

Press Release: Immediate Release

ADCB reports first quarter net profit of AED 225 mn and pre – provision profits of AED 908 mn

Abu Dhabi, April 27, 2010 - Abu Dhabi Commercial Bank (ADCB) today announced its financial results for the first quarter of 2010 (“Q1’10”).

Q1’10 key highlights:

- Pre-provision profits remained robust at AED 908 mn, an increase of 44% year on year and increase of 8% quarter on quarter.
- Net profit of AED 225 mn, increased by 119% quarter on quarter and down 36% year on year.
- Continued focus on managing the cost base efficiently resulted in a 4% drop in operating expenses over Q1’09, with cost to income ratio at 28.5% compared to 37.2% in Q1’09.
- Net interest income grew by 23% to AED 872 mn over Q1’09, operating income registered strong growth of 26% year on year at AED 1,270 mn.
- Net impairment allowances for the first quarter was AED 681 mn, and accumulated loan impairment allowances as at 31 March 2010 stood at AED 4.7 bn.
- Customer deposits aggregated AED 90 bn, up 4.4% from 31 December 2009 outgrowing net customer loans which aggregated AED 117 bn, up 0.9% from 31 December 2009. The Bank’s focus on liability gathering and controlled lending resulted in a 5% drop in the Bank’s loan to deposit ratio from 135% in December 2009 to 130% in March 2010.
- Strong and solid liquidity position with advances to stable resources ratio at 91% against the 100% maximum regulatory level. The Bank’s capital adequacy ratio at 17.47% remained well above the regulatory minimum of 11%.

Speaking on the results for the three month period ending March 31st, 2010, ADCB’s Chief Executive Officer and Member of the Board, Ala’a Eraiqat, said “The Bank registered another strong quarter with pre-provision profits of AED 908 mn. This was achieved as a result of our strong core banking franchise, strength of our client relationships, innovative products and the dedication of our employees. However, robust top line numbers were impacted by significant impairment charges on the loan and investment book in line with our prudent and disciplined approach to risk management. This is in line with our medium term strategy of the bank and our continuation of building a stronger ADCB for the future and wish for the best yet prepare for the worse.”

Deepak Khullar, Group Chief Financial Officer commented: “Our increased focus on balance sheet management has resulted in 4.4% deposit growth this quarter and a reduction in our loans to deposit ratio from 135% to 130%. The top line revenue growth is very encouraging and the net interest margin improved 32 bps to 2.59% year on year and non-interest income improved by 33% year on year. A disciplined approach to cost management and improved operating income resulted in a lower cost to income ratio of 28.5%.”

Further analysis of ADCB's Q1'10 results:

AED million	Quarter highlights				
	Q1'10	Q4'09	Q1'09	Q1'10 Variance	
				Q4'09	Q1'09
Income statement highlights				%	
Net interest income	872	859	708	2	23
Non-interest income	398	355	299	12	33
Operating income	1,270	1,213	1,008	5	26
Operating expenses	(361)	(374)	(375)	4	4
Pre-provision profit	908	840	632	8	44
Impairment allowances	(681)	(2,052)	(277)	67	(146)
Income tax	(2)	0	(1)	N/A	(100)
Net profit	225	(1,212)	354	119	(36)
Balance sheet highlight					
Total assets	163,701	160,209	144,297	2	13
Gross loans	121,902	120,843	112,654	1	8
Deposits	90,139	86,300	73,236	4	23
Ratios					
Tier I ratio (%)	12.43%	12.35%	13.99%	8bps	(156bps)
NIM	2.59%	2.55%	2.27%	4bps	32bps
EPS (AED)	0.02	(0.22)	0.08	109%	(75%)

Net profits

ADCB registered net profits of AED 225 mn in Q1'10 after setting aside AED 681 mn impairment charges.

Total income and interest margins

Total operating income for Q1'10 reported an increase of 26% over Q1'09 and 5% over Q4'09, reaching AED 1,270 mn. The healthy growth in operating income was attributed to continued focus on core operations of the bank, strong net interest income, improved net interest margin and increased revenue generation from RHB.

Net interest income registered a strong growth of 23% over Q1'09 at AED 872 mn, on account of successful repricing of loans and lower cost of funds due to lower EIBOR/LIBOR which resulted in a 26% drop in interest expenses over Q1'09 and at par with Q4'09.

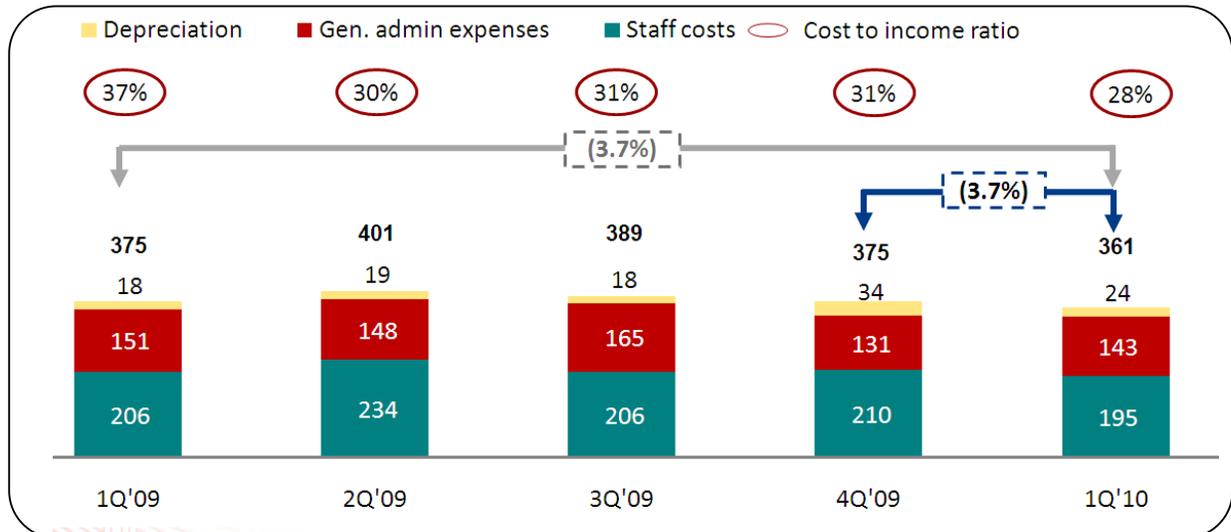
Net interest margin increased to 2.59% reflecting an increase of 32 bps over Q1'09 NIM of 2.27%.

The robust increase in non-interest income, 33% over Q1'09 and 12% over Q4'09 was mainly attributed to strong income from RHB, and higher gains of AED 22.7 mn on investment & trading securities along with income from other associates. RHB income which stood at AED 99 mn compared to AED 22 mn in Q1'09 and AED 41 mn in Q4'09, contributed 7.8% of the total operating income.

Net fees and commission income reported an increase of 3% over Q1'09 at AED 210 mn.

Operating expenses

Operating expenses were AED 361 mn in the first quarter of 2010, 4% lower quarter on quarter and year on year. Staff costs were at AED 195 mn, 6% lower compared to Q1'09 and 7% lower over Q4'09. The continued focus on efficiently managing the cost base and increased revenues resulted in reducing the cost to income ratio from 37.2% in Q1'09 to 28.5% in Q1'10.



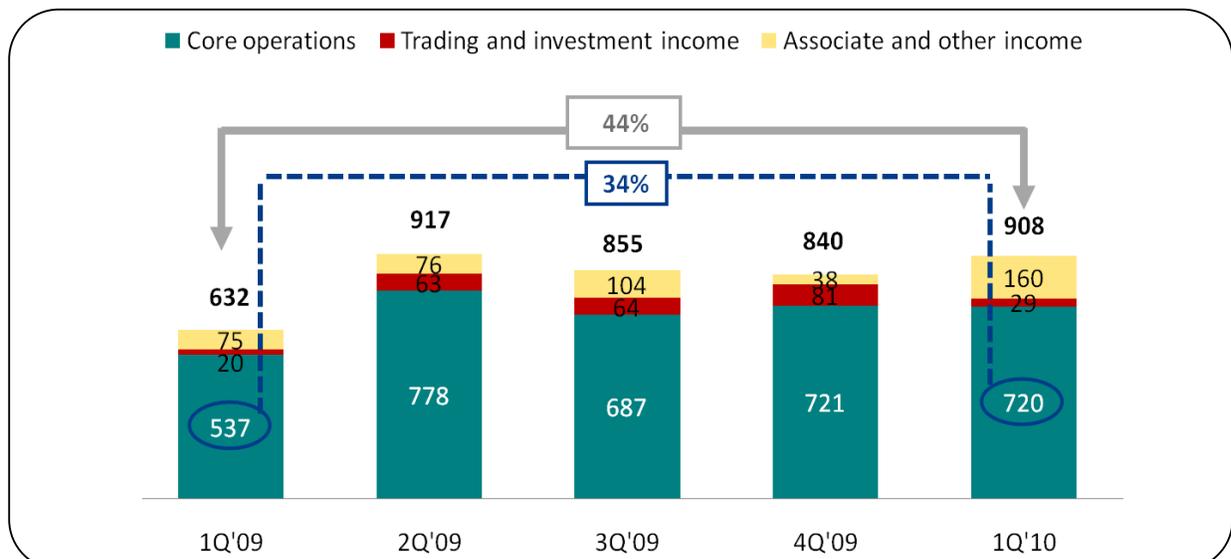
Provision and impairment allowances

The net impairment allowances for Q1'10 were AED 681 mn, of which AED 589 mn related to provisions for loans and advances. The collective impairment provisions in Q1'10 were at AED 218 mn and individual impairment provisions were at AED 395 mn, while recoveries were at AED 25 mn.

Impairment allowances on investment securities were AED 35 mn whilst impairment on the Bank's CDS portfolio was AED 57 mn.

Pre-provision profits

Operating profits before provisions continued to remain strong in Q1'10 at AED 908 mn, an increase of 44% over Q1'09 and 8% over Q4'09. Expansion of pre-provision income was achieved through successful cost control, loan re-pricing and widening interest margins. The results reflect solid growth in ADCB's core operations, which reported a growth of 34% over Q1'09.



Assets

Total assets aggregated AED 163.7 bn as at 31 March 2010, representing controlled growth of 2% over 31 December 2009. Aggregated customer loans as at 31 March 2010 increased to AED 117.2 bn from AED 116.6 bn as at 31 December 2009.

Customer deposits

Aggregate customer deposits were AED 90.1 bn as at 31 March 2010, representing an increase of 4% over 31 December 2009 at AED 86.3 bn.

Ratios

As at 31 March 2010, the Bank's loans to deposit ratio was 130% compared to 135% as at 31 December 2009 and the loans to stable resources ratio as defined by the UAE Central Bank was stable at 91%.

Capital

As at 31 March 2010, the Bank was well capitalized at 17.47% and the Bank's Tier I ratio stood at 12.43%.

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.

At 31 March 2010, ADCB's market capitalization was AED 9,957 mn. The Bank employed 2,448 people and served over 340,000 retail customers and more than 20,000 wholesale customers in 49 branches.

For further details please contact:

Corporate Communications
Majdi Abd El Muhdi
E: majdi.a@adcb.com

Investor Relations
Denise Caouki
E: adcb_investor_relations@adcb.com