



26 October 2010

**MANAGEMENT DISCUSSION AND TRADING STATEMENT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010**

Net profits up 14% to AED 2,951 million for the nine months of 30 Sep 2010

National Bank of Abu Dhabi (NBAD) achieved 14% increase in cumulative net profits of AED 2,951 million for the nine months ended 30 September 2010 compared with AED 2,591 million for the corresponding period of 2009. This represents diluted earnings per share (EPS) of AED1.09 for the nine months compared with AED 1.01 for September 2009.

Net profits for the third quarter of 2010 increased marginally to AED 920 million from AED 914 million compared with the third quarter of 2009.

Mr Nasser Alsowaidi, Chairman of NBAD said, "Fiscal policy and monetary support interventions by the authorities has helped to stabilise the UAE financial sector. These measures will contribute to improving market dynamics in the months ahead. NBAD continued to report good results, despite tight economic conditions prevailing in the UAE."

Total assets reached AED 213.5 billion as at 30 September 2010, 15% up on 30 September 2009 and 8% up on 31 December 2009. Deposits stood at AED 120.4 billion on 30 September 2010, up 9% on the corresponding nine month period of 2009. Loans and advances to customers increased by 8% to AED 139.0 billion compared with AED 128.2 billion for 30 September 2009 reflecting the efforts of our businesses to increase credit prudently.

The quality on the loan book remains good with non-performing loans of AED 2,561 million representing 1.8% of our portfolio. The net impairment charge was AED 320 million for the third quarter and AED 783 million cumulatively for the first nine months of 2010. Collective provisions have been maintained at 1.25% of credit risk weighted assets with total collective provisions of AED 1,717 million. Non-performing loans were 130% covered and the specific provision cover was 63%.



NBAD's capital resources during the quarter strengthened to AED 31.8 billion, 37% up from AED 23.1 billion at the end of September 2009. Capital adequacy ratio increased to 22.1% from 18.4% a year earlier and the Tier-I capital ratio was 15.7% as at 30 September 2010. NBAD is already well above the current UAE Central Bank minimum requirements as well as on the proposed Basel-III guidelines.

Net interest margins were maintained around 250bps for the nine month period of 2010 under review, similar to the period in the corresponding year.

Operating income for the nine months of 2010 reached AED 5.4 billion, 11.8% up compared with AED 4.8 billion in September 2009. Net interest income for the same period rose 15.6% to AED 3.9 billion compared with 2009, net fees and other non-interest income increased by 3.1% to AED 1,498 million notwithstanding quieter market conditions.

Operating expenses for the nine months of 2010 increased by 13.9% to AED 1,554 million compared with the corresponding period. The Group remains committed to its long-term organic growth and its continued investment in its franchise and infrastructure to deliver quality products and services to its customers.

The cost to income ratio of 29% for the nine months of 2010 remains below the 35% cap which the Group expects to be maintained in the medium term.

The Group's annualised return on shareholders' funds, which excludes the Tier I capital of the Government of Abu Dhabi, as at 30 September 2010 was above the 20% objective for 2010.

The Group's individual businesses delivered good performances in difficult market conditions, contributing operating profits of AED 3.8 billion for the nine months of 2010, a 10.9% increase over the September 2009 performance. Domestic Banking earned AED 852 million representing 22.4% of operating profits; Financial Markets contributed 13.6% or AED 517 million; International Banking delivered AED 441 million, representing an 11.6% contribution and Corporate and Investment Banking's contribution was 49.3% or AED 1,876 million. The contribution from Global Wealth was AED 19 million and Islamic Banking AED 70 million, a combined contribution of 2.3%. Head office which operates as a business earned AED 32 million, contributing 0.8%.

NBAD has been ranked among the 'World's 50 Safest Banks in 2010' by Global Finance and the safest bank in the UAE for the second consecutive year. Banks are ranked in terms of the strength of their liquidity positions, as well as the quality and quantity of their capital.



NBAD's long term ratings are amongst the strongest combined ratings of any financial institution in the MENA region with ratings from Moody's Aa3, Standard & Poor's A+, Fitch AA- and RAM's initial rating of AAA.

Mr Michael Tomalin, Group Chief Executive, said, "The bank continues to perform well in demanding market circumstances. We have continued to build up our provisions and have maintained collective provisions at 1.25% of risk weighted assets. We continue to build our businesses, investing in people, systems, our franchise and our channels. Our new ventures in Hong Kong, Switzerland and Jordan are now all operating in profit."

Michael H. Tomalin
Group Chief Executive

