

Press Release: Immediate Release

## **ADCB announces 1H'09 net profit of AED 657mn**

**Abu Dhabi, July 23, 2009** - Abu Dhabi Commercial Bank today announced its results for the six months to 30 June 2009 ("1H'09"). Net profits of AED 657mn declined by 44% over 1H'08. Pre-provision profits of AED 1,549mn increased by 5% over 1H'08. Underlying deposit growth of 6% (excluding AED 6.6bn of deposits converted to Tier 2 capital) outpaced loan growth of 5%, in each case over 31 December 2008. These net profits reflect significant provisions made against the Bank's loan and investment portfolio. Net impairment allowances were AED 890mn for 1H'09, an increase of 199% over 1H'08.

### **Key highlights**

Results for 1H'09:

- **Net profits** were **AED 657mn**.
- **Net interest income** was AED 1,595mn, **an increase of 40%** over 1H'08.
- **Pre-provision profits** were AED 1,549mn, compared to AED 1,476mn in 1H'08, **a growth of 5%**.
- Income from RHB totalled AED 108mn, contributing 14.8% of non-interest income.
- **Aggressive cost management** has limited operating expenses to AED 776mn, **a reduction of 9.6%** from 2H'08.
- **Net impairment allowances** were AED 890mn, **an increase of 199%** over 1H'08.
- Customer **loans** aggregated AED 114bn, **up 5%** from 31 December 2008.
- Customer **deposits** aggregated AED 83bn, **up 6%** from 31 December 2008\*.
- **Capital adequacy ratio** remains at **19.34%** (Basel II).

\*Excludes AED 6.6bn of deposits converted to Tier 2 capital in Q1'09.

Commenting on the Bank's performance, Eissa Al Suwaidi, Chairman of ADCB said "Our core businesses continue to perform well. Operating income grew by 9% over 1H'08, even in challenging times." Mr Al Suwaidi concluded by thanking the regulators and the government for their support to the banking and financial sector in UAE.

ADCB's CEO, Ala'a Eraqat, said "It is my great pleasure and honor to announce ADCB's results to 30 June 2009; the latest quarter was probably the best quarter in terms of pre provision profit that ADCB has ever experienced. The Bank managed to increase its operating income by 9% and pre provision profits by 5% compared to 1H'08. Costs were reduced by approximately 10% over 2H'08, and customer deposit growth outpacing loan growth.

However, we continue our strategy of using growth in the core businesses to build a strong provision base. The total provisions taken during 1H'09 amount to AED 890mn. Such provisions will be allocated to enhanced coverage against potential losses from our funded portfolio of international investments, and our loan portfolio. In particular, these additional provisions will help to cushion the Bank against possible, but not certain, losses to within its financial institutions portfolio. We are determined to secure a strong and resilient ADCB for our shareholders in the coming years."

## Further analysis of ADCB's 1H'09 results:

AED million	1H'09	1H'08	Change (%)
Net interest income	1,595	1,136	40%
Non-interest income	730	1,007	(27)%
Operating income	2,325	2,143	9%
Operating expenses	(776)	(667)	(16)%
Pre-provision profit	1,549	1,476	5%
Impairment allowances	(890)	(298)	(199)%
Income tax	(2)	(6)	67%
Net profit	657	1,173	(44)%
EPS (AED)	0.14	0.22	(37)%
AED million	As at 30/06/2009	As at 31/12/2008	Change (%)
Total assets	154,465	147,996	4%
Loans	114,438	109,081	5%
Deposits	82,555	77,743*	6%
Capital adequacy ratio (%)	19.34	11.37	797bps

\*Excludes AED 6.6bn of deposits converted to Tier 2 capital in Q1'09.

### Net profits

ADCB registered net profits of AED 657mn in 1H'09, compared to AED 1,173mn in 1H'08. The profit for Q2'09 amounted to AED 303mn, a decrease of 14% over Q1'09.

### Total income and interest margins

Total income for 1H'09 reported an increase of 8.5% over 1H'08, reaching AED 2,325mn. Q2'09 operating income was AED 1,318mn, an increase of 31% over Q1'09 and 8% over Q2'08.

Net interest income for 1H'09 reached AED 1,595mn, an increase of 40% over 1H'08 on account of successful repricing of loans and volume growth over 1H'08. The increase in cost of funding has been effectively offset due to the ongoing repricing exercise. Quarterly net interest income grew by 25% over Q1'09 to AED 886mn.

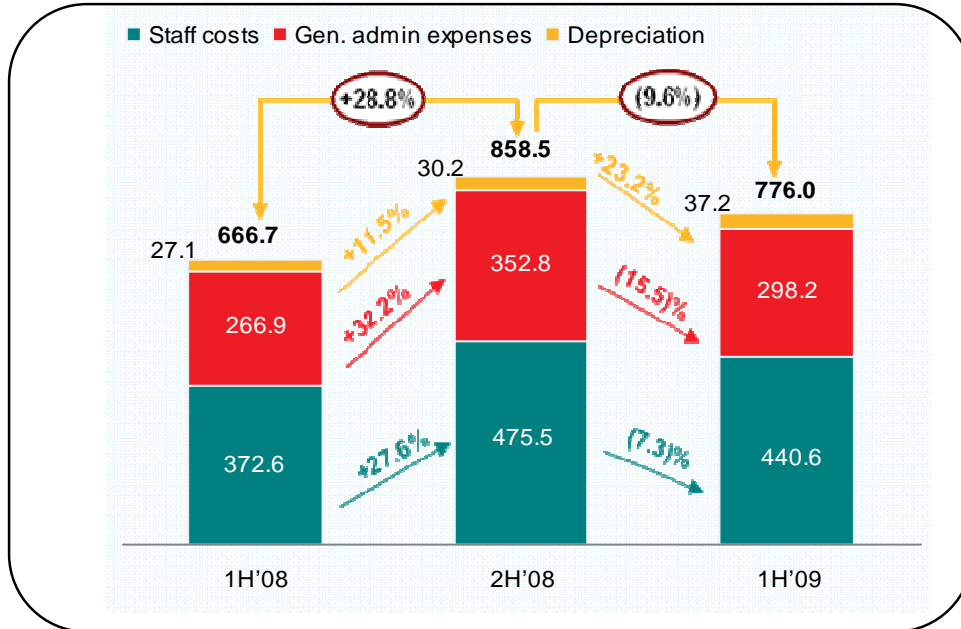
Net interest margin increased to 2.42% reflecting an increase of 23bps over 1H'08 NIM of 2.19%.

Non-interest income was AED 781mn, a drop of 5.8% from 1H'08. This figure excludes gains and losses on revaluation of properties reported in Q2'08 and Q2'09.

### Operating expenses

Total costs were AED 776mn. This figure shows an increase of 16% over 1H'08 and a 9.6% decline from 2H'08. The Bank has effected this cost reduction due to aggressive cost control disciplines initiated during 2009.

The Bank's cost to income ratio declined to 30.4% in Q2'09 from 37.2% in Q1'09.

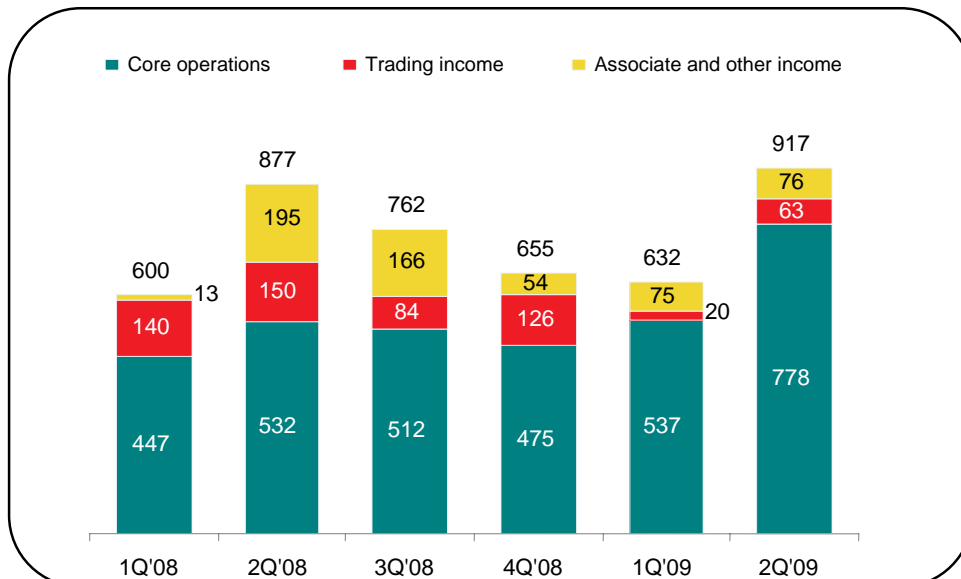


### Provision and impairment allowances

The Bank continues to maintain a prudent provisioning policy. Net impairment allowances for 1H'09 were AED 890mn, representing an increase of 199% over 1H'08 and an increase of 121% since Q1'09. Of this AED 890mn, AED 354mn has been provisioned for the investment portfolio and the balance of AED 536mn for loans and advances.

### Pre-provision profits

Continued expansion of pre-provision income resulted from successful loan re-pricing and widening interest margins. Pre-provision profits in 1H'09 were AED 1,549mn. Q2'09 contributed AED917mn, an increase of 45% over Q1'09. Strong interest income generation and cost control implementation resulted in profits from core operations in 1H'09 of AED 1,315mn over AED 979mn in 1H'08.



## Assets

Total assets aggregated AED154.5bn as at 30 June 2009, representing controlled growth of 4.4% over 31 December 2008. Aggregated customer loans as at 30 June 2009 slightly increased to AED114bn, 4.6% over 31 December 2008 and 25.8% over 30 June 2008.

## Customer deposits

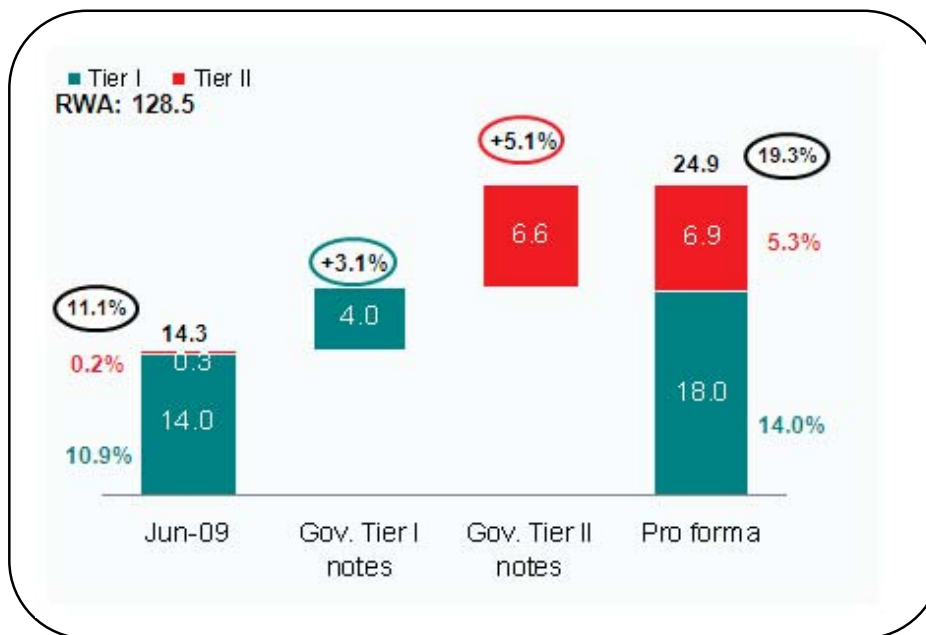
Aggregate customer deposits were AED82.6bn as at 30 June 2009, representing an increase of 6.3% over 31 December 2008.

## Ratios

As at 30 June 2009, the Bank's loans to deposit ratio was 139% and the loans to stable resources ratio as defined by the UAE Central Bank was 91%.

## Capital

As at 30 June 2009, the Bank was well capitalised at 19.34%, compared to 11.37% at 31 December 2008. The Bank's Tier I ratio stood at 14%.



ADCB's share price ended 1H'09 at AED 1.61. At 30 June 2009, ADCB's market capitalisation was AED 7,744mn. The bank employed 2,632 people and served around 330,000 customers in 43 branches.

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