

Condensed consolidated interim financial statements

31 March 2014



بنك أبوظبي الوطني
NBAD

Condensed consolidated interim financial statements

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KPMG Lower Gulf Limited
Abu Dhabi Branch
P. O. Box 7613
Abu Dhabi
United Arab Emirates

Telephone +971 (2) 4014 800
Telefax +971 (2) 6327 612
Website www.ae-kpmg.com

Independent auditors' report on review of condensed consolidated interim financial information

The Shareholders
National Bank of Abu Dhabi PJSC

Introduction

We have reviewed the accompanying 31 March 2014 condensed consolidated interim financial information of the National Bank of Abu Dhabi PJSC ("the Bank"), which comprises:

- the condensed consolidated interim statement of financial position as at 31 March 2014;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2014;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2014;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2014;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2014; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2014 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Munther Dajani
Registration No. 268

28th April 2014

Condensed consolidated interim statement of financial position

As at

		(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
	Note		
Assets			
Cash and balances with central banks	7	32,359,536	35,061,054
Investments at fair value through profit or loss		7,281,840	2,645,893
Due from banks and financial institutions		44,375,583	20,100,371
Reverse repurchase agreements		31,699,505	18,932,199
Derivative financial instruments		5,232,349	6,146,006
Loans and advances	8	178,493,196	183,811,494
Non-trading investments	9	53,990,579	50,846,059
Other assets		5,378,303	4,909,712
Investment properties	10	33,674	135,260
Property and equipment		2,417,102	2,473,608
Total assets		361,261,667	325,061,656
Liabilities			
Due to banks and financial institutions	11	45,653,670	35,760,382
Repurchase agreements		4,530,003	1,352,121
Euro commercial paper	12	4,367,967	6,752,015
Derivative financial instruments		6,708,181	7,454,016
Customers' deposits	13	235,037,343	211,097,222
Term borrowings	14	20,086,779	18,690,168
Other liabilities		8,764,847	7,764,868
		325,148,790	288,870,792
Subordinated notes	15	1,535,939	1,512,323
Total liabilities		326,684,729	290,383,115
Equity			
Share capital	16	4,710,331	4,280,470
Share premium		156,355	143,608
Statutory and special reserves		4,305,556	4,305,556
Other reserves		18,204,050	15,936,184
Government of Abu Dhabi tier 1 capital notes	17	4,000,000	4,000,000
Share option scheme	18	129,868	107,682
Convertible notes - equity component		108,265	108,265
Retained earnings		2,962,513	5,796,776
Total equity		34,576,938	34,678,541
Total liabilities and equity		361,261,667	325,061,656



Nasser Ahmed Khalifa Alsowaidi
Chairman



Alex Thursby
Group Chief Executive



Abdulla M S AbdulRaheem
Deputy Group Chief Executive

The notes 1 to 25 are an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Condensed consolidated interim statement of profit or loss
For the three month period ended (Unaudited)

	Note	31 Mar '2014 AED'000	31 Mar '2013 AED'000
Interest income		1,984,947	1,945,066
Interest expense		(480,391)	(477,416)
Net interest income		1,504,556	1,467,650
Income from Islamic financing contracts		76,445	77,701
Depositors' share of profits		(2,597)	(8,958)
Net income from Islamic financing contracts		73,848	68,743
Net interest and Islamic financing income		1,578,404	1,536,393
Fee and commission income		681,526	524,502
Fee and commission expense		(149,521)	(110,981)
Net fee and commission income		532,005	413,521
Net foreign exchange gain		92,695	132,513
Net gain on investments		227,772	263,639
Other operating income		78,082	163,441
		398,549	559,593
Operating income		2,508,958	2,509,507
General administration and other operating expenses		(792,749)	(726,709)
Profit before net impairment charge and taxation		1,716,209	1,782,798
Net impairment charge	21	(250,684)	(322,135)
Profit before taxation		1,465,525	1,460,663
Overseas income tax expense		(59,790)	(51,170)
Net profit for the period		1,405,735	1,409,493
Basic earnings per share (AED)	22	0.27	0.28
Diluted earnings per share (AED)	22	0.27	0.27

The notes 1 to 25 are an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of comprehensive income
For the three month period ended (Unaudited)

	Note	31 Mar '2014 AED'000	31 Mar '2013 AED'000
Net profit for the period		1,405,735	1,409,493
Other comprehensive income			
<u>Items that may subsequently be reclassified to consolidated interim statement of profit or loss</u>			
Exchange difference on translation of foreign operations		13,523	6,805
Change in the fair value reserve	19	282,555	61,984
<u>Items that will not subsequently be reclassified to consolidated interim statement of profit or loss</u>			
Directors' remuneration		(7,150)	(5,950)
Other comprehensive income for the period		288,928	62,839
Total comprehensive income for the period		1,694,663	1,472,332

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Condensed consolidated interim statement of changes in equity

For the three month period ended 31 March (Unaudited)

	Share capital AED'000	Share Premium AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Government of Abu Dhabi Tier 1 capital notes AED'000	Share option scheme AED'000	Fair value reserve AED'000	Foreign currency translation reserve AED'000	Convertible notes - equity component AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2013	3,874,558	-	1,937,279	2,128,253	13,469,554	4,000,000	95,312	699,317	(101,731)	21,420	5,009,129	31,133,091
Total comprehensive income for the period	-	-	-	-	-	-	-	61,984	6,805	-	1,403,543	1,472,332
Transactions with owners of the Group												
Issue of Shares (note 18)	39,584	340,416	-	-	-	-	-	-	-	-	-	380,000
Treasury Shares (note 18)	(32,829)	(256,665)	-	-	2,984	-	-	-	-	-	-	(286,510)
Bonus shares issued (note 16)	391,414	-	-	-	(391,414)	-	-	-	-	-	-	-
Dividends for 2012 (note 16)	-	-	-	-	-	-	-	-	-	-	(1,359,504)	(1,359,504)
Transfer to general reserve (note 16)	-	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Options granted to staff	-	-	-	-	-	-	3,768	-	-	-	-	3,768
Expiry of conversion option on convertible notes	-	-	-	-	21,420	-	-	-	-	(21,420)	-	-
Payment on Tier 1 capital notes (note 17)	-	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Balance at 31 March 2013	<u>4,272,727</u>	<u>83,751</u>	<u>1,937,279</u>	<u>2,128,253</u>	<u>15,202,544</u>	<u>4,000,000</u>	<u>99,080</u>	<u>761,301</u>	<u>(94,926)</u>	<u>-</u>	<u>2,833,168</u>	<u>31,223,177</u>
Balance at 1 January 2014	4,280,470	143,608	2,152,778	2,152,778	15,202,544	4,000,000	107,682	823,053	(89,413)	108,265	5,796,776	34,678,541
Total comprehensive income for the period	-	-	-	-	-	-	-	282,555	13,523	-	1,398,585	1,694,663
Transactions with owners of the Group												
Treasury Shares (note 18)	(695)	12,747	-	-	2,344	-	-	-	-	-	-	14,396
Bonus shares issued (note 16)	430,556	-	-	-	(430,556)	-	-	-	-	-	-	-
Dividends for 2013 (note 16)	-	-	-	-	-	-	-	-	-	-	(1,712,848)	(1,712,848)
Transfer to general reserve (note 16)	-	-	-	-	2,400,000	-	-	-	-	-	(2,400,000)	-
Options granted to staff	-	-	-	-	-	-	22,186	-	-	-	-	22,186
Payment on Tier 1 capital notes (note 17)	-	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Balance at 31 March 2014	<u>4,710,331</u>	<u>156,355</u>	<u>2,152,778</u>	<u>2,152,778</u>	<u>17,174,332</u>	<u>4,000,000</u>	<u>129,868</u>	<u>1,105,608</u>	<u>(75,890)</u>	<u>108,265</u>	<u>2,962,513</u>	<u>34,576,938</u>

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Condensed consolidated interim statement of cash flows
For the three month period ended (Unaudited)

	Note	31 Mar '2014 AED'000	31 Mar '2013 AED'000
Cash flows from operating activities			
Profit before taxation		1,465,525	1,460,663
Adjustments for:			
Depreciation		54,491	47,828
Accreted interest		8,969	4,856
Gain on sale of investment properties		(56,353)	-
Profit on buy back of subordinated notes		-	(140,330)
Net impairment charges		304,354	428,255
Foreign currency translation adjustment		73,914	(49,350)
Share option scheme		22,186	3,768
		<u>1,873,086</u>	<u>1,755,690</u>
Change in investments at fair value through profit or loss		(4,635,947)	(230,658)
Change in due from central banks, banks and financial institutions		(3,079,876)	1,236,457
Change in reverse repurchase agreements		(12,767,306)	(17,289,961)
Change in loans and advances		5,001,126	1,743,677
Change in other assets		(337,229)	(764,011)
Change in due to banks and financial institutions		9,893,288	3,463,141
Change in repurchase agreements		3,177,882	2,508,519
Change in customers' deposits		23,940,121	15,317,391
Change in derivative financial instruments		186,724	(1,871,264)
Change in other liabilities		998,923	160,520
		<u>24,250,792</u>	<u>6,029,501</u>
Overseas income tax paid, net of recoveries		(51,543)	(47,090)
Net cash from operating activities		<u>24,199,249</u>	<u>5,982,411</u>
Cash flows from investing activities			
Purchase of non-trading investments, net of proceeds from sale or maturity		(2,841,598)	(2,400,380)
Proceeds from sale of investment properties		39,085	-
Purchase of property and equipment, net of disposals		(30,859)	(56,884)
Net cash used in investing activities		<u>(2,833,372)</u>	<u>(2,457,264)</u>
Cash flows from financing activities			
Proceeds from issue of shares under share option scheme		14,396	93,490
Net movement of euro commercial paper		(2,384,048)	328,279
Issue of term borrowings		1,330,441	1,201,093
Repayment of term borrowings		-	(367,300)
Buy back of subordinated notes		-	(2,308,540)
Dividends paid		(1,712,848)	-
Payment on Tier I capital notes		(120,000)	(120,000)
Net cash used in financing activities		<u>(2,872,059)</u>	<u>(1,172,978)</u>
Net increase in cash and cash equivalents		<u>18,493,818</u>	<u>2,352,169</u>
Cash and cash equivalents at 1 January		<u>36,486,123</u>	<u>55,631,383</u>
Cash and cash equivalents at 31 March		<u>54,979,941</u>	<u>57,983,552</u>
Cash and cash equivalents comprise:			
Contractual maturity within three months:			
Cash and balances with central banks		21,250,169	49,100,911
Due from banks and financial institutions		33,729,772	8,882,641
		<u>54,979,941</u>	<u>57,983,552</u>

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Notes to the condensed consolidated interim financial statements

1 Legal status and principal activities

National Bank of Abu Dhabi PJSC (the “Bank”) was established in Abu Dhabi in 1968 with limited liability and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law No. 8 of 1984 (as amended) relating to Commercial Companies.

Its registered office address is P. O. Box 4, Abu Dhabi, United Arab Emirates. These condensed consolidated interim financial statements as at and for the period ended 31 March 2014 comprises the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in corporate, retail, private and investment banking activities, management services, Islamic banking activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in United Arab Emirates, Bahrain, Egypt, France, Oman, Kuwait, Brazil, Cayman, Sudan, Libya, the United Kingdom, Switzerland, Hong Kong, Jordan, Lebanon, Malaysia, China and the United States of America.

The Group’s Islamic banking activities are conducted in accordance with Islamic Sharia’a laws issued by the Sharia’a Supervisory Board.

The consolidated financial statements of the Group as at and for the year ended 31 December 2013 are available upon request from the Bank’s registered office or at <http://www.nbad.ae>.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the requirements of applicable laws in the UAE. They do not include all of the information required for full annual consolidated financial statements as required under IFRS. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 28 April 2014.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2013 except for as stated below:

New standards and interpretations adopted

During the period, new standards, amendment to standard and interpretations have become effective and been applied in preparing these condensed consolidated interim financial statements. These are amendments to IAS 32 (Financial instruments: Presentation), IFRS 10 (Consolidated Financial Statements), IFRS 12 (Disclosure of Interests in Other Entities), IAS 27 (Separate Financial Statements), IAS 36 (Impairment of Assets) and IAS 39 (Financial Instruments: Recognition and Measurement). The Group does not have a material impact on adoption of these amendments.

4 Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2013.

Notes to the condensed consolidated interim financial statements

5 Financial risk management

Credit risk

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

	Due from banks and financial institutions		Loans and advances		Non-trading investments	
	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
Individually impaired						
Substandard	-	-	1,798,271	1,869,337	-	-
Doubtful	718	718	2,061,439	1,834,684	20,055	20,055
Loss	-	-	3,166,010	3,209,921	-	-
	<u>718</u>	<u>718</u>	<u>7,025,720</u>	<u>6,913,942</u>	<u>20,055</u>	<u>20,055</u>
Gross amount	718	718	7,025,720	6,913,942	20,055	20,055
Interest suspended	-	-	(902,138)	(900,893)	-	-
Specific allowance for impairment	(718)	(718)	(3,181,822)	(3,352,083)	(17,043)	(17,043)
	<u>-</u>	<u>-</u>	<u>2,941,760</u>	<u>2,660,966</u>	<u>3,012</u>	<u>3,012</u>
Carrying amount	-	-	2,941,760	2,660,966	3,012	3,012
Past due but not impaired						
<i>Past due comprises:</i>						
Less than 30 days	-	-	162,968	483,780	-	-
31 – 60 days	-	-	202,773	79,627	-	-
61 – 90 days	-	-	116,426	76,433	-	-
More than 90 days	-	-	2,214,790	1,647,167	-	-
	<u>-</u>	<u>-</u>	<u>2,696,957</u>	<u>2,287,007</u>	<u>-</u>	<u>-</u>
Carrying amount	-	-	2,696,957	2,287,007	-	-
Neither past due nor impaired	<u>44,375,583</u>	<u>20,100,371</u>	<u>176,077,051</u>	<u>181,838,464</u>	<u>53,987,567</u>	<u>50,843,047</u>
Collective allowance for impairment	<u>-</u>	<u>-</u>	<u>(3,222,572)</u>	<u>(2,974,943)</u>	<u>-</u>	<u>-</u>
Carrying amount	<u><u>44,375,583</u></u>	<u><u>20,100,371</u></u>	<u><u>178,493,196</u></u>	<u><u>183,811,494</u></u>	<u><u>53,990,579</u></u>	<u><u>50,846,059</u></u>

Non trading investment includes investment in equity instruments amounting to AED 140 million (31 December 2013: AED 161 million) which do not carry credit risk.

During the period, no allowance for impairment has been recognised against any financial asset other than those mentioned above (31 December 2013: AED Nil).

The category of neither past due nor impaired includes renegotiated loans amounting to AED 1,861 million (31 December 2013: AED 1,922 million).

Notes to the condensed consolidated interim financial statements

6 Financial assets and liabilities

Financial instrument measured at fair value - fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 March 2014 (unaudited)				
Financial assets held for trading	6,509,823	752,941	-	7,262,764
Designated at fair value through profit and loss	-	19,076	-	19,076
Available-for-sale financial assets	43,787,609	6,082,019	13,593	49,883,221
Derivative financial instruments (Assets)	4,348	5,228,001	-	5,232,349
Derivative financial instruments (Liabilities)	(1,212)	(6,706,969)	-	(6,708,181)
	<u>50,300,568</u>	<u>5,375,068</u>	<u>13,593</u>	<u>55,689,229</u>

As at 31 December 2013 (Audited)				
Financial assets held for trading	2,503,051	123,950	-	2,627,001
Designated at fair value through profit and loss	-	18,892	-	18,892
Available-for-sale financial assets	41,788,765	5,737,477	13,593	47,539,835
Derivative financial instruments (Assets)	8,518	6,137,488	-	6,146,006
Derivative financial instruments (Liabilities)	(3,616)	(7,450,400)	-	(7,454,016)
	<u>44,296,718</u>	<u>4,567,407</u>	<u>13,593</u>	<u>48,877,718</u>

Certain available-for-sale investment securities have been disclosed under Level 3 of the fair value hierarchy as management has recorded these at cost in the absence of observable market data. Management has deemed cost to be a close approximation of their fair value.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3:

	(Unaudited) 31 Mar '2014 AED'000
Available-for-sale financial assets	
Balance as at 1 January	13,593
Purchases	-
Settlements and other adjustments	-
	<u>13,593</u>
Balance as at 31 March	<u>13,593</u>

Notes to the condensed consolidated interim financial statements

7 Cash and balances with central banks

Cash and balances with central banks include Certificates of Deposit with the Central Bank of UAE of AED 11,000 million (31 December 2013: AED 5,000 million).

8 Loans and advances

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
Gross loans and advances	185,799,728	191,039,413
Less: allowance for impairment	(6,404,394)	(6,327,026)
Less: interest suspended	(902,138)	(900,893)
Net loans and advances	<u>178,493,196</u>	<u>183,811,494</u>

An analysis of gross loans and advances by counterparty at the reporting date is shown below:

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
Government sector	23,291,974	22,891,901
Public sector	41,542,342	45,152,321
Banking sector	24,883,665	29,469,792
Corporate / private sector	65,955,236	64,968,008
Personal / retail sector	30,126,511	28,557,391
Gross loans and advances	<u>185,799,728</u>	<u>191,039,413</u>

The movement in the allowance for impairment during the period is shown below:

	(Unaudited) 31 Mar '2014 AED'000	(Unaudited) 31 Mar '2013 AED'000
At 1 January	6,327,026	5,517,723
Charge for the period		
Collective provision	247,486	-
Specific provision	154,860	494,112
Recoveries	(52,629)	(104,399)
Write-backs during the period	(103,791)	(87,589)
Amounts written off	(168,558)	(169,998)
At 31 March	<u>6,404,394</u>	<u>5,649,849</u>

Notes to the condensed consolidated interim financial statements

8 Loans and advances (continued)

Islamic financing

Included in the above loans and advances are the following Islamic financing contracts:

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
Ijara	5,586,564	5,647,451
Murabaha	1,576,546	1,404,778
Mudaraba	7,400	9,156
Others	6,268	5,178
Total Islamic financing contracts	7,176,778	7,066,563
Less: allowance for impairment	(49,634)	(48,390)
Less: suspended profit	(826)	(825)
	7,126,318	7,017,348

The movement in the allowance for impairment during the period is shown below:

	(Unaudited) 31 Mar '2014 AED'000	(Unaudited) 31 Mar '2013 AED'000
Balance as at 1 January	48,390	39,580
Charge for the period		
Collective provision	(6,592)	-
Specific provision	7,855	-
Write-backs and recoveries during the period	(224)	(41)
Amounts written off and other adjustments	205	1,644
Balance as at 31 March	49,634	41,183

9 Non-trading investments

Debt instruments under repurchase agreements included in quoted available-for-sale investments at 31 March 2014 amounted to AED 677 million (31 December 2013: AED 1,545 million).

10 Investment properties

During the period certain investment properties were sold resulting in a gain of AED 56 million. In addition, properties with carrying values of AED 33.7 million (31 December 2013: AED Nil) that are on operating lease have been reclassified from property and equipment to investment properties.

Notes to the condensed consolidated interim financial statements

11 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 10,220 million (31 December 2013: AED 10,330 million).

12 Euro commercial paper

The Bank established a USD 2,000,000 thousand Euro commercial paper programme (the "ECP Programme") for the issuance of Euro commercial paper under an agreement dated 13 September 2006 with Citibank, N.A.

These notes are denominated in various currencies and have maturity periods of less than 12 months.

13 Customers' deposits

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
<i>By account:</i>		
Current accounts	52,526,337	47,737,536
Savings accounts	10,880,065	10,337,386
Margin accounts	1,889,360	2,025,215
Notice and time deposits	157,756,206	133,385,706
Certificates of deposit	11,985,375	17,611,379
	<u>235,037,343</u>	<u>211,097,222</u>

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
<i>By counterparty:</i>		
Government sector	30,436,345	45,937,851
Public sector	70,426,077	39,509,384
Corporate / private sector	67,622,786	65,797,925
Personal / retail sector	66,552,135	59,852,062
	<u>235,037,343</u>	<u>211,097,222</u>

Islamic customers' deposits

Included in the above customers' deposits are the following Islamic customer deposits:

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
Wakala deposits	1,802,471	2,086,069
Mudaraba deposits	265,781	268,706
	<u>2,068,252</u>	<u>2,354,775</u>

Notes to the condensed consolidated interim financial statements

14 Term borrowings

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
Club loan and other facilities	1,469,200	1,469,200
Other term notes	18,617,579	17,220,968
	<u>20,086,779</u>	<u>18,690,168</u>

Other term Notes

During the period, the Bank has issued AUD 400 million notes. These notes mature in March 2019 and carry a fixed coupon that is paid semi-annually in arrears. The Bank has hedged the currency and interest rate exposure on these notes.

The following term notes are outstanding as at:

Currency	Interest	Maturity	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
USD	4.50 per cent (fixed)	Sep 2014	3,153,922	3,171,498
HKD	3.80 per cent (fixed)	Sep 2014	190,620	191,646
HKD	3.90 per cent (fixed)	Oct 2014	116,892	117,543
USD	4.25 per cent (fixed)	Mar 2015	2,813,314	2,826,292
MYR	4.75 per cent (fixed)	Jun 2015	541,758	538,807
USD	3.25 per cent (fixed)	Mar 2017	2,780,062	2,786,429
HKD	3.40 per cent (fixed)	Sep 2017	151,031	151,754
USD	3.71 per cent (fixed)	Sep 2017	112,986	113,361
HKD	4.32 per cent (fixed)	Sep 2017	150,333	151,417
AUD	5.00 per cent (fixed)	Mar 2018	1,002,440	964,439
USD	1.00 per cent (fixed)	Mar 2018	1,695,864	1,689,885
AUD	4.75 per cent (fixed)	Mar 2019	1,332,127	-
USD	3.00 per cent (fixed)	Aug 2019	2,642,150	2,630,247
HKD	4.45 per cent (fixed)	Sep 2019	158,065	158,707
MYR	4.90 per cent (fixed)	Dec 2020	532,299	522,025
HKD	3.95 per cent (fixed)	Apr 2022	150,303	149,569
JPY	2.60 per cent (fixed)	Jul 2026	406,934	398,847
HKD	3.94 per cent (fixed)	Jul 2027	170,115	168,777
MXN	0.50 per cent (fixed)	Mar 2028	30,413	28,511
USD	4.37 per cent (fixed)	Aug 2032	245,275	233,498
USD	4.10 per cent (fixed)	Sep 2032	95,423	90,952
USD	4.80 per cent (fixed)	Sep 2036	66,569	63,049
USD	5.01 per cent (fixed)	May 2042	78,684	73,715
			<u>18,617,579</u>	<u>17,220,968</u>

Notes to the condensed consolidated interim financial statements

15 Subordinated notes

	(Unaudited) 31 Mar '2014 AED'000	(Audited) 31 Dec '2013 AED'000
15 March 2006 issue	1,035,463	1,034,936
10 December 2012 issue	500,476	477,387
	<u>1,535,939</u>	<u>1,512,323</u>

16 Capital and reserves

Share capital

At the Annual General Meeting (AGM) held on 11 March 2014, the shareholders of the Bank approved a cash dividend of AED 0.40 per ordinary share (31 December 2013: AED 0.35 per ordinary share) and an increase in the share capital through a 10% bonus shares issue of 430,556 thousand ordinary shares of AED 1 each (31 December 2013: 10% bonus shares issue of 391,414 thousand ordinary shares of AED 1 each) amounting to AED 430,556 thousand (31 December 2013: AED 391,414 thousand). Accordingly, the issued and paid up share capital as at 31 March 2014 is comprised of 4,736,111 thousand ordinary shares of AED 1 each, including shares under the staff share option scheme (note 18) (31 December 2013: 4,305,556 thousand ordinary shares of AED 1 each).

Reconciliation of Share capital

	(Unaudited) 31 Mar '2014 AED'000	(Unaudited) 31 Mar '2013 AED'000
As at 1 January	4,305,556	3,874,558
Shares issued under Share option scheme	-	39,584
	<u>4,305,556</u>	<u>3,914,142</u>
Bonus shares issued during the period	430,556	391,414
	<u>4,736,112</u>	<u>4,305,556</u>
Treasury shares held (note 18)	(25,781)	(32,829)
	<u>4,710,331</u>	<u>4,272,727</u>

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors. On 11 March 2014 the AGM approved the transfer of AED 2.4 billion (31 December 2013: AED 2.1 billion) to general reserve.

Notes to the condensed consolidated interim financial statements

17 Government of Abu Dhabi Tier 1 capital notes

Under the Government of Abu Dhabi 2009 Bank capitalisation programme, the Bank issued regulatory Tier 1 capital notes (the "Notes") in the amount of AED 4 billion. The Notes are perpetual, subordinated, unsecured and carry a fixed coupon during the initial period and are paid semi annually in arrears. After the initial period, the Notes attract a coupon rate of 6 month EIBOR plus a fixed margin. The Bank may elect not to pay a coupon at its own discretion. The Note holder does not have a right to claim the coupon and an election by the Bank not to service coupon is not considered an event of default.

The issuance was approved in the shareholders Extraordinary General Meeting held on 11 March 2009. During the period, a coupon payment election was made by the Bank in the amount of AED 120 million (31 March 2013: AED 120 million).

18 Share option scheme

The Bank had introduced in 2008 a share based payment scheme (the "Scheme") for selected employees which would vest over three years and can be exercised within the next three years after the vesting period. The key vesting condition is that the option holder is in continued employment with the Bank until the end of vesting period. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

The Group has established a subsidiary to issue shares when the vested option is exercised by the employee. These shares are treated as treasury shares until exercised by the option holders.

In continuation with the existing staff share option scheme, the Bank during the period has granted new tranches of 23,686 thousand options (31 March 2013: Nil option) to its eligible employees.

As at the reporting date 1,649 thousand options (31 March 2013: 9,739 thousand option) were exercised by the option holders resulting in an increase in the total share capital by AED 1,649 thousand (31 March 2013: AED 9,739 thousand) and share premium by AED 12,747 thousand (31 March 2013: AED 83,751 thousand).

Reconciliation of treasury shares held under the Scheme

	(Unaudited) 31 Mar '2014 AED'000	(Unaudited) 31 Mar '2013 AED'000
As at 1 January	25,086	-
Shares issued under the Scheme	-	39,584
	<u>25,086</u>	<u>39,584</u>
Options exercised by staff during the period	(1,649)	(9,739)
	<u>23,437</u>	<u>29,845</u>
Bonus shares issued during the period	2,344	2,984
	<u>25,781</u>	<u>32,829</u>

Notes to the condensed consolidated interim financial statements

19 Fair value reserve

	(Unaudited) 31 Mar '2014 AED'000	(Unaudited) 31 Mar '2013 AED'000
<i>Revaluation reserve – available-for-sale investments</i>		
At 1 January	787,157	699,317
Net change in fair value	302,922	61,984
At 31 March	1,090,079	761,301
<i>Hedging reserve – cash flow hedge</i>		
At 1 January	35,896	-
Changes in fair value	(20,367)	-
At 31 March	15,529	-
Total at 31 March	1,105,608	761,301

20 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and un-drawn loan commitments.

Undrawn commitments to extend credit amounted to AED 17,252 million (31 December 2013: AED 24,636 million).

There were no other significant changes in contingent liabilities and commitments during the period other than those arising out of normal course of business.

21 Net impairment charge

	(Unaudited) 31 Mar '2014 AED'000	(Unaudited) 31 Mar '2013 AED'000
Collective provision for loans and advances	247,486	-
Specific provision for loans and advances	154,860	494,112
Write back of provisions for loans and advances	(103,791)	(87,589)
Recovery of loan loss provisions	(52,629)	(104,399)
Write-off of impaired financial assets	20,141	7,389
Recovery of loans previously written off	(1,041)	(1,720)
Impairment of non financial assets	(14,342)	14,342
	250,684	322,135

Notes to the condensed consolidated interim financial statements

22 Earnings per share

Earnings per share is calculated by dividing the net profit for the period after deduction of Tier 1 capital notes payment by the weighted average number of ordinary shares in issue during the period as set out below:

	(Unaudited) 31 Mar '2014	(Unaudited) 31 Mar '2013
Basic earnings per share:		
Net profit for the period (AED'000)	1,405,735	1,409,493
Less: payment on Tier 1 capital notes (AED'000)	(120,000)	(120,000)
Net profit after payment of Tier 1 capital notes (AED'000)	1,285,735	1,289,493
Weighted average number of ordinary shares:		
Ordinary shares as at 1 January of the year ('000s)	4,280,470	3,874,558
Effect of bonus shares issued during 2013 ('000s)	428,212	428,212
Effect of bonus shares issued during 2012 ('000s)	-	388,430
Weighted average number of shares exercised under the share options scheme ('000)	689	1,082
Weighted average number of ordinary shares ('000s)	4,709,371	4,692,282
Basic earnings per share (AED)	0.27	0.28
Diluted earnings per share:		
Net profit after payment of Tier 1 capital notes (AED'000)	1,285,735	1,289,493
Add: interest on convertible notes (AED'000)	10,989	1,179
Net profit for the period for calculating diluted earnings per share (AED'000)	1,296,724	1,290,672
Weighted average number of ordinary shares ('000s)	4,709,371	4,692,282
Effect of dilutive potential ordinary shares issued ('000s)	117,655	34,364
Weighted average number of dilutive shares under share options scheme ('000)	10,934	4,565
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	4,837,960	4,731,211
Diluted earnings per share (AED)	0.27	0.27

Notes to the condensed consolidated interim financial statements

23 Segmental information

	Business Segment				Geographic Segment				
	Global Wholesale AED'000	Global Wealth AED'000	Global Retail and Commercial AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Gulf AED'000	International AED'000	Total AED'000
For the three month period ended 31 March 2014 (Unaudited)									
Operating income	1,226,496	254,800	831,462	196,200	2,508,958	2,063,824	63,017	382,117	2,508,958
Net impairment charge	285,194	(1,433)	53,007	(86,084)	250,684	192,551	5,874	52,259	250,684
Profit / (loss) before taxation	712,999	186,286	401,704	164,536	1,465,525	1,222,491	25,691	217,343	1,465,525
Overseas taxation	34,505	12,181	13,104	-	59,790	-	3,247	56,543	59,790
Net profit / (loss) for the period	678,494	174,105	388,600	164,536	1,405,735	1,222,491	22,444	160,800	1,405,735
As at 31 March 2014(Unaudited)									
Segment total assets	258,328,182	32,460,882	95,998,783	55,156,422	441,944,269	291,034,746	10,278,107	63,310,816	364,623,669
Inter segment balances					(80,682,602)				(3,362,002)
Total assets					361,261,667				361,261,667
Segment total liabilities	255,043,289	31,674,237	93,138,616	27,511,189	407,367,331	260,214,725	8,964,827	60,867,179	330,046,731
Inter segment balance					(80,682,602)				(3,362,002)
Total liability					326,684,729				326,684,729

Notes to the condensed consolidated interim financial statements

23 Segmental information (continued)

	Business Segment					Geographic Segment			
	Global Wholesale AED'000	Global Wealth AED'000	Global Retail and Commercial AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Gulf AED'000	International AED'000	Total AED'000
<i>For the three month period ended 31 March 2013(Unaudited)</i>									
Operating income	1,279,942	142,643	735,939	350,983	2,509,507	2,149,400	51,234	308,873	2,509,507
Net impairment charge	160,634	1,371	142,204	17,926	322,135	305,554	5,163	11,418	322,135
Profit / (loss) before taxation	921,413	81,312	241,471	216,467	1,460,663	1,247,824	17,917	194,922	1,460,663
Overseas taxation	24,952	12,526	13,692	-	51,170	-	3,532	47,638	51,170
Net profit / (loss) for the period	896,461	68,786	227,779	216,467	1,409,493	1,247,824	14,385	147,284	1,409,493
<i>As at 31 December 2013 (Audited)</i>									
Segment total assets	231,403,160	28,169,942	85,408,361	50,786,523	395,767,986	256,508,915	7,961,645	76,499,179	340,969,739
Inter segment balances					(70,706,330)				(15,908,083)
Total assets					325,061,656				325,061,656
Segment total liabilities	219,034,101	26,957,642	88,724,557	26,373,145	361,089,445	225,766,985	6,663,181	73,861,032	306,291,198
Inter segment balance					(70,706,330)				(15,908,083)
Total liability					290,383,115				290,383,115

Notes to the condensed consolidated interim financial statements

24 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, directors and key management personnel of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

Parent and ultimate controlling party

Pursuant to the provisions of Law No. 16 of 2006, Abu Dhabi Investment Council (the "Council") was established which holds 70.15% (31 December 2013: 70.18%) of the issued share capital of the Bank.

Compensation of directors and key management personnel

	(Unaudited) 31 Mar '2014 AED'000	(Unaudited) 31 Mar '2013 AED'000
Key management compensation		
Short term employment benefits	50,893	47,529
Post employment benefits	505	404
Termination benefits	359	423
Other long term employee benefits ¹	2,324	1,164
	<u>7,150</u>	<u>5,950</u>
Directors' remuneration	<u>7,150</u>	<u>5,950</u>

¹ includes share based payments

During the period, a coupon payment election of AED 120 million (31 March 2013: AED 120 million) was made by the Bank in relation to the AED 4,000 million (31 December 2013: AED 4,000 million) Government of Abu Dhabi Tier 1 capital notes.

Terms and conditions

Loans and deposits are granted and accepted in various currency denominations and for various time periods. Interest rates earned on such loans and advances extended to related parties during the period have ranged from 0.06% to 10.75% per annum (31 March 2013: 0.08% to 8.25% per annum) and interest rates incurred on customers' deposits placed by related parties during the period have ranged from nil to 3.80% per annum (31 March 2013: nil to 3.80% per annum).

Fees and commissions earned on transactions with related parties during the period have ranged from 0.25% to 1.00% (31 March 2013: 0.50% to 1.00%).

Collaterals against lending to related parties range from being nil to fully secure.

Notes to the condensed consolidated interim financial statements

24 Related parties (continued)

Directors and key management AED'000	Major shareholder AED'000	Others AED'000	(Unaudited) 31 Mar '2014 Total AED'000	(Audited) 31 Dec '2013 Total AED'000
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Balances with related parties at the reporting date are shown below:

Financial assets	1,034,988	7,498,301	68,712,261	77,245,550	80,392,433
Financial liabilities	270,899	7,399,379	71,338,055	79,008,333	66,831,350
Contingent liabilities	397,868	212,751	38,145,721	38,756,340	42,009,286

Transactions carried out during the three month period with related parties are shown below:

					(Unaudited 31 Mar '2013)
Interest income	5,336	76,561	455,654	537,551	495,038
Interest expense	58	31,898	54,306	86,262	112,092
Fee and commission income	1,117	629	7,999	9,745	8,632

Others comprise Government of Abu Dhabi entities.

No allowances for impairment have been recognised against loans and advances extended to related parties or contingent liabilities issued in favour of related parties during the period (31 March 2013: AED nil).

25 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these condensed consolidated interim financial statements.