

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

30 June 2012

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of income	3
Condensed consolidated interim statement of comprehensive income	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows	6
Notes to the condensed consolidated interim financial statements	7 - 21



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 condensed consolidated interim statement of financial position of the National Bank of Abu Dhabi PJSC (the "Bank") and its subsidiaries (together referred to as the "Group") as at 30 June 2012, the condensed consolidated interim statement of income and the condensed consolidated interim statement of comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the interim financial information ("the interim financial information"). Management of the Group 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 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 condensed consolidated interim financial information as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Munther Dajani
Registration No. 268

24 July 2012

National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of financial position

As at

		(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
	Note		
Assets			
Cash and balances with central banks	6	28,049,069	24,468,641
Investments at fair value			
through profit or loss		2,122,178	1,610,745
Due from banks and financial institutions		14,579,150	15,166,763
Reverse repurchase agreements		23,111,318	16,425,020
Loans and advances	7	162,800,987	159,522,178
Non-trading investments	8	26,883,041	26,569,340
Other assets		10,052,774	9,689,058
Premises and equipment		2,399,130	2,215,760
Total assets		269,997,647	255,667,505
Liabilities			
Due to banks and financial institutions	9	33,832,140	39,795,601
Repurchase agreements		8,389,082	3,513,726
Euro commercial paper	10	2,112,240	-
Customers' deposits	11	160,451,557	151,816,887
Medium-term borrowings	12	16,032,385	15,148,516
Other liabilities		13,017,283	11,013,236
		233,834,687	221,287,966
Subordinated notes	13	7,881,441	7,990,054
Total liabilities		241,716,128	229,278,020
Equity			
Share capital	14	3,874,558	2,870,043
Statutory and special reserves		3,563,274	3,563,274
Other reserves		13,349,053	11,466,410
Government of Abu Dhabi			
tier 1 capital notes	15	4,000,000	4,000,000
Share option scheme	16	86,506	76,497
Subordinated convertible notes			
- equity component	13	21,928	27,639
Retained earnings		3,386,200	4,385,622
Total equity		28,281,519	26,389,485
Total liabilities and equity		269,997,647	255,667,505

Nasser Ahmed Khalifa Alsowaidi
Chairman

Michael Tomalin
Group Chief Executive

The notes 1 to 23 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.

National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of income
For the six month period ended 30 June (Unaudited)

	Note	Six month period ended 30 Jun '12 AED'000	Six month period ended 30 Jun '11 AED'000	Three month period ended 30 Jun '12 AED'000	Three month period ended 30 Jun '11 AED'000
Interest income		3,961,603	3,816,183	2,012,870	1,953,506
Interest expense		(1,113,717)	(1,122,901)	(555,281)	(555,788)
Net interest income		2,847,886	2,693,282	1,457,589	1,397,718
Income from Islamic financing contracts		158,138	188,240	78,074	91,101
Depositors' share of profits		(20,498)	(27,785)	(9,772)	(13,417)
Net income from Islamic financing contracts		137,640	160,455	68,302	77,684
Net interest and Islamic financing income		2,985,526	2,853,737	1,525,891	1,475,402
Fee and commission income		925,205	794,163	472,689	408,718
Fee and commission expense		(158,654)	(110,674)	(86,532)	(62,000)
Net fee and commission income		766,551	683,489	386,157	346,718
Net gain on investments		138,334	164,661	47,178	88,332
Net foreign exchange gain		182,747	146,381	101,061	74,985
Other operating income		27,208	40,023	10,474	21,614
		348,289	351,065	158,713	184,931
Operating income		4,100,366	3,888,291	2,070,761	2,007,051
General, administration and other operating expenses		(1,350,103)	(1,187,583)	(704,833)	(621,671)
Profit before net impairment charge and taxation		2,750,263	2,700,708	1,365,928	1,385,380
Net impairment charge	19	(604,619)	(696,224)	(291,820)	(331,178)
Profit before taxation		2,145,644	2,004,484	1,074,108	1,054,202
Overseas income tax expense		(58,603)	(51,644)	(27,647)	(28,651)
Net profit for the period		2,087,041	1,952,840	1,046,461	1,025,551
Basic earnings per share (AED)	20	0.51	0.47	0.27	0.27
Diluted earnings per share (AED)	20	0.50	0.47	0.27	0.26

The notes 1 to 23 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.

National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of comprehensive income
For the six month period ended 30 June (Unaudited)

		Six month period ended 30 Jun '12 AED'000	Six month period ended 30 Jun '11 AED'000	Three month period ended 30 Jun '12 AED'000	Three month period ended 30 Jun '11 AED'000
	<i>Note</i>				
Net profit for the period		2,087,041	1,952,840	1,046,461	1,025,551
Other comprehensive income					
Exchange difference on translation of foreign operations		(82,522)	(7,534)	(71,699)	(5,811)
Change in the fair value reserve	17	866,077	87,942	171,904	161,236
Directors' remuneration		(5,450)	(5,450)	-	-
Buy back of subordinated notes		3,603	2,203	3,374	2,203
Other comprehensive income		781,708	77,161	103,579	157,628
Total comprehensive income for the period		2,868,749	2,030,001	1,150,040	1,183,179

The notes 1 to 23 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.

National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of changes in equity
For the six month period ended 30 June (Unaudited)

	Share capital 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	Subordinated convertible notes - equity component AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2011	2,391,703	1,195,852	2,128,253	10,507,798	4,000,000	52,739	(414,606)	(3,453)	74,925	4,180,205	24,113,416
Total comprehensive income for the period	-	-	-	2,203	-	-	87,942	(7,534)	-	1,947,390	2,030,001
Payment on tier 1 capital note (note 15)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	14,623	-	-	-	-	14,623
Dividend paid for 2010 (note 14)	-	-	-	-	-	-	-	-	-	(717,511)	(717,511)
Bonus shares issued (note 14)	478,340	-	-	(478,340)	-	-	-	-	-	-	-
Transfer to general reserve (note 13,14)	-	-	-	2,332,424	-	-	-	-	(32,424)	(2,300,000)	-
Buy back of subordinated notes	-	-	-	-	-	-	-	-	(4,625)	-	(4,625)
Balance at 30 June 2011	2,870,043	1,195,852	2,128,253	12,364,085	4,000,000	67,362	(326,664)	(10,987)	37,876	2,990,084	25,315,904
Balance at 1 January 2012	2,870,043	1,435,021	2,128,253	12,370,070	4,000,000	76,497	(899,014)	(4,646)	27,639	4,385,622	26,389,485
Total comprehensive income for the period	-	-	-	3,603	-	-	866,077	(82,522)	-	2,081,591	2,868,749
Payment on tier 1 capital note (note 15)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	10,009	-	-	-	-	10,009
Dividend paid for 2011 (note 14)	-	-	-	-	-	-	-	-	-	(861,013)	(861,013)
Bonus shares issued (note 14)	1,004,515	-	-	(1,004,515)	-	-	-	-	-	-	-
Transfer to general reserve (note 14)	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Buy back of subordinated notes	-	-	-	-	-	-	-	-	(5,711)	-	(5,711)
Balance at 30 June 2012	3,874,558	1,435,021	2,128,253	13,469,158	4,000,000	86,506	(32,937)	(87,168)	21,928	3,386,200	28,281,519

The notes 1 to 23 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

National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of cash flows For the six month period ended 30 June (Unaudited)

	30 Jun '12 AED'000	30 Jun '11 AED'000
Cash flows from operating activities		
Profit before taxation	2,145,644	2,004,484
<i>Adjustments for:</i>		
Depreciation	85,355	71,425
Accreted interest	(5,773)	9,536
Profit on buy back of subordinated debt	(5,336)	(9,915)
Net impairment charge on assets	726,808	745,882
Foreign exchange translation adjustment	(71,112)	156,066
Share options scheme	10,009	14,623
	2,885,595	2,992,101
Change in investments at fair value through profit or loss	(520,433)	(7,745)
Change in due from banks, central bank and financial institutions	(64,747,179)	(3,714,786)
Change in reverse repurchase agreements	(6,686,298)	(9,388,584)
Change in loans and advances	(3,996,616)	(16,807,561)
Change in other assets	(181,200)	(2,105,273)
Change in due to banks and financial institutions	(5,963,461)	6,946,275
Change in repurchase agreements	4,875,357	303,700
Change in customers' deposits	8,634,670	24,060,199
Change in other liabilities	1,949,749	2,536,965
	(63,749,816)	4,815,291
Overseas income tax paid, net of recoveries	(29,541)	(54,392)
Net cash (used in) / from operating activities	(63,779,357)	4,760,899
Cash flows from investing activities		
Purchase of non-trading investments, net of proceeds from sale or maturity	572,158	(5,629,269)
Purchase of premises and equipment, net of disposals	(268,725)	(209,400)
Net cash from / (used in) investing activities	303,433	(5,838,669)
Cash flows from financing activities		
Redemption of euro commercial paper	2,112,240	(35,053)
Issue of medium term borrowing	3,004,025	-
Redemption of medium term borrowing	(2,202,288)	-
Buy back of subordinated notes	(211,405)	(165,440)
Payment on tier 1 capital notes	(120,000)	(120,000)
Dividends paid	(861,013)	(717,511)
Net cash from / (used in) financing activities	1,721,559	(1,038,004)
Net decrease in cash and cash equivalents	(61,754,365)	(2,115,774)
Cash and cash equivalents at 1 January	29,989,578	20,976,579
Cash and cash equivalents at 30 June	(31,764,787)	18,860,805
Cash and cash equivalents comprise:		
<i>Contractual maturity within three months:</i>		
Cash and balances with central banks	22,411,994	12,678,235
Due from banks and financial institutions	9,352,793	6,182,570
	31,764,787	18,860,805

The notes 1 to 23 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.

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 30 June 2012 comprise the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in corporate, retail, private and investment banking activities and 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, Sudan, Libya, the United Kingdom, Switzerland, Hong Kong, Jordan, 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 of the Bank.

The consolidated financial statements of the Group as at and for the year ended 31 December 2011 are available upon request from the Bank’s registered office, P.O. Box 4, Abu Dhabi, United Arab Emirates or at <http://www.nbad.ae>.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors on 24 July 2012.

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 2011.

4 Estimates

The preparation of 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 2011.

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 amounts offset, 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)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec
	2012	2011	2012	2011	2012	2011
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Individually impaired						
Substandard	-	-	2,559,380	2,292,175	-	-
Doubtful	979	979	1,884,138	1,823,454	20,055	20,055
Loss	-	-	1,452,127	1,225,818	-	-
Gross amount	979	979	5,895,645	5,341,447	20,055	20,055
Interest suspended	-	-	(552,061)	(502,139)	-	-
Specific allowance for impairment	(979)	(979)	(2,731,261)	(2,480,109)	(16,712)	(16,712)
Carrying amount	-	-	2,612,323	2,359,199	3,343	3,343
Past due but not impaired						
<i>Past due comprises:</i>						
Less than 30 days	-	-	402,120	430,912	-	-
31 – 60 days	-	-	47,468	74,894	-	-
61 – 90 days	-	-	291,016	77,998	-	-
More than 90 days	-	-	1,361,032	1,774,272	-	-
Carrying amount	-	-	2,101,636	2,358,076	-	-
Neither past due nor impaired	14,579,150	15,166,763	160,456,832	157,125,500	26,879,698	26,565,997
Collective allowance for impairment	-	-	(2,369,804)	(2,320,597)	-	-
Carrying amount	14,579,150	15,166,763	162,800,987	159,522,178	26,883,041	26,569,340

Non trading investment includes investment in equity instruments amounting to AED 120 million (31 December 2011: AED 97 million) which does not carry credit risk.

No allowance for impairment has been recognised against reverse repurchase agreements during the period (31 December 2011: AED Nil).

6 Cash and balances with central banks

Cash and balances with central banks include Certificates of Deposit with the Central Bank of UAE in the amount of AED 5,500 million (31 December 2011: AED 6,000 million).

7 Loans and advances

	(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
Gross loans and advances	168,454,113	164,825,023
Less: allowance for impairment	(5,101,065)	(4,800,706)
Less: interest suspended	(552,061)	(502,139)
Net loans and advances	162,800,987	159,522,178

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

	(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
Government sector	17,855,538	17,293,055
Public sector	46,606,718	45,346,578
Banking sector	18,075,523	16,052,536
Corporate / private sector	58,544,280	59,288,780
Personal / retail sector	27,372,054	26,844,074
Gross loans and advances	168,454,113	164,825,023

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

	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000
At the beginning of the period	4,800,706	3,664,081	5,037,706	3,961,262
Charge for the period				
- Collective provision	75,735	170,210	76,302	86,096
- Specific provision	792,803	623,167	358,688	287,187
Recoveries	(120,269)	(49,049)	(38,589)	(15,709)
Write-backs during the period	(191,085)	(102,414)	(129,110)	(54,773)
Write-offs during the period	(256,825)	(74,558)	(203,932)	(32,626)
Balance as at 30 June	5,101,065	4,231,437	5,101,065	4,231,437

7 Loans and advances (continued)

Islamic financing

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

	(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
Ijara	6,464,659	6,804,114
Murabaha	411,584	611,588
Mudaraba	978	2,940
Others	3,122	2,533
Gross Islamic financing contracts	6,880,343	7,421,175
Less: allowance for impairment	(33,092)	(63,648)
Less: suspended profit	(990)	(2,263)
Net Islamic financing contracts	6,846,261	7,355,264

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

	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000
At the beginning of the period	63,648	62,928	59,815	62,928
Amounts written-off and other adjustments	(30,556)	(113)	(26,723)	(113)
At the reporting date	33,092	62,815	33,092	62,815

Notes to the condensed consolidated interim financial statements

8 Non-trading investments

Non-trading investments include financial instruments of AED 2,298 million (31 December 2011: AED 2,067 million) given under repurchase agreements and derivative arrangements in the normal course of business.

9 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 6,286 million (31 December 2011: AED 7,073 million).

10 Euro commercial paper

The Bank established a USD 2 billion Euro commercial paper programme (the “ECP Programme”) for the issuance of Euro commercial paper under the agreement dated 13 September 2006 with CITIBANK, N.A.

These notes are denominated in various currencies and having a maturity of less than one year as at the reporting date.

11 Customers’ deposits

	(Unaudited) 30 Jun ‘12 AED’000	(Audited) 31 Dec ‘11 AED’000
By account:		
Current accounts	36,600,667	32,150,382
Savings accounts	7,754,799	6,814,788
Notice and time deposits	103,456,304	105,288,051
Certificates of deposit	12,639,787	7,563,666
	<u>160,451,557</u>	<u>151,816,887</u>
By counterparty:		
Government sector	54,892,147	46,594,553
Public sector	21,035,866	26,077,291
Corporate / private sector	44,758,693	45,909,760
Retail sector	39,764,851	33,235,283
	<u>160,451,557</u>	<u>151,816,887</u>

Islamic customers’ deposits

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

	(Unaudited) 30 Jun ‘12 AED’000	(Audited) 31 Dec ‘11 AED’000
Wakala deposits	2,375,258	2,769,106
Mudaraba deposits	227,761	146,285
	<u>2,603,019</u>	<u>2,915,391</u>

Notes to the condensed consolidated interim financial statements

12 Medium-term borrowings

	(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
Club loan and other facilities	3,489,350	3,489,350
Medium-term notes	12,543,035	11,659,166
	<u>16,032,385</u>	<u>15,148,516</u>

The following medium-term notes were outstanding as at reporting dates:

Currency	Interest	Maturity	(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
GBP	5.875 per cent (fixed)	Feb 2012	-	2,010,313
EUR	3 M EURIBOR + step up spread	Jun 2012	-	166,569
EUR	3 M EURIBOR + step up spread	Jul 2012	544,052	556,815
USD	3M USD LIBOR+ 120bps	Oct 2012	73,460	77,808
HKD	1.65 per cent (fixed)	Oct 2013	89,351	89,088
USD	4.5 per cent (fixed)	Sep 2014	3,258,500	3,270,204
HKD	3.8 per cent (fixed)	Sep 2014	197,688	197,718
HKD	3.9 per cent (fixed)	Oct 2014	121,139	121,063
USD	4.25 per cent (fixed)	Mar 2015	2,891,550	2,892,966
MYR	4.75 per cent (fixed)	Jun 2015	574,868	573,449
USD	3.25 per cent (fixed)	Mar 2017	2,805,381	-
HKD	3.4 per cent (fixed)	Sep 2017	156,597	152,752
USD	3.71 per cent (fixed)	Sep 2017	115,678	113,829
HKD	4.32 per cent (fixed)	Sep 2017	158,538	155,508
HKD	4.45 per cent (fixed)	Sep 2019	170,939	165,833
MYR	4.9 per cent (fixed)	Dec 2020	566,876	549,922
HKD	3.95 per cent (fixed)	Apr 2022	165,610	-
JPY	2.6 per cent (fixed)	Jul 2026	476,701	491,869
USD	4.8 per cent (fixed)	Sep 2036	79,488	73,460
USD	5.01 per cent (fixed)	May 2042	96,619	-
			<u>12,543,035</u>	<u>11,659,166</u>

13 Subordinated notes

	(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
Subordinated note - Ministry of Finance Tier 2 note	6,014,983	5,912,647
Subordinated notes	1,866,458	2,077,407
	<u>7,881,441</u>	<u>7,990,054</u>

Ministry of Finance Tier 2 note

The notes mature in December 2016, carry a fixed step up coupon and are paid quarterly in arrears. The Bank has hedged the interest rate exposure on these notes.

Subordinated notes

	(Unaudited) 30 Jun '12 AED'000	(Audited) 31 Dec '11 AED'000
<i>Liability component</i>		
15 March 2006 issue	1,041,696	1,040,632
28 February 2008 issue	824,762	1,036,775
	<u>1,866,458</u>	<u>2,077,407</u>
<i>Equity component</i>		
15 March 2006 issue	72,926	72,926
28 February 2008 issue	52,984	52,984
Less: conversion of 15 March 2006 issue	(40,502)	(40,502)
Less: buy back of 28 February 2008 issue	(31,056)	(25,345)
Transfer to general reserve	(32,424)	(32,424)
	<u>21,928</u>	<u>27,639</u>

15 March 2006 issue:

The conversion option for the 15 March 2006 issue expired in 2011. Accordingly, the equity component of AED 32,424 thousand related to this issue was transferred to general reserve.

13 Subordinated notes (*continued*)

28 February 2008 issue:

At the option of the holder, the notes may be converted into ordinary shares of the Bank at any time during the period beginning from 28 May 2008 and ending on the date falling 10 trading days prior to the first call date which being 28 February 2013 at the conversion price of AED 12.81 per ordinary share (subsequent to the issue of bonus shares). The Bank has the option to redeem these notes on the first call date being 28 February 2013.

During the period, the Bank purchased back AED 215,570 thousand (*30 June 2011: AED 174,600 thousand*) of this issue from the market for AED 211,406 thousand (*30 June 2011: AED 165,441 thousand*). As a result, the total outstanding liability and equity components were decreased by AED 209,859 thousand (*30 June 2011: AED 169,975 thousand*) and AED 5,711 thousand (*30 June 2011: AED 4,625 thousand*), respectively. Further, a gain on the extinguishment in the amount of AED 5,336 thousand (*30 June 2011: AED 9,915 thousand*) was recognised in the condensed consolidated income statement.

14 Share capital

At the Annual General Meeting held on 13 March 2012, the shareholders of the Bank approved a cash dividend of AED 0.30 per ordinary share (*31 December 2011: AED 0.30 per ordinary share*) and an increase in the share capital through a 35% bonus shares issue of 1,004,515 thousand ordinary shares of AED 1 each (*31 December 2011: 20% bonus shares issue of 478,340 thousand ordinary shares of AED 1 each*) amounting to AED 1,004,515 thousand (*31 December 2011: AED 478,340 thousand*). Accordingly, the issued and paid up share capital as at 30 June 2012 is comprised of 3,874,558 thousand ordinary shares of AED 1 each (*31 December 2011: 2,870,043 thousand ordinary shares of AED 1 each*).

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors to the shareholders. On 13 March 2012 the AGM approved the transfer of AED 2.1 billion (*31 December 2011: AED 2.3 billion*) to general reserve.

15 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 holders do 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.

During the period, the Group elected to service coupon on the Government of Abu Dhabi tier 1 capital notes amounting to AED 120 million (*30 June 2011: AED 120 million*).

16 Share option scheme

The Bank 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 three years after the vesting period. The key vesting condition is that the option holder is in continued employment with NBAD on the date of vesting. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

Notes to the condensed consolidated interim financial statements

17 Fair value reserve

	(Unaudited) 30 Jun '12 AED'000	(Unaudited) 30 Jun '11 AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	(916,238)	(414,606)
Net change in fair value	885,859	87,942
At 30 June	(30,379)	(326,664)
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	17,224	-
Net change in fair value	(19,782)	-
At 30 June	(2,558)	-
Total at 30 June	(32,937)	(326,664)

18 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 20,291 million (31 December 2011: AED 20,873 million).

There were no other significant changes in contingent liabilities and commitments during the period.

19 Net impairment charge

	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000
Collective provision for loans and advances	75,735	170,210	76,302	86,096
Specific provision for loans and advances	792,803	623,167	358,688	287,187
Write back of provisions for loans and advances	(191,085)	(102,414)	(129,110)	(54,773)
Recovery of loan loss provisions	(120,269)	(49,049)	(38,589)	(15,709)
Write-off of impaired loans and advances	40,355	9,930	16,022	3,504
Recovery of loans previously written off	(1,920)	(608)	(493)	(115)
Provisions for investments	9,000	-	9,000	-
Impairment of non financial assets	-	44,988	-	24,988
	604,619	696,224	291,820	331,178

20 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) Six month period ended 30 Jun '12	(Unaudited) Six month period ended 30 Jun '11	(Unaudited) Three month period ended 30 Jun '12	(Unaudited) Three month period ended 30 Jun '11
Basic earnings per share:				
Net profit for the period (AED '000)	2,087,041	1,952,840	1,046,461	1,025,551
Less: Payment on Tier 1 capital note (AED '000)	(120,000)	(120,000)	-	-
Net profit after payment of interest on Tier 1 capital note (AED '000)	1,967,041	1,832,840	1,046,461	1,025,551
Weighted average number of ordinary shares:				
Ordinary shares as at the beginning of the period ('000s)	2,870,043	2,391,703	2,870,043	2,391,703
Effect of bonus shares issued during 2012 ('000s)	1,004,515	1,004,515	1,004,515	1,004,515
Effect of bonus shares issued during 2011 ('000s)	-	478,340	-	478,340
Weighted average number of ordinary shares ('000s)	3,874,558	3,874,558	3,874,558	3,874,558
Basic earnings per share (AED)	0.51	0.47	0.27	0.27
Diluted earnings per share:				
Net profit after payment of interest on Tier 1 capital note (AED '000)	1,967,041	1,832,840	1,046,461	1,025,551
Add: Interest on subordinated convertible notes (AED '000)	8,904	24,537	2,954	10,217
Net profit for the period for calculating diluted earnings per share (AED '000)	1,975,945	1,857,377	1,049,415	1,035,768
Weighted average number of ordinary shares ('000s)	3,874,558	3,874,558	3,874,558	3,874,558
Effect of subordinated convertible note in issue ('000s)	76,319	113,609	76,319	113,609
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	3,950,877	3,988,167	3,950,877	3,988,167
Diluted earnings per share (AED)	0.50	0.47	0.27	0.26

National Bank of Abu Dhabi PJSC



Notes to the condensed consolidated interim financial statements

21 Segmental information (unaudited)

	Domestic Banking AED'000	Int'l Banking AED'000	Financial Markets AED'000	Corporate & Investment Banking AED'000	Global Wealth AED'000	Islamic Business AED'000	Head Office AED'000	Total AED'000
<i>As at and for the six month period ended 30 June 2012</i>								
Operating income	946,704	656,753	478,764	1,426,920	156,151	130,625	304,449	4,100,366
Net impairment charge	(122,984)	(72,866)	-	(346,183)	(96)	100	(62,590)	(604,619)
Profit / (loss) before taxation	411,061	374,707	411,701	962,655	61,356	83,399	(159,235)	2,145,644
Overseas taxation	-	(55,460)	-	-	(3,143)	-	-	(58,603)
Net profit / (loss) for the period	411,061	319,247	411,701	962,655	58,213	83,399	(159,235)	2,087,041
Segment total assets	41,241,528	58,491,170	90,369,030	101,062,209	8,494,082	8,807,203	51,602,748	360,067,970
Inter segment balances								(90,070,323)
Total assets								269,997,647
Segment total liabilities	40,798,030	55,394,938	90,204,802	99,773,764	8,041,728	8,113,448	29,459,741	331,786,451
Inter segment balances								(90,070,323)
Total liabilities								241,716,128

Note: Except for Islamic subsidiary the collective provisions of the Group's United Arab Emirates operations are recognised centrally in the Head office accounts and are not allocated to the business units.

National Bank of Abu Dhabi PJSC



Notes to the condensed consolidated interim financial statements

21 Segmental information (continued)

	Domestic Banking AED'000	Int'l Banking AED'000	Financial Markets AED'000	Corporate & Investment Banking AED'000	Global Wealth AED'000	Islamic Business AED'000	Head Office AED'000	Total AED'000
<i>For the six month period ended 30 June 2011</i>								
Operating income	925,966	545,729	453,407	1,345,952	120,596	114,226	382,415	3,888,291
Net impairment charge	(132,609)	(43,930)	-	(301,925)	(1,033)	113	(216,840)	(696,224)
Profit / (loss) before taxation	432,590	305,017	396,403	933,021	30,166	83,057	(175,770)	2,004,484
Overseas taxation	-	(49,047)	-	-	(2,597)	-	-	(51,644)
Net profit / (loss) for the period	432,590	255,970	396,403	933,021	27,569	83,057	(175,770)	1,952,840
<i>As at 31 December 2011 (audited)</i>								
Segment total assets	38,161,060	53,882,988	81,032,958	101,818,967	7,721,189	9,933,120	51,334,172	343,884,454
Inter segment balances								(88,216,949)
Total assets								255,667,505
Segment total liabilities	37,278,142	51,140,937	81,000,396	99,637,619	7,258,254	9,355,964	31,823,657	317,494,969
Inter segment balances								(88,216,949)
Total liabilities								229,278,020

Note: Except for the Islamic subsidiary, the collective provision of the Group's United Arab Emirates operation are recognised centrally in the Head office accounts and are not allocated to the business units.

22 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 personal 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 70.48% of the share capital of the Bank.

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 0.10% to 7.05% per annum (*Jun 2011: 0.1% to 13% per annum*) and interest rates incurred on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 4.5% per annum (*30 June 2011: nil to 4.65% per annum*).

Fees and commissions earned on transactions with related parties during the period have ranged from 0.50% to 1.00% per annum (*30 June 2011: 0.50% to 1.00% per annum*).

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

Balances

Balances with related parties at the reporting date are shown below:

	Directors and key management 30 Jun '12 AED'000	Major shareholders 30 Jun '12 AED'000	Others 30 Jun '12 AED'000	(Unaudited) Total 30 Jun '12 AED'000	(Audited) Total 31 Dec '11 AED'000
Loans and advances	1,104,226	509,602	51,444,228	53,058,056	50,307,720
Customers' deposits	349,896	7,403,733	46,380,334	54,133,963	47,986,923
Commitments and contingencies	1,082,089	211,754	41,131,045	42,424,888	27,504,245

22 Related parties (continued)

Transactions

Transactions carried out during the six months period with related parties are shown below:

	Directors and key management	Major shareholders	Others	(Unaudited) Total	(Unaudited) Total
	30 Jun '12	30 Jun '12	30 Jun '12	30 Jun '12	30 Jun '11
	AED'000	AED'000	AED'000	AED'000	AED'000
Fees and commission					
Income	2,834	579	14,696	18,109	9,796
Interest income	13,663	9,821	592,124	615,608	426,882
Interest expense	651	17,414	149,278	167,343	402,201

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 three and six month period ended 30 June 2012 (30 June 2011: AED Nil).

Compensation of key management personal and director's remuneration.

Key management compensation is as shown below:

	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000
Short term employment benefits	30,547	31,532	16,796	16,092
Post employment benefits	710	679	356	339
Termination benefits	823	756	411	377
	32,080	32,967	17,563	16,808
Directors' remuneration	5,450	5,450	-	-

During the period, a coupon payment election was made by the Bank in relation to Government of Abu Dhabi tier 1 capital notes in the amount of AED 120 million (30 June 2011: AED 120 million).

Due to the pervasiveness of the ultimate controlling party and related concerns, it is impractical to fully disclose related party transactions as described by IAS 24.

23 Comparative figures

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