporate and consumer segments continue to experience high levels of stress and therefore we have had to take significant impairments in the first half of 2010."

Dubai World exposure

ADCB has an exposure of AED 6.6 bn to Dubai World which is subject to the restructuring proposal that is currently being finalized. Having revaluated the options offered over the past several months, post the negotiations, the improved offer for the Dirham lenders would equate to an impairment charge for ADCB of AED 1,035 mn or 15.7% of the outstanding amount which has been accounted for in full in 1H'10. As per the terms of the agreement, principal will be repaid in full over a longer tenor and at a lower rate of interest. As per International Accounting Standards, we are required to reflect the impairment calculated as an upfront charge to the income statement. This will be written back to the income statement progressively based upon the loan's performance. The net loss for the first six months after considering the impairment on Dubai World amounted to AED 306 mn.

Further analysis of ADCB's 1H'10 results:

AED million	1H'10	1H'09	Variance%	2Q'10	1Q'10	Variance %
Income statement highlights						
Net interest income	1,772	1,595	11	900	872	3
Non-interest income	709	731	(3)	310	398	(22)
Operating income	2,480	2,325	7	1,210	1,270	(5)
Operating expenses	(800)	(776)	(3)	(439)	(361)	(21)
Pre-provision profit	1,680	1,549	8	771	909	(15)
Impairment allowances	(1,984)	(890)	(123)	(1,303)	(681)	(91)
Income tax	(2)	(2)	NA	0	(2)	NA
Net profit	(306)	657	NA	(531)	225	NA
Balance sheet highlight						
	Jun-10	Dec-09	Variance%	Jun-10	Mar-10	Variance%
Total assets	166,599	160,209	4.0	166,599	163,701	1.8
Gross loans	123,918	120,843	2.5	123,918	121,902	1.7
Deposits	96,831	86,300	12.2	96,831	90,139	7.4
Ratios						
	1H'10	1H'09	Variance	2Q'10	1Q'10	Variance
Tier I ratio (%)	11.46%	13.97%	(251 bps)	11.46%	12.42%	(96 bps)
NIM	2.58%	2.50%	8 bps	2.56%	2.59%	(3 bps)
EPS (AED)	(0.07)	0.13	(0.20)	(0.09)	0.02	(0.11)

Net profits

ADCB reported a net loss of AED 306 mn in 1H'10 compared to a profit of AED 657 mn in 1H'09. Significant impairment taken on one large exposure resulted in a net loss of AED 531 mn for the quarter compared with a net profit of AED 225 mn in 1Q'10.

Total income and interest margins

Total operating income for 1H'10 reported an increase of 7% over 1H'09, reaching AED 2,480 mn. The healthy growth in total operating income was mainly attributed to stronger net interest income which registered an increase of 11% year on year and increased revenue generation from associates which stood at AED 194 mn. 2Q'10 operating income was AED 1,210 mn, 5% lower compared to 1Q'10 mainly attributed to lower non-interest income.

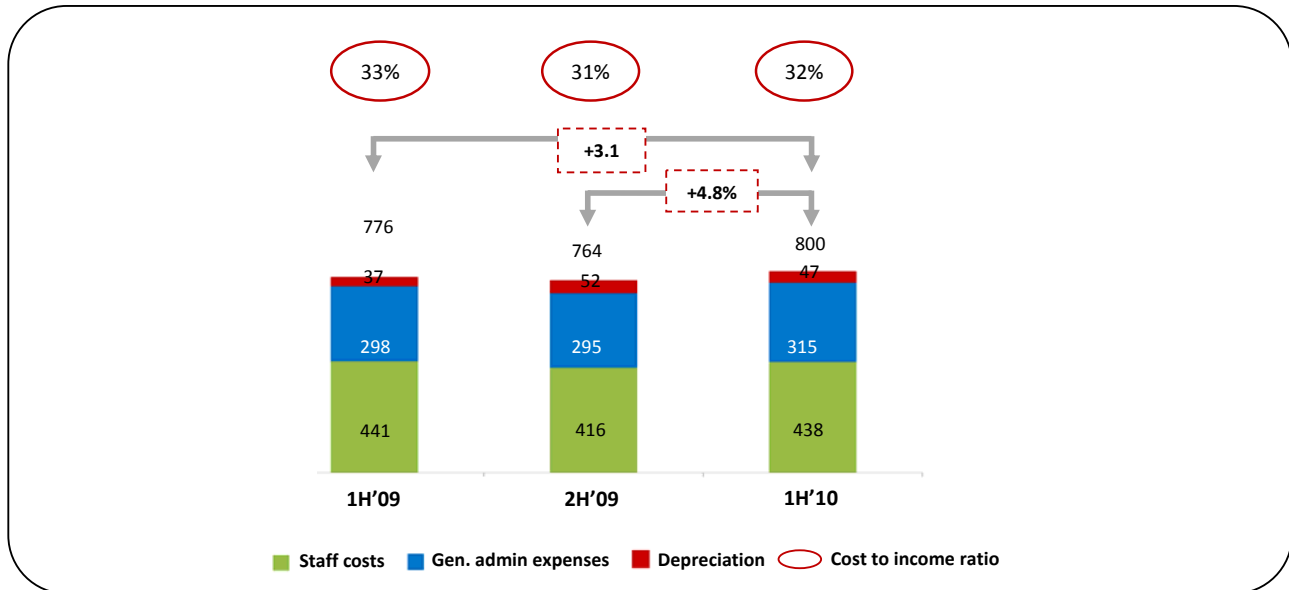
Net interest margin increased to 2.58% reflecting an increase of 8 bps over 1H'09 NIM of 2.50%.

Non-interest income was AED 709 mn in 1H'10, 3% lower compared to 1H'09 and AED 310 mn in 2Q'10 compared to AED 398 mn in 1Q'10. Whilst net fees and commission reported remained stable in 2Q'10 at AED 206 mn compared to AED 210 mn in 1Q'10, the drop in non-interest income in 2Q'10 was on account of lower gains from trading and investment securities, weaker associate and other income and mark to market loss on investment properties. RHB contribution in 2Q'10 totaled AED 110 mn compared to AED 99 mn in 1Q'10.

Operating expenses

Operating expenses remained stable at AED 800 mn in 1H'10 compared to AED 776 mn in 1H'09, with cost to income ratio standing at 32% compared to 33% in 1H'09. Staff costs remained stable for 1H'10 at AED 438 mn compared to AED 441 mn in 1H'09.

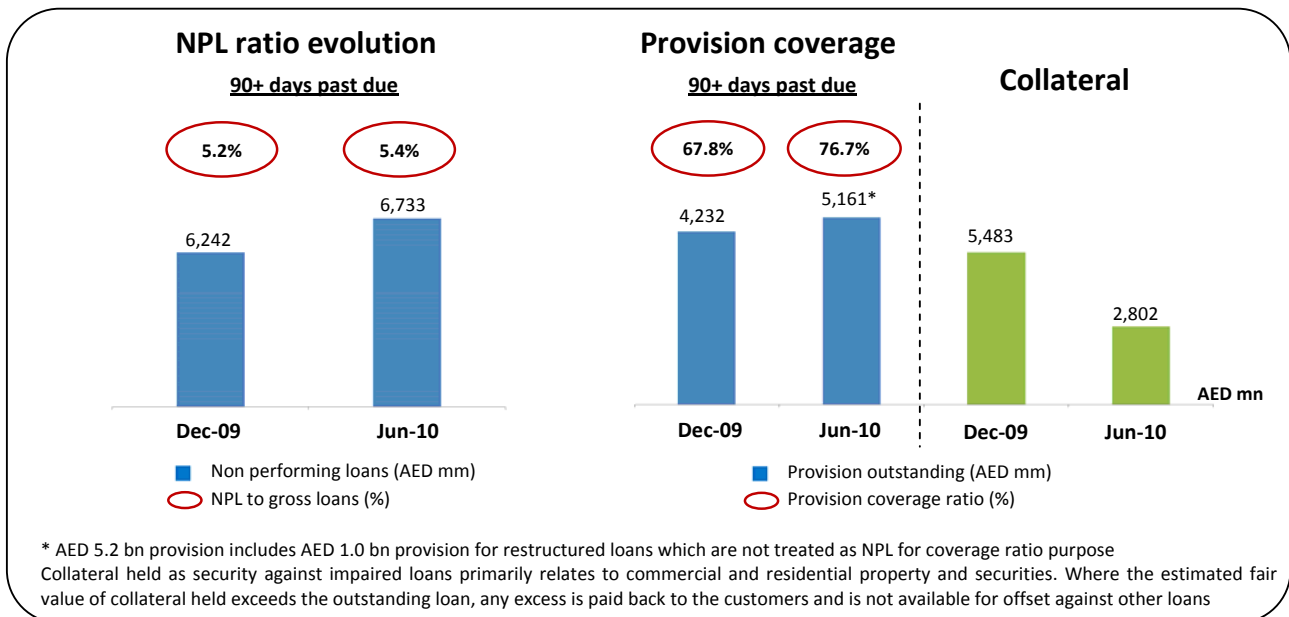
Operating expenses continued



Provision and impairment allowances

The net impairment allowances for 1H'10 were AED 1,984 mn. Impairment allowance on doubtful loans, net of recoveries amounted to AED 1,687 mn compared to AED 536 mn in 1H'09. The individual impairment provisions in 1H'10 were at AED 1,934 mn, while recoveries were at AED 100 mn. NPL ratio as at June 30th, stood at 5.4% with provision coverage of 76.7% excluding exposure to Dubai World.

Impairment allowances on investment securities were AED 218 mn in 1H'10 whilst impairment on the Bank's CDS portfolio was AED 79 mn.

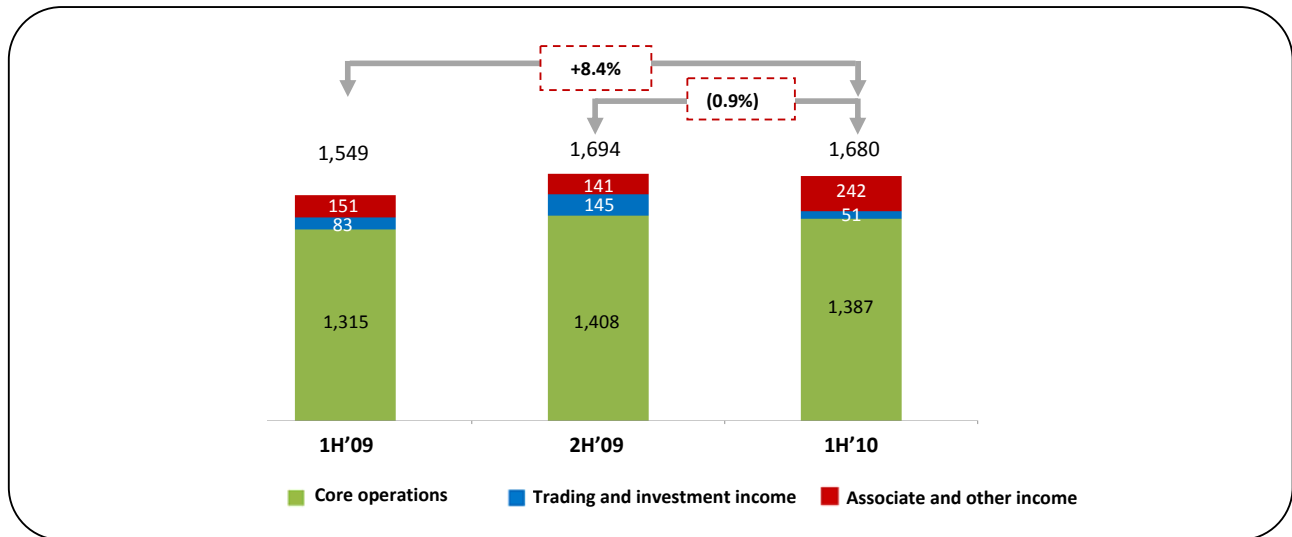


* AED 5.2 bn provision includes AED 1.0 bn provision for restructured loans which are not treated as NPL for coverage ratio purpose
 Collateral held as security against impaired loans primarily relates to commercial and residential property and securities. Where the estimated fair value of collateral held exceeds the outstanding loan, any excess is paid back to the customers and is not available for offset against other loans

Pre-provision profit

Operating profits before provisions continued to remain strong in 1H'10 at AED 1,680 mn, an increase of 8% over 1H'09. The weaker trading and investment income was offset by stronger associate and other income coupled with continued positive momentum in core operations.

Pre-provision profit continued



Assets

Total assets aggregated AED 166.6 bn as at 30 June 2010, representing controlled and focused growth of 4% over 31 December 2009. Aggregated customer loans as at 30 June 2010 increased to AED 118.8 bn from AED 116.6 bn as at 31 December 2009.

Customer deposits

Aggregated customer deposits were AED 96.8 bn as at 30 June 2010, representing an increase of 12% from AED 86.3 bn as at 31 December 2009.

Ratios

As at 30 June 2010, the Bank's loans to deposit ratio was 123% compared to 135% as at 31 December 2009 and the loans to stable resources ratio as defined by the UAE Central Bank was 91%.

Capital

As at 30 June 2010, the Bank was well capitalized at 15.86% and the Bank's Tier I ratio stood at 11.46%.

Awards

The Bank 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 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.

About ADCB:

ADCB was formed in 1985 and today employs over 2,400 people from 45 nationalities, serving approximately 350,000 retail customers and over 20,000 wholesale clients in 49 branches. It is the third largest bank in the UAE and second largest in Abu Dhabi by assets, at AED 166.6 billion as at June 30th, 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. At 30 June 2010, ADCB's market capitalization was AED 7,311 mn.

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