

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

30 June 2013

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

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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 30 June 2013 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 30 June 2013;
- the condensed consolidated interim statement of income for the three-month and six-month periods ended 30 June 2013;
- the condensed consolidated interim statements of comprehensive income for the three month and six month periods ended 30 June 2013;
- the condensed consolidated interim statements of changes in equity for the six month period ended 30 June 2013;
- the condensed consolidated interim statement of cash flows for the six month period ended 30 June 2013; 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 30 June 2013 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

23rd July 2013

National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of financial position

As at

		(Unaudited) 30 June '13 AED'000	(Audited) 31 Dec '12 AED'000
	Note		
Assets			
Cash and balances with central banks	6	54,354,660	54,943,221
Investments at fair value through profit or loss		3,426,348	3,274,313
Due from banks and financial institutions		14,548,332	14,615,968
Reverse repurchase agreements		29,608,488	18,509,608
Loans and advances	7	173,458,843	164,599,378
Non-trading investments	8	36,260,639	32,286,857
Derivative financial instruments		7,434,803	5,583,080
Other assets		5,057,645	4,300,195
Investment properties		137,660	140,061
Premises and equipment		2,435,366	2,346,488
Total assets		326,722,784	300,599,169
Liabilities			
Due to banks and financial institutions	9	30,177,045	35,477,275
Repurchase agreements		569,976	2,017,041
Euro commercial paper	10	4,909,371	2,831,198
Customers' deposits	11	219,350,135	190,303,573
Term borrowings	12	21,351,261	19,073,630
Derivative financial instruments		7,001,920	6,652,508
Other liabilities		9,569,105	7,448,492
		292,928,813	263,803,717
Subordinated notes	13	1,583,091	5,662,361
Total liabilities		294,511,904	269,466,078
Equity			
Share capital	14	4,276,653	3,874,558
Statutory and special reserves		4,179,633	4,065,532
Other reserves		15,498,516	14,067,140
Government of Abu Dhabi tier 1 capital notes	15	4,000,000	4,000,000
Share option scheme	16	102,848	95,312
Convertible notes - equity component	12, 13	108,265	21,420
Retained earnings		4,044,965	5,009,129
Total equity		32,210,880	31,133,091
Total liabilities and equity		326,722,784	300,599,169

Nasser Ahmed Khalifa Alsowaidi
Chairman

Alex Thursby
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 '13 AED'000	Six month period ended 30 Jun '12 AED'000	Three month period ended 30 Jun '13 AED'000	Three month period ended 30 Jun '12 AED'000
Interest income		3,979,436	3,961,603	2,034,370	2,012,870
Interest expense		(920,092)	(1,113,717)	(442,676)	(555,281)
Net interest income		3,059,344	2,847,886	1,591,694	1,457,589
Income from Islamic financing contracts		163,543	158,138	85,842	78,074
Depositors' share of profits		(14,452)	(20,498)	(5,494)	(9,772)
Net income from Islamic financing contracts		149,091	137,640	80,348	68,302
Net interest and Islamic financing income		3,208,435	2,985,526	1,672,042	1,525,891
Fee and commission income		1,124,408	925,205	599,906	472,689
Fee and commission expense		(234,466)	(158,925)	(123,485)	(86,803)
Net fee and commission income		889,942	766,280	476,421	385,886
Net gain / (loss) on investments		239,394	138,334	(24,245)	47,178
Net foreign exchange gain		233,009	182,747	100,496	101,061
Other operating income		301,932	27,208	138,491	10,474
		774,335	348,289	214,742	158,713
Operating income		4,872,712	4,100,095	2,363,205	2,070,490
General, administration and other operating expenses		(1,521,630)	(1,349,832)	(794,921)	(704,562)
Profit before net impairment charge and taxation		3,351,082	2,750,263	1,568,284	1,365,928
Net impairment charge	19	(622,859)	(604,619)	(300,724)	(291,820)
Profit before taxation		2,728,223	2,145,644	1,267,560	1,074,108
Overseas income tax expense		(106,933)	(58,603)	(55,763)	(27,647)
Net profit for the period		2,621,290	2,087,041	1,211,797	1,046,461
Basic earnings per share (AED)	20	0.59	0.46	0.28	0.25
Diluted earnings per share (AED)	20	0.58	0.46	0.28	0.24

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 '13 AED'000	Six month period ended 30 Jun '12 AED'000	Three month period ended 30 Jun '13 AED'000	Three month period ended 30 Jun '12 AED'000
	<i>Note</i>				
Net profit for the period		2,621,290	2,087,041	1,211,797	1,046,461
Other comprehensive income					
<u>Items that may subsequently be reclassified to consolidated income statement:</u>					
Exchange difference on translation of foreign operations		7,923	(82,522)	1,118	(71,699)
Change in the fair value reserve	17	(309,537)	866,077	(371,521)	171,904
<u>Items that will not be reclassified to consolidated income statement:</u>					
Directors' remuneration		(5,950)	(5,450)	-	-
Expiry / buy back of subordinated notes		21,420	3,603	-	3,374
Equity component of convertible notes		108,265	-	108,265	-
Other comprehensive (expense) / income for the period		(177,879)	781,708	(262,138)	103,579
Total comprehensive income for the period		2,443,411	2,868,749	949,659	1,150,040

The notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.
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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	Convertible notes - equity component AED'000	Retained earnings AED'000	Total AED'000
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
Dividends 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
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	-	-	-	21,420	-	-	(309,537)	7,923	108,265	2,615,340	2,443,411
Issue of shares (note 14, 16)	39,584	-	340,416	-	-	-	-	-	-	-	380,000
Treasury shares (note 14, 16)	(28,903)	-	(226,315)	2,984	-	-	-	-	-	-	(252,234)
Bonus shares issued (note 14)	391,414	-	-	(391,414)	-	-	-	-	-	-	-
Dividends for 2012 (note 14)	-	-	-	-	-	-	-	-	-	(1,359,504)	(1,359,504)
Transfer to general reserve (note 14)	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Option granted to staff	-	-	-	-	-	7,536	-	-	-	-	7,536
Expiry of conversion option on subordinated convertible notes (note 13)	-	-	-	-	-	-	-	-	(21,420)	-	(21,420)
Payment on Tier 1 capital note (note 15)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Balance at 30 June 2013	4,276,653	1,937,279	2,242,354	15,202,544	4,000,000	102,848	389,780	(93,808)	108,265	4,044,965	32,210,880

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 '13 AED'000	30 Jun '12 AED'000
Cash flows from operating activities		
Profit before taxation	2,728,223	2,145,644
<i>Adjustments for:</i>		
Depreciation	99,801	85,355
Accreted interest	13,681	(5,773)
Profit on buy back of subordinated notes	(268,955)	(5,336)
Net impairment charge	800,497	726,808
Foreign exchange translation adjustment	(244,836)	(71,112)
Share options scheme	7,536	10,009
	3,135,947	2,885,595
Change in investments at fair value through profit or loss	(152,292)	(520,433)
Change in due from central banks, banks and financial institutions	1,307,719	(1,217,605)
Change in reverse repurchase agreements	(11,098,880)	(6,686,298)
Change in loans and advances	(9,641,081)	(3,996,616)
Change in derivative financial instruments	(1,887,566)	625,706
Change in other assets	(757,450)	(328,117)
Change in due to banks and financial institutions	(5,300,230)	(5,963,461)
Change in repurchase agreements	(1,447,065)	4,875,357
Change in customers' deposits	29,046,562	8,634,670
Change in other liabilities	2,109,531	1,470,960
	5,315,195	(220,242)
Overseas income tax paid, net of recoveries	(116,143)	(29,541)
Net cash from / (used in) operating activities	5,199,052	(249,783)
Cash flows from investing activities		
Purchase of non-trading investments, net of proceeds from sale or maturity	(4,283,319)	572,158
Purchase of premises and equipment, net of disposals	(186,278)	(268,725)
Net cash (used in) / from investing activities	(4,469,597)	303,433
Cash flows from financing activities		
Proceeds from issue of shares	127,766	-
Net movement in euro commercial paper	2,078,173	2,112,240
Issue of term borrowings	3,377,858	3,004,025
Redemption of term borrowings	(367,300)	(2,202,288)
Buy back of subordinated notes	(3,814,926)	(211,405)
Payment on tier 1 capital notes	(120,000)	(120,000)
Dividends paid	(1,359,504)	(861,013)
Net cash (used in) / from financing activities	(77,933)	1,721,559
Net increase in cash and cash equivalents	651,522	1,775,209
Cash and cash equivalents at 1 January	55,631,383	29,989,578
Cash and cash equivalents at 30 June	56,282,905	31,764,787
Cash and cash equivalents comprise:		
<i>Contractual maturity within three months:</i>		
Cash and balances with central banks	49,308,825	22,411,994
Due from banks and financial institutions	6,974,080	9,352,793
	56,282,905	31,764,787

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

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 30 June 2013 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 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, Brazil, 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 2012 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 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 2012.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 23 July 2013.

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 2012 except for as stated below:

New standards and interpretations adopted

A number of new standards, amendments to standards and interpretations have become effective for the period and have been applied in preparing these condensed consolidated interim financial statements.

(a) Basis of consolidation

IFRS 10 establishes a single control model that applies to all entities including special purpose entities and replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Based on management's analysis, IFRS 10 had no significant impact on the consolidation of investments held by the Group.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. These changes had no impact on the condensed consolidated interim financial statements of the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The interim financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

These condensed consolidated interim financial statements of the Group comprise the Bank and its subsidiaries as listed below:

	Country of incorporation
Abu Dhabi International Bank N.V.	Curacao
NBAD Securities LLC	United Arab Emirates
Abu Dhabi National Leasing LLC	United Arab Emirates
Abu Dhabi National Properties PrJC	United Arab Emirates
NBAD Trust Company (Jersey) Limited	Channel Islands
NBAD Private Bank (Suisse) SA	Switzerland
Abu Dhabi National Islamic Finance Company	United Arab Emirates
Ample China Holding Limited	China
Abu Dhabi Brokerage Egypt	Egypt
National Bank of Abu Dhabi Malaysia Berhad	Malaysia
NBAD Investment Management (DIFC) Limited	United Arab Emirates
NBAD Employee Share Options Limited ¹	United Arab Emirates
SAS 10 Magellan ¹	France
National Bank of Abu Dhabi Representações Ltda ¹	Brazil
NBAD Financial Markets (Cayman) Limited ¹	Cayman Islands

¹ added during the period

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Structured entities

A structured entity is established by the Group to perform a specific task. Structured entities are designed so that their activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (*refer note 4*).

The Group's interest in investment funds is set out below:

Type of Structured Entity	Nature and purpose	Interest held by the Group
Investment Funds	Generate fees from managing assets on behalf of third-party investors	Investments in units issued by the fund amounting to AED 98,419 thousand (31 December 2012: AED 53,658 thousand)

(iii) IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary contributions by venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. Based on management's analysis, IFRS 11 had no significant impact on the accounting of the Group's condensed consolidated interim financial statements.

(iv) IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The disclosure for the same is set out in note 3(a) (ii).

(b) Financial assets and financial liabilities

IFRS 13 establishes a single source of guidance for all fair value measurements. The requirement on use fair value has not undergone any changes, rather it provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the condensed consolidated interim financial statements period. The Group provides these disclosures in Note 5(b).

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

(b) Financial assets and financial liabilities (continued)

In accordance with the transitional provisions, the Group has adopted IFRS 13 prospectively from the beginning of the period. The change had no impact on the measurements of the Group's assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in consolidated statement of income on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4 Estimates

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 2012 except as stated below.

- (a) For all funds managed by the Group, the investors are able to vote by simple majority to remove the Group as fund manager, and the Group's aggregate economic interest in each fund is not material. As a result, the Group has concluded that it acts as agent for the investors in these funds, and therefore has not consolidated these funds.
- (b) Valuations of financial instruments are set out in note 3(b) and 5(b) of these condensed consolidated interim financial statements.

5 Financial risk management
(a) 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
	2013	2012	2013	2012	2013	2012
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Individually impaired						
Substandard	-	-	2,378,427	2,734,930	-	-
Doubtful	718	718	2,426,911	1,860,988	20,055	20,055
Loss	-	-	2,032,167	1,891,896	-	-
Gross amount	718	718	6,837,505	6,487,814	20,055	20,055
Interest suspended	-	-	(716,624)	(707,053)	-	-
Specific allowance for impairment	(718)	(718)	(3,265,355)	(3,089,649)	(16,969)	(16,712)
Carrying amount	-	-	2,855,526	2,691,112	3,086	3,343
Past due but not impaired						
<i>Past due comprises:</i>						
Less than 30 days	-	-	165,648	374,812	-	-
31 – 60 days	-	-	94,980	85,501	-	-
61 – 90 days	-	-	375,852	132,632	-	-
More than 90 days	-	-	1,393,667	1,935,744	-	-
Carrying amount	-	-	2,030,147	2,528,689	-	-
Renegotiated financial assets	-	-	2,463,120	2,478,270	-	-
Neither past due nor impaired	14,548,332	14,615,968	168,666,978	159,329,381	36,257,553	32,283,514
Collective allowance for impairment	-	-	(2,556,928)	(2,428,074)	-	-
Carrying amount	14,548,332	14,615,968	173,458,843	164,599,378	36,260,639	32,286,857

Non-trading investments includes investment in equity instruments amounting to AED 130 million (31 December 2012: AED 121 million) which does 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 2012: AED Nil).

5 Financial risk management (continued)

(b) Fair value hierarchy

The table below analyzes 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	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
As at 30 June 2013 (Unaudited)				
Financial assets held for trading	3,285,331	122,788	-	3,408,119
Designated at fair value through profit and loss	18,229	-	-	18,229
Available-for-sale financial assets	30,594,659	1,945,591	14,503	32,554,753
Derivative financial instruments (Assets)	6,493	7,428,310	-	7,434,803
Derivative financial instruments (Liabilities)	(2,770)	(6,999,150)	-	(7,001,920)
	33,901,942	2,497,539	14,503	36,413,984
As at 31 December 2012 (Audited)				
Financial assets held for trading	3,121,220	133,042	-	3,254,262
Designated at fair value through profit and loss	-	20,051	-	20,051
Available-for-sale financial assets	24,806,638	3,332,890	20,027	28,159,555
Derivative financial instruments (Assets)	1,540	5,581,540	-	5,583,080
Derivative financial instruments (Liabilities)	(812)	(6,651,696)	-	(6,652,508)
	27,928,586	2,415,827	20,027	30,364,440

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:

	AED'000
Available-for-sale financial assets	
Balance as at 1 January 2013	20,027
Purchases	-
Settlements and other adjustments	(5,524)
Balance as at 30 June 2013	14,503

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 5,000 million (31 December 2012: AED 7,000 million).

7 Loans and advances

	(Unaudited) 30 Jun '13 AED'000	(Audited) 31 Dec '12 AED'000
Gross loans and advances	179,997,750	170,824,154
Less: allowance for impairment	(5,822,283)	(5,517,723)
Less: interest suspended	(716,624)	(707,053)
Net loans and advances	<u>173,458,843</u>	<u>164,599,378</u>

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

	(Unaudited) 30 Jun '13 AED'000	(Audited) 31 Dec '12 AED'000
Government sector	20,578,762	21,153,974
Public sector	43,346,141	40,649,950
Banking sector	23,830,512	20,177,846
Corporate / private sector	64,954,827	62,038,598
Personal / retail sector	27,287,508	26,803,786
Gross loans and advances	<u>179,997,750</u>	<u>170,824,154</u>

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

	(Unaudited) Six month period ended 30 Jun '13 AED'000	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '13 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000
At the beginning of the period	5,517,723	4,800,706	5,649,849	5,037,706
Charge for the period				
- Collective provision	128,854	75,735	128,854	76,302
- Specific provision	808,627	792,803	314,515	358,688
Recoveries	(173,899)	(120,269)	(69,500)	(38,589)
Write-backs during the period	(162,891)	(191,085)	(75,302)	(129,110)
Write-offs during the period	(296,131)	(256,825)	(126,133)	(203,932)
Balance as at 30 June	<u>5,822,283</u>	<u>5,101,065</u>	<u>5,822,283</u>	<u>5,101,065</u>

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7 Loans and advances (continued)

Islamic financing

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

	(Unaudited) 30 Jun '13 AED'000	(Audited) 31 Dec '12 AED'000
Ijara	6,120,289	6,207,987
Murabaha	708,531	583,102
Mudaraba	9,748	3,805
Others	3,919	3,576
Gross Islamic financing contracts	6,842,487	6,798,470
Less: allowance for impairment	(41,461)	(39,580)
Less: suspended profit	(884)	(819)
Net Islamic financing contracts	6,800,142	6,758,071

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

	(Unaudited) Six month period ended 30 Jun '13 AED'000	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '13 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000
At the beginning of the period	39,580	63,648	41,183	59,815
Write-backs during the period	(41)	-	-	-
Amounts written-off and other adjustments	1,922	(30,556)	278	(26,723)
At the reporting date	41,461	33,092	41,461	33,092

8 Non-trading investments

Non-trading investments include financial instruments of AED 2,453 million (31 December 2012: AED 1,245 million) given under repurchase agreements 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 7,576 million (31 December 2012: AED 8,620 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 ‘13 AED’000	(Audited) 31 Dec ‘12 AED’000
By account:		
Current accounts	42,164,817	37,798,161
Savings accounts	9,616,126	8,818,334
Notice and time deposits	158,414,564	132,933,772
Certificates of deposit	9,154,628	10,753,306
	219,350,135	190,303,573
By counterparty:		
Government sector	89,740,788	77,558,577
Public sector	26,883,680	21,544,696
Corporate / private sector	53,203,943	50,916,022
Retail sector	49,521,724	40,284,278
	219,350,135	190,303,573

Islamic customers’ deposits

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

	(Unaudited) 30 Jun ‘13 AED’000	(Audited) 31 Dec ‘12 AED’000
Wakala deposits	2,600,492	3,020,855
Mudaraba deposits	208,611	180,655
	2,809,103	3,201,510

12 Term borrowings

	(Unaudited) 30 Jun '13 AED'000	(Audited) 31 Dec '12 AED'000
Club loan and other facilities	3,856,650	3,856,650
Other term notes	15,828,752	15,216,980
Convertible notes	1,665,859	-
	21,351,261	19,073,630

The following term notes were outstanding as at reporting dates:

Currency	Interest	Maturity	(Unaudited) 30 Jun '13 AED'000	(Audited) 31 Dec '12 AED'000
HKD	1.65 per cent (fixed)	Oct 2013	88,952	89,119
USD	4.50 per cent (fixed)	Sep 2014	3,203,541	3,238,546
HKD	3.80 per cent (fixed)	Sep 2014	193,458	195,697
HKD	3.90 per cent (fixed)	Oct 2014	118,610	119,967
USD	4.25 per cent (fixed)	Mar 2015	2,849,072	2,879,242
MYR	4.75 per cent (fixed)	Jun 2015	566,227	595,851
USD	3.25 per cent (fixed)	Mar 2017	2,777,588	2,828,117
HKD	3.40 per cent (fixed)	Sep 2017	152,178	156,286
USD	3.71 per cent (fixed)	Sep 2017	113,405	116,365
HKD	4.32 per cent (fixed)	Sep 2017	152,625	157,450
AUD	5.00 per cent (fixed)	Mar 2018	984,373	-
USD	3.00 per cent (fixed)	Aug 2019	2,627,625	2,750,561
HKD	4.45 per cent (fixed)	Sep 2019	160,787	169,434
MYR	4.90 per cent (fixed)	Dec 2020	584,590	569,676
HKD	3.95 per cent (fixed)	Apr 2022	151,528	163,381
JPY	2.60 per cent (fixed)	Jul 2026	419,230	431,052
HKD	3.94 per cent (fixed)	Jul 2027	172,917	194,400
MXN	0.50 per cent (fixed)	Mar 2028	24,646	-
USD	4.37 per cent (fixed)	Aug 2032	245,551	281,668
USD	4.10 per cent (fixed)	Sep 2032	95,663	109,598
USD	4.80 per cent (fixed)	Sep 2036	66,945	77,456
USD	5.01 per cent (fixed)	May 2042	79,241	93,114
			15,828,752	15,216,980

Convertible notes

During the period, the Bank has issued a USD 500 million convertible note. The notes mature in March 2018 and carry a fixed coupon that is paid semi-annually in arrears. The value of the conversion option at inception was AED 108,265 thousand and as such has been classified as a part of equity under convertible note – equity component reserve. The Bank has hedged the interest rate exposure on these notes.

13 Subordinated notes

	(Unaudited) 30 Jun '13 AED'000	(Audited) 31 Dec '12 AED'000
Subordinated note - Ministry of Finance Tier 2 notes	-	3,273,621
Other subordinated notes	1,583,091	2,388,740
	<u>1,583,091</u>	<u>5,662,361</u>

Ministry of Finance Tier 2 notes

During the period, the Bank has fully repaid Ministry of Finance Tier 2 notes having a nominal value of AED 3 billion (31 December 2012: AED 2.6 billion).

Other subordinated notes

	(Unaudited) 30 Jun '13 AED'000	(Audited) 31 Dec '12 AED'000
<i>Liability component</i>		
15 March 2006 issue	1,033,880	1,032,824
28 February 2008 issue	-	807,817
10 December 2012 issue	549,211	548,099
	<u>1,583,091</u>	<u>2,388,740</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	(31,564)	(31,564)
Transfer to general reserve	(53,844)	(32,424)
	<u>-</u>	<u>21,420</u>

28 February 2008 issue:

The Bank has exercised its call option and fully redeemed these notes on 28 February 2013 "the first call date"; as a result, the corresponding liability pertaining to the issue has been extinguished. The conversion option held by the note holders expired ten days prior to the first call date. Accordingly, the equity component of AED 21,420 thousand related to this issue was transferred to the general reserve. The Bank had no gain or loss as a result of this repayment.

14 Share capital

At the Annual General Meeting (AGM) held on 12 March 2013, the shareholders of the Bank approved a cash dividend of AED 0.35 per ordinary share (*31 December 2012: AED 0.30 per ordinary share*) and an increase in the share capital through a 10% bonus shares issue of 391,414 thousand ordinary shares of AED 1 each (*31 December 2012: 35% bonus shares issue of 1,004,515 thousand ordinary shares of AED 1 each*) amounting to AED 391,414 thousand (*31 December 2012: AED 1,004,515 thousand*). Accordingly, the issued and paid up share capital as at 30 June 2013 is comprised of 4,305,556 thousand ordinary shares of AED 1 each, including shares under the staff share option scheme (*note 16*) (*31 December 2012: 3,874,558 thousand ordinary shares of AED 1 each*).

Reconciliation of Share capital

	(Unaudited) 30 Jun '13 AED'000	(Unaudited) 30 Jun '12 AED'000
As at 1 January	3,874,558	2,870,043
Shares issued under Share option scheme	39,584	-
	<hr/> 3,914,142	<hr/> 2,870,043
Bonus Shares issued during the period	391,414	1,004,515
	<hr/> 4,305,556	<hr/> 3,874,558
Treasury shares held	(28,903)	-
	<hr/> 4,276,653	<hr/> 3,874,558
As at 30 June	<hr/> <hr/> 4,276,653	<hr/> <hr/> 3,874,558

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors to the shareholders. On 12 March 2013 the AGM approved the transfer of AED 2.1 billion (*31 December 2012: AED 2.1 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 2012: AED 120 million*).

16 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. During the period the Bank has issued and transferred 39,584 thousand shares to the subsidiary, which is equivalent to the number of shares that would be required if option holders exercise their options. These shares are treated as treasury shares until exercised by the option holders.

As at the reporting date 13,665 thousand options were exercised by the option holders resulting in an increase in the total share capital by AED 13,665 thousand and share premium by AED 114,101 thousand (included in special reserve).

Reconciliation of treasury shares held under the Scheme

	(Unaudited) 30 Jun '13 AED'000	(Unaudited) 30 Jun '12 AED'000
As at 1 January	-	-
Shares issued under the Scheme	39,584	-
	39,584	-
Options exercised by staff during the period	(13,665)	-
	25,919	-
Bonus Shares issued during the period	2,984	-
As at 30 June	28,903	-

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17 Fair value reserve

	(Unaudited) 30 Jun 2013 AED'000	(Unaudited) 30 Jun 2012 AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	699,317	(916,238)
Net movement	(309,537)	885,859
At 30 June	389,780	(30,379)
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	-	17,224
Net movement	-	(19,782)
At 30 June	-	(2,558)
Total at 30 June	389,780	(32,937)

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 26,790 million (31 December 2012: AED 25,805 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 '13 AED'000	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '13 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000
Collective provision for loans and advances	128,854	75,735	128,854	76,302
Specific provision for loans and advances	808,627	792,803	314,515	358,688
Write back of provisions for loans and advances	(162,891)	(191,085)	(75,302)	(129,110)
Recovery of loan loss provisions	(173,899)	(120,269)	(69,500)	(38,589)
Write-off of impaired loans and advances	11,308	40,355	4,814	16,022
Recovery of loans previously written off	(3,738)	(1,920)	(2,018)	(493)
Provisions for investments	256	9,000	(639)	9,000
Impairment of non financial assets	14,342	-	-	-
	622,859	604,619	300,724	291,820

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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 '13	(Unaudited) Six month period ended 30 Jun '12	(Unaudited) Three month period ended 30 Jun '13	(Unaudited) Three month period ended 30 Jun '12
Basic earnings per share:				
Net profit for the period (AED '000)	2,621,290	2,087,041	1,211,797	1,046,461
Less: Payment on Tier 1 capital notes (AED '000)	(120,000)	(120,000)	-	-
Net profit after payment of interest on Tier 1 capital notes (AED '000)	2,501,290	1,967,041	1,211,797	1,046,461
Weighted average number of ordinary shares:				
Ordinary shares as at the beginning of the period ('000)	3,874,558	2,870,043	3,874,558	2,870,043
Effect of bonus shares issued during 2013 ('000)	388,430	388,430	388,430	388,430
Effect of bonus shares issued during 2012 ('000)	-	1,004,515	-	1,004,515
Weighted average numbers of shares exercised under the share options scheme ('000)	6,775	-	6,775	-
Weighted average number of ordinary shares ('000)	4,269,763	4,262,988	4,269,763	4,262,988
Basic earnings per share (AED)	0.59	0.46	0.28	0.25
Diluted earnings per share:				
Net profit after payment of interest on Tier 1 capital notes (AED '000)	2,501,290	1,967,041	1,211,797	1,046,461
Add: Interest on convertible notes (AED '000)	2,505	8,904	1,326	2,954
Net profit for the period for calculating diluted earnings per share (AED '000)	2,503,795	1,975,945	1,213,123	1,049,415
Weighted average number of ordinary shares ('000)	4,269,763	4,262,988	4,269,763	4,262,988
Weighted average effect of convertible notes in issue ('000)	33,993	76,319	33,993	76,319
Weighted average number of dilutive shares under share options scheme ('000)	6,740	-	6,740	-
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	4,310,496	4,339,307	4,310,496	4,339,307
Diluted earnings per share (AED)	0.58	0.46	0.28	0.24

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21 Segmental information

	Domestic Banking AED'000	Int'l Banking AED'000	Global Financial Markets AED'000	Global Banking AED'000	Corporate Banking and Real Estate 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 2013 (unaudited)</i>									
Operating income	1,044,695	777,699	662,157	730,825	674,195	208,167	142,961	632,013	4,872,712
Net impairment charge	(126,323)	(54,494)	-	(53,324)	(275,032)	(300)	41	(113,427)	(622,859)
Profit before taxation	465,976	482,014	581,788	594,772	339,013	103,290	93,163	68,207	2,728,223
Overseas taxation	-	(103,578)	-	-	-	(3,355)	-	-	(106,933)
Net profit for the period	465,976	378,436	581,788	594,772	339,013	99,935	93,163	68,207	2,621,290
Segment total assets	51,513,073	96,281,686	127,930,929	63,057,891	39,940,674	9,954,102	7,311,418	56,337,002	452,326,775
Inter segment balances									(125,603,991)
Total assets									326,722,784
Segment total liabilities	50,985,877	92,661,254	127,397,734	62,249,811	39,361,021	9,452,508	6,431,568	31,576,122	420,115,895
Inter segment balances									(125,603,991)
Total liabilities									294,511,904

Note: Except for subsidiaries, 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.

During the period, "Corporate and Investment Banking Division" was split into two separate businesses namely "Global Banking" and "Corporate Banking and Real Estate".

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21 Segmental information (continued)

	Domestic Banking AED'000	Int'l Banking AED'000	Global 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 2012 (unaudited)</i>								
Operating income	946,704	656,753	478,700	1,426,920	156,151	130,625	304,242	4,100,095
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
<i>As at 31 December 2012 (audited)</i>								
Segment total assets	41,884,846	93,119,495	114,288,050	99,660,417	8,441,653	9,154,649	52,172,713	418,721,823
Inter segment balances								(118,122,654)
Total assets								300,599,169
Segment total liabilities	41,046,212	89,896,231	113,009,996	97,251,025	7,916,264	8,388,279	30,080,725	387,588,732
Inter segment balances								(118,122,654)
Total liabilities								269,466,078

Note: Except for subsidiaries, 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.

During the period, the Group has restructured its internal reportable segment in manner that provides more financial information to the chief operating decision makers. Due to impracticality of restatement of the quarterly comparative segment information, the comparative information is presented as per the previous segmental bifurcations.

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 of major shareholders, directors and key management personnel of the Group. The terms of 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 70.24% (31 December 2012: 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 on such loans and advances extended to related parties during the period have ranged from 0.06% to 8.75% per annum (30 June 2012: 0.10% to 7.05% per annum) and interest rates on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 3.80% per annum (30 June 2012: nil to 4.50% 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 2012: 0.50% to 1.00% per annum).

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

Balances

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

	Directors and key management	Major shareholders	Others¹	(Unaudited) Total	(Audited) Total
	30 Jun '13	30 Jun '13	30 Jun '13	30 Jun '13	31 Dec '12
	AED'000	AED'000	AED'000	AED'000	AED'000
Financial assets	869,105	703,302	68,576,674	70,149,081	58,394,683
Financial liabilities	671,290	4,193,684	98,270,120	103,135,094	82,580,171
Commitments and contingencies	376,749	194,901	36,218,220	36,789,870	39,780,103

¹Others comprise of Government of Abu Dhabi related entities.

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22 Related parties (continued)

Transactions

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

	Directors and key management 30 Jun '13 AED'000	Major shareholders 30 Jun '13 AED'000	Others 30 Jun '13 AED'000	(Unaudited) Total 30 Jun '13 AED'000	(Unaudited) Total 30 Jun '12 AED'000
Fee and commission income	4,081	639	20,622	25,342	18,109
Interest income	14,485	19,254	898,312	932,051	615,608
Interest expense	359	5,890	165,458	171,707	167,343

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 six month period ended 30 June 2013 (30 June 2012: AED Nil).

Compensation of key management personnel and director's remuneration.

Key management compensation is as shown below:

	(Unaudited) Six month period ended 30 Jun '13 AED'000	(Unaudited) Six month period ended 30 Jun '12 AED'000	(Unaudited) Three month period ended 30 Jun '13 AED'000	(Unaudited) Three month period ended 30 Jun '12 AED'000
Short term employment benefits	56,781	46,878	8,632	8,649
Post employment benefits	809	710	405	356
Termination benefits	831	809	408	397
	58,421	48,397	9,445	9,402
Directors' remuneration	5,950	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 2012: AED 120 million).

23 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.