



21 October 2008

NATIONAL BANK OF ABU DHABI

MANAGEMENT DISCUSSION AND TRADING STATEMENT 3RD QUARTER 2008

- Net profit up 44% at AED 2.5 billion and annualised EPS of AED 1.72
- Operating income increased to AED 4 billion – up 55%

The Board of Directors of NBAD reviewed the third quarter results and reported net profits of AED 651 million for the third quarter ending 30 September 2008; a 13% increase compared with AED 576 million for the third quarter of 2007.

Cumulative profits for the three quarters amounted to AED 2,527 million, 44% more than AED 1,761 million in the comparable period of 2007 and representing an annualised EPS of AED 1.72, 41% higher than the previous corresponding period of AED1.22 (restated). Annualised return on equity (ROE) was 26.6% and in line with the Bank's medium term strategic plan of 25%. This performance reflects the quality of our banking businesses in the current difficult global market conditions. No property revaluation gains have been taken.

Total assets amounted to AED 160 billion at the end of the 3rd quarter 2008, up from AED117.5 billion or 36% over the same period in 2007. Customer deposits increased by 37% and loans by 54% compared with the third quarter of 2007. Capital resources, including the AED 3.0 billion of Tier Two subordinated convertible notes, reached AED 17.2 billion, up 34% compared with the corresponding period of 2007.

Towards the end of the quarter under review, NBAD borrowed US\$550M for 5 years from four major international relationship banks.

Operating income for the three quarters of 2008 increased by 55% over the comparable period to reach AED 4 billion, including non-interest income of AED 1.5 billion. Operating expenses rose by 45%, which resulted in a cost income ratio of 27% compared with 28% in the 3rd quarter of 2007, below our cap of 35%. Operating expenses growth reflects the planned and continued investment in infrastructure, systems, network, people and brand.

Domestic banking profits increased by 50% to AED 1.6 billion for the nine month period 2008 on the back of strong performance of the corporate business. International banking profits increased to AED 403 million or 42% over the corresponding period. In line with our strategic plan to expand regionally, our International banking business opened its first representative office in Libya while our Hong Kong and Jordan branches are planned to open by the end of 2008 or early in 2009, subject to the necessary consents. In addition, NBAD acquired - through its subsidiary (Abu Dhabi Financial Services) - a 70% stake in Al Salam brokerage, an Egypt based firm.

Within the Financial Markets business NBAD marked-down its investment grade portfolio by AED 58 million in the third quarter, due to the prevailing market prices. Despite this, Financial Markets division's profits increased by 285% to AED 625 million by the end of the third quarter. Depressed local stock markets did not help our equity broking businesses with profits decreasing by 22% to AED31 million over the comparable period. Our asset management profits increased by 10% to AED 38 million. Profits from our new Islamic business, private banking and property subsidiaries reached AED 17 million.

Total collective provisions for the nine months amounted to AED 314 million of which AED 169 million was new collective provision taken in the third quarter, mirroring the growth in our risk book. Our recoveries and write-backs were AED 105 million year-to-date. Net impaired loans as at 30 September 2008 were AED 849 million, 139% covered by provisions.

NBAD disclosed in 2007 that it has no direct exposure to CDOs, SIVs or the US sub-prime mortgage market. No new specific provisions were required this quarter as a result of the international credit crisis.

Chief Executive Michael Tomalin said, " The third quarter of 2008 was one of the most difficult and turbulent quarters in the history of banking. We have witnessed the collapse of well known international financial firms, and severe stress worldwide. Although NBAD is an active international bank and we are not immune from world events, our conservative approach has protected us. Here at home in the UAE the withdrawal of speculative funds from the dirham, foreign fund managers selling the local equity market, the unwillingness of international banks to lend to one another for more than a day, and the drying up of international capital markets has resulted in unprecedented liquidity tightness. However NBAD's results are solid and the core businesses of the bank are performing satisfactorily. NBAD is well positioned to take advantage of the huge growth opportunities in Abu Dhabi and play a significant part in the continuing economic development of the UAE."

NBAD's long-term ratings are amongst the strongest combined ratings of the financial institutions in the MENA region with Moody's Aa3, Standard & Poor's A+ and Fitch AA-.


Michael H. Tomalin
Chief Executive