



بنك أبوظبي الوطني
NATIONAL BANK OF ABU DHABI
Public Joint Stock Company شركة مساهمة عامة

المركز الرئيسي

أبوظبي

Head Office

Abu Dhabi

July 24, 2008

NATIONAL BANK OF ABU DHABI

MANAGEMENT DISCUSSION & TRADING STATEMENT - 1st Half of 2008

NBAD Second Quarter profits soar 72% to exceed AED1billion for the first time.

The Board of Directors of NBAD discussed the first half results, and reported net profits of AED 1,876 Million for the first half of 2008, 58% above the 1st half of 2007. Annualised earnings per share were AED 1.92 up from AED 1.24 (restated) in the comparable period of 2007. The return on equity was 30.1%, above the Bank's medium term strategic plan return of 25%.

In the second quarter the Bank set two records for quarterly profit and total assets. For the second quarter, net profits at AED 1,002 Million were up 72% on the corresponding quarter of 2007 and total assets reached AED 165 up 33% on the same period in 2007.

Compared to the same period end in 2007, loans increased 63% to AED 106 Billion reflecting, in particular, the demand in Abu Dhabi to finance the substantial growth in the Emirate. Customer deposits were up 15% to AED 89 Billion. Cash and balances with Central Banks reached AED 24.6 Billion, reflecting the Bank's dirham liquidity position. Capital resources, including AED 3.1Billion of subordinated convertible notes, reached AED 16.7 Billion, up 38% from the corresponding period in 2007.

Operating income for the 1st half of 2008 was up 61% to AED 2.7 Billion including non-interest income of AED 1.1 Billion, almost 95% up on the corresponding period in 2007 and reflecting the concentration on diversifying our fee earning sources. Operating expense growth of 44%, reflects the planned and continued investment in expanding our network, enhancing our infrastructure, upgrading our systems and our people. To demonstrate our commitment to our valuable human resources, the Bank introduced an employee share option scheme. The cost income ratio of 25% in the 1st half of 2008 compares favorably with 28% in the comparable period of 2007, and is well within our medium term cap of 35%.

Domestic banking business was the biggest contributor to the Group's operating profits at 50% with International banking, Financial Markets and other businesses contributing 15%, 25% and 3% respectively. Islamic and Private banking businesses are progressing on plan and our real estate subsidiary is expected to commence formal operations in the 4th quarter of this year. Head office, which is run as a business, contributed 7%. The Financial Markets business has enjoyed an outstanding first half with profits up 352% on the 2007 comparable.

Total new provisions in the 2nd quarter were AED 104 Million of which AED 69 Million was new collective impairment provisions mirroring the growth in our loan portfolio and our relatively conservative credit strategy. Recoveries and writebacks were AED 31 Million. Impaired loans, as at 30 June 2008 were AED 867 Million, 116% covered by provisions reflecting our strong asset quality.

NBAD has one of the highest credit ratings in the region comparable with many medium sized European banks. We were the first national bank in the UAE to provide custody service to local and international investors in UAE.

Chief Executive Michael Tomalin said "The outstanding first half results reflect the strong performance of all the bank's businesses. NBAD is well positioned to play its part in the on-going Abu Dhabi and UAE growth story"

Michael H. Tomalin

Chief Executive

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National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

30 June 2008

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

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Independent 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 balance sheet of the National Bank of Abu Dhabi PJSC and its subsidiaries (the "Group") as at 30 June 2008 and the related condensed consolidated interim statements of income, changes in equity and cash flows for the six-month period then ended (interim financial information). The Board of Directors of the Group is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG
Munther Dajani
Registration No.: 268

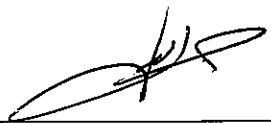
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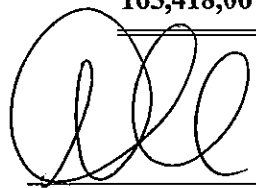
National Bank of Abu Dhabi PJSC

Condensed consolidated interim balance sheet

As at 30 June 2008

		30 Jun '08	(Audited) 31 Dec '07
	Note	AED'000	AED'000
Assets			
Cash and balances with central banks	5	24,558,731	36,399,339
Investments at fair value through profit or loss		1,541,449	1,200,725
Due from banks		14,936,451	8,158,270
Loans and advances	6	106,459,788	79,729,100
Non-trading investments		12,748,161	10,054,224
Other assets		4,176,812	3,305,764
Premises and equipment		996,675	583,296
Total assets		165,418,067	139,430,718
Liabilities			
Due to banks	7	36,750,772	27,041,015
Repurchase agreements with banks		4,587,265	5,305,965
Euro commercial paper	8	-	105,912
Customers' deposits	9	89,274,923	81,736,671
Medium-term floating rate notes	10	7,147,189	7,405,149
Other liabilities		10,909,063	4,182,093
		148,669,212	125,776,805
Subordinated convertible notes	11	3,044,575	2,439,681
Total liabilities		151,713,787	128,216,486
Equity			
Share capital	12	1,976,614	1,591,304
Statutory and special reserves		2,923,905	1,591,304
Other reserves		6,701,917	7,158,698
Subordinated convertible notes - equity component	11	85,408	72,926
Retained earnings		2,016,436	800,000
Total equity		13,704,280	11,214,232
Total liabilities and equity		165,418,067	139,430,718


Khalifa Mohammed Al Kindi
Chairman


Michael Tomalin
Chief Executive

The notes 1 to 19 are an integral part of these condensed consolidated interim financial statements.

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

National Bank of Abu Dhabi PJSC

Condensed consolidated interim income statement

For the six month period ended 30 June

		Six month period ended 30 Jun '08 AED'000	Six month period ended 30 Jun '07 AED'000	Three month period ended 30 Jun '08 AED'000	Three month period ended 30 Jun '07 AED'000
	Note				
Interest income		3,476,764	3,337,430	1,698,376	1,746,763
Interest expense		(1,876,664)	(2,225,103)	(874,957)	(1,174,001)
Net interest income		1,600,100	1,112,327	823,419	572,762
Fee and commission income		643,063	443,765	346,114	209,626
Fee and commission expense		(47,908)	(18,754)	(24,438)	(10,062)
Net fee and commission income		595,155	425,011	321,676	199,564
Net gain on investments		95,206	54,980	153,471	32,463
Net foreign exchange gain		204,393	89,999	132,947	46,098
Other operating income	13	245,383	15,163	23,087	7,530
		544,982	160,142	309,505	86,091
Operating income		2,740,237	1,697,480	1,454,600	858,417
General, administrative and other operating expenses		(685,253)	(474,398)	(357,176)	(249,420)
Profit before net impairment charge and taxation		2,054,984	1,223,082	1,097,424	608,997
Net impairment charge on financial assets		(144,817)	(7,174)	(76,665)	(7,560)
Profit before taxation		1,910,167	1,215,908	1,020,759	601,437
Overseas income tax expense		(34,117)	(30,645)	(19,254)	(17,473)
Net profit for the period		1,876,050	1,185,263	1,001,505	583,964
Basic earnings per share (AED)	16	0.96	0.62	0.51	0.30
Diluted earnings per share (AED)	16	0.94	0.63	0.50	0.31

The notes 1 to 19 are an integral part of these condensed consolidated interim financial statements.

The independent 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

	Note	30 Jun '08 AED'000	30 Jun '07 AED'000
Cash flows from operating activities			
Profit before taxation		1,910,167	1,215,908
<i>Adjustments:</i>			
Depreciation		38,730	32,700
Accreted interest	11	5,851	3,604
Net impairment charge on financial assets		163,630	7,174
Foreign currency retranslation on medium term floating rate notes		155,263	35,895
		<u>2,273,641</u>	<u>1,295,281</u>
Change in investments at fair value through profit or loss		(340,724)	(105,816)
Change in due from banks and central banks		(234,308)	(19,567,101)
Change in loans and advances		(26,894,318)	(7,989,212)
Change in other assets		(753,232)	(380,323)
Change in due to banks		9,709,757	6,880,386
Change in repurchase agreements with banks		(718,700)	677,328
Change in customers' deposits		7,538,252	6,762,526
Change in other liabilities		6,737,146	3,422,272
		<u>(2,682,486)</u>	<u>(9,004,659)</u>
Overseas income tax paid		(45,036)	(29,018)
Net cash used in operating activities		<u>(2,727,522)</u>	<u>(9,033,677)</u>
Cash flows from investing activities			
Purchase of non-trading investments, net of proceeds from sale or maturity		(2,942,417)	(79,230)
Acquisition of premises and equipment, net of disposals		(452,109)	(102,697)
Net cash used in investing activities		<u>(3,394,526)</u>	<u>(181,927)</u>
Cash flows from financing activities			
Dividends paid		(658,871)	(489,632)
Additional issue of medium term floating rate notes		106,062	3,683,701
Redemption of medium term floating rate notes		(515,966)	-
(Repayment) / proceeds from Euro commercial paper		(105,912)	858,587
Subordinated convertible notes issued	11	2,000,000	-
Net cash from financing activities		<u>825,313</u>	<u>4,052,656</u>
Decrease in cash and cash equivalents		<u>(5,296,735)</u>	<u>(5,162,948)</u>
Cash and cash equivalents at 1 January		24,345,317	26,347,111
Cash and cash equivalents at 30 June		<u>19,048,582</u>	<u>21,184,163</u>
Cash and cash equivalents comprise:			
<i>Maturing within three months:</i>			
Cash and balances with central banks		5,952,976	7,984,738
Due from banks		13,095,606	13,199,425
		<u>19,048,582</u>	<u>21,184,163</u>

The notes 1 to 19 are an integral part of these condensed consolidated interim financial statements.

The independent 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

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve 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 2007	1,224,080	715,400	612,040	5,926,879	(210,149)	14,088	72,926	650,000	9,005,264
Foreign currency translation adjustment	-	-	-	-	-	5,477	-	-	5,477
Net movement in fair value reserve (note 14)	-	-	-	-	(16,196)	-	-	-	(16,196)
Adjustment for Directors' remuneration	-	-	-	-	-	-	-	(7,682)	(7,682)
Total income and expenses for the period recognised directly in equity	-	-	-	-	(16,196)	5,477	-	(7,682)	(18,401)
Net profit for the period	-	-	-	-	-	-	-	1,185,263	1,185,263
Total income and expense for the period	-	-	-	-	(16,196)	5,477	-	1,177,581	1,166,862
Dividend paid for 2006	-	-	-	-	-	-	-	(489,632)	(489,632)
Bonus shares issued (note 12)	367,224	-	-	(367,224)	-	-	-	-	-
Balance at 30 June 2007	1,591,304	715,400	612,040	5,559,655	(226,345)	19,565	72,926	1,337,949	9,682,494
Balance at 1 January 2008	1,591,304	795,652	795,652	7,148,899	(24,384)	34,183	72,926	800,000	11,214,232
Foreign currency translation adjustment	-	-	-	-	-	3,319	-	-	3,319
Net movement in fair value reserve (note 14)	-	-	-	-	(130,664)	-	-	-	(130,664)
Total income and expenses for the period recognised directly in equity	-	-	-	-	(130,664)	3,319	-	-	(127,345)
Net profit for the period	-	-	-	-	-	-	-	1,876,050	1,876,050
Total income and expense for the period	-	-	-	-	(130,664)	3,319	-	1,876,050	1,748,705
Directors remuneration	-	-	-	-	-	-	-	(743)	(743)
Dividend paid for 2007	-	-	-	-	-	-	-	(658,871)	(658,871)
Subordinated convertible note issued	-	-	-	-	-	-	52,984	-	52,984
Conversion of subordinated convertible notes (note 11)	55,874	-	1,332,601	-	-	-	(40,502)	-	1,347,973
Bonus shares issued (note 12)	329,436	-	-	(329,436)	-	-	-	-	-
Balance at 30 June 2008	1,976,614	795,652	2,128,253	6,819,463	(155,048)	37,502	85,408	2,016,436	13,704,280

The notes 1 to 19 are an integral part of these condensed consolidated interim financial statements.

The independent 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 2008 comprise the Bank and its subsidiaries (the “Group”). The Group is primarily engaged in corporate, retail, private and investment banking activities and carries out its operations through its local and overseas branches and subsidiaries located in Bahrain, Egypt, France, Oman, Kuwait, Sudan, the United Kingdom, Switzerland and the United States of America.

The consolidated financial statements of the Group as at and for the year ended 31 December 2007 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 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 2007.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors on 24 July 2008.

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 2007.

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 2007.

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

5 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 18,570 million (2007: AED 30,135 million).

6 Loans and advances

	30 Jun '08 AED'000	(Audited) 31 Dec '07 AED'000
Gross loans and advances	109,373,096	82,561,098
Less: allowance for impairment	(1,007,894)	(910,131)
Less: interest suspended	(1,905,414)	(1,921,867)
Net loans and advances	<u>106,459,788</u>	<u>79,729,100</u>

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

	Six month period ended 30 Jun '08 AED'000	Six month period ended 30 Jun '07 AED'000
At 1 January	910,131	917,624
Charge for the period	202,883	68,525
Recoveries	(18,259)	(16,210)
Write-backs during the period	(43,727)	(46,416)
Write-offs during the period	(43,134)	(22,471)
At the reporting date	<u>1,007,894</u>	<u>901,052</u>

Loans and advances directly written off during the period (net of recoveries) amount to AED 3,920 thousand (2007: 1,275 thousand).

As at 30 June 2008, the gross balance of impaired loans and advances amounted to AED 2,772,066 thousand (31 December 2007: AED 2,780,792 thousand).

7 Due to banks

Due to banks include balances to central banks amounting to AED 23,203 million (2007: 4,886 million). Included in these balances is a short term advance amounting to AED 13,315 million (2007: AED nil) obtained from the Central Bank of UAE which is secured by the Certificates of Deposit with the Central Bank of UAE (refer note 5).

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

8 Euro commercial paper

The Bank established US\$ 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.

9 Customers’ deposits

Customers’ deposits include NBAD 3 Year 100% UAE Principal Protected Notes issued during 2007 having a nominal value of AED 713 million (2007: AED 713 million). These notes are 100% principal protected at maturity by the Bank and are linked to Standard & Poor’s International Finance Corporation Global Index for the United Arab Emirates. The Bank has purchased a call option to cover this exposure.

10 Medium-term floating rate notes

The following notes were outstanding as at the reporting dates:

			(Audited)	
Currency	Interest	Year of maturity	30 Jun ‘08 AED’000	31 Dec ‘07 AED’000
USD	5.525 per cent (fixed)	2009	73,460	73,460
USD	3 M USD LIBOR+30bps	2010	3,122,050	3,122,050
JPY	3 M JPY LIBOR	2008	-	236,418
JPY	0.05 per cent (fixed)	2009	119,876	112,580
JPY	0.22 per cent (fixed)	2009	34,250	32,166
JPY	3 M JPY LIBOR	2009	136,618	128,302
CHF	3 M CHF LIBOR + 10bps	2009	285,837	257,213
CHF	3 M CHF LIBOR + 10bps	2010	714,020	642,518
CHF	3 M CHF LIBOR + 10bps	2010	106,691	-
GBP	5.875 % (fixed)	2012	2,554,387	2,559,401
AUD	3 M AUD-BBSW	2008	-	96,416
AUD	3 M AUD-BBSW	2008	-	64,278
AUD	3 M AUD-BBSW +1bps	2008	-	80,347
			7,147,189	7,405,149

11 Subordinated convertible notes

	(Audited)	
	30 Jun ‘08 AED’000	31 Dec ‘07 AED’000
15 March 2006 issue	1,094,072	2,439,681
28 February 2008 issue	1,950,503	-
	3,044,575	2,439,681

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

11 Subordinated convertible notes (*continued*)

15 March 2006 issue:

In accordance with the prospectus of AED 2.5 billion subordinated convertible notes due on 15 March 2016, some of the note holders exercised the option to convert these notes into the ordinary shares of the Bank on 15 March 2008 (second anniversary). The nominal value of notes converted amounted to AED 1,388,475 thousand resulting in an increase in Bank's share capital of AED 55,874 thousand and special reserve of AED 1,332,601 thousand.

The above mentioned convertible notes are presented in the condensed consolidated interim balance sheet as follows:

	30 Jun '08 AED'000	(Audited) 31 Dec '07 AED'000
Proceeds from issue of convertible notes	2,500,000	2,500,000
Less: amount classified as equity	(72,926)	(72,926)
Carrying amount of liability component on initial recognition	2,427,074	2,427,074
Add: cumulative accreted interest	14,971	12,607
Less: converted liability component	(1,347,973)	-
Carrying amount of liability component	1,094,072	2,439,681

The Bank has the option to redeem these notes on the 5th anniversary and on a quarterly basis thereafter.

Interest on these notes is calculated on an effective yield basis by applying the effective interest rate for an equivalent non-convertible notes to the liability component of the convertible notes. The effective interest rate as at 30 June 2008 was 2.1917% (2007: 5.3069%).

As a result of the issue of bonus shares (*see note 12*), the conversion price has been revised to AED 23.18 per share and communicated to Abu Dhabi Exchange on 14 April 2008.

28 February 2008 issue:

Further, during the period, the Bank issued AED 2 billion subordinated convertible notes due on 28 February 2018 in accordance with the approval of the Extraordinary General Meeting held on 5 September 2007. The notes bear an interest rate equal to 3 month EBOR less 0.25% paid quarterly.

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

11 Subordinated convertible notes *(continued)*

28 February 2008 issue: (continued)

These convertible notes are presented in the condensed consolidated interim balance sheet as follows:

	30 Jun '08 AED'000	(Audited) 31 Dec '07 AED'000
Proceeds from issue of convertible notes	2,000,000	-
Less: amount classified as equity	(52,984)	-
Carrying amount of liability component on initial recognition	1,947,016	-
Add: cumulative accreted interest	3,487	-
Carrying amount of liability component	1,950,503	-

Interest on these notes is calculated on an effective yield basis by applying the effective interest rate for an equivalent non-convertible notes to the liability component of the convertible notes. The effective interest rate as at 30 June 2008 was 2.6808%.

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 first call date being 28 February 2013 at the conversion price of AED 25.45 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.

Fair value:

The carrying amount of the liability component of the convertible notes reflects its current fair value based on discounted cash flows.

12 Share capital

During the period, the conversion of AED 1,388,474 thousand subordinated convertible notes due on 15 March 2016 resulted in an increase in share capital by 55,874 thousand shares of AED 1 each amounting to AED 55,874 thousand (*refer note 11*).

Further, at the Annual General Meeting held on 23 March 2008, the shareholders of the Bank approved an increase in the share capital through a 20% bonus shares issue of 329,436 thousand ordinary shares of AED 1 each (*2007: 30% bonus shares issue of 367,224 thousand ordinary shares of AED 1 each*) amounting to AED 329,436 thousand (*2007: AED 367,224 thousand*). Accordingly, the issued and paid up share capital as at 30 June 2008 comprise 1,976,614 thousand ordinary shares of AED 1 each (*2007: 1,591,304 thousand ordinary shares of AED 1 each*).

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

13 Other operating income

Other operating income includes gross gain on sale of land amounting to AED 177 million (30 June 2007: AED nil).

14 Fair value reserve

	30 Jun '08 AED'000	30 Jun '07 AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	(126,752)	(199,817)
Net change in fair value	(248,480)	(28,545)
At 30 June	<u>(375,232)</u>	<u>(228,362)</u>
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	102,368	(10,332)
Net change in fair value	117,816	12,349
At 30 June	<u>220,184</u>	<u>2,017</u>
Total at 30 June	<u><u>(155,048)</u></u>	<u><u>(226,345)</u></u>

15 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.

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

16 Earnings per share

Earnings per share is calculated by dividing the net profit for the period attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period as set out below:

	Six month period ended 30 Jun '08	Six month period ended 30 Jun '07	Three month period ended 30 Jun '08	Three month period ended 30 Jun '07
<i>Basic earnings per share:</i>				
Net profit for the period attributable to equity Shareholders (AED '000)	<u>1,876,050</u>	<u>1,185,263</u>	<u>1,001,505</u>	<u>583,964</u>

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

16 Earnings per share (continued)

	Six month period ended 30 Jun '08	Six month period ended 30 Jun '07	Three month period ended 30 Jun '08	Three month period ended 30 Jun '07
<i>Basic earnings per share: (continued)</i>				
Ordinary shares as at 1 January / 1 April (thousands)	1,591,304	1,224,080	1,595,963	1,224,080
Effect of bonus shares issued during 2007 (thousands)	-	367,224	-	367,224
Effect of bonus shares issued during 2008 (thousands)	329,436	329,436	329,436	329,436
Effect of conversion of AED 2.5 billion subordinated convertible notes due on 15 March 2016 (thousands)	32,593	-	27,934	-
Weighted average number of ordinary shares in issue (thousands)	1,953,333	1,920,740	1,953,333	1,920,740
Basic earnings per share (AED)	0.96	0.62	0.51	0.30
<i>Diluted earnings per share:</i>				
Net profit for the period attributable to equity Shareholders (AED '000)	1,876,050	1,185,263	1,001,505	583,964
Add: Interest on subordinated convertible notes (AED '000)	56,123	76,056	21,932	38,320
Net profit for the period attributable to equity shareholders for diluted earnings per share (AED '000)	1,932,173	1,261,319	1,023,437	622,284
Weighted average number of ordinary shares in issue (thousands)	1,953,333	1,920,740	1,953,333	1,920,740
Effect of subordinated convertible notes in issue (thousands)	100,342	100,604	100,342	100,604
Weighted average number of ordinary shares in issue for diluted earnings per share (thousands)	2,053,675	2,021,344	2,053,675	2,021,344
Diluted earnings per share (AED)	0.94	0.63	0.50	0.31

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17 Segmental information

Primary segment information:

	Domestic Banking AED'000	Int'l Banking AED'000	Investment Banking AED'000	Head Office & others AED'000	Total AED'000
<i>For the six month period ended 30 June 2008:</i>					
Operating income	<u>1,264,643</u>	<u>449,911</u>	<u>658,029</u>	<u>367,654</u>	<u>2,740,237</u>
Profit before taxation	<u>1,025,854</u>	<u>286,799</u>	<u>580,080</u>	<u>17,434</u>	<u>1,910,167</u>
Overseas taxation	<u>-</u>	<u>(36,678)</u>	<u>-</u>	<u>2,561</u>	<u>(34,117)</u>
Net profit for the period					<u>1,876,050</u>

For the six month period ended 30 June 2007:

Operating income	<u>849,979</u>	<u>338,292</u>	<u>300,453</u>	<u>208,756</u>	<u>1,697,480</u>
Profit before taxation	<u>666,888</u>	<u>215,070</u>	<u>248,909</u>	<u>85,041</u>	<u>1,215,908</u>
Overseas taxation	<u>-</u>	<u>(32,848)</u>	<u>-</u>	<u>2,203</u>	<u>(30,645)</u>
Net profit for the period					<u>1,185,263</u>

18 Related parties

Identity of related parties

Related parties comprise major shareholders, directors and key management of the Group and their related concerns. 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

The ultimate controlling party of the Group is Abu Dhabi Investment Council with an ownership of 70.48% (30 June 2007: 72.96%).

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Notes to the condensed consolidated interim financial statements

18 Related parties (continued)

Terms and conditions

Interest rates earned on loans and advances extended to related parties during the period have ranged from 2.4% to 14% per annum (2007: 5% to 15% per annum).

Interest rates incurred on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 5.14% per annum (2007: nil to 5.06% per annum).

Fee and commission earned on transactions with related parties during the period have ranged from 0.50% to 1% per annum (2007: 0.50% to 1% 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 '08 AED'000	Major shareholder 30 Jun '08 AED'000	Total 30 Jun '08 AED'000	(Audited) Total 31 Dec '07 AED'000
Loans and advances	1,434,246	1,879,000	3,313,246	2,415,462
Customers' deposits	397,724	5,897,214	6,294,938	14,959,810
Commitments and contingencies	985,940	131,531	1,117,471	967,146

Transactions

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

	Directors and key management 30 Jun '08 AED'000	Major shareholder 30 Jun '08 AED'000	Total 30 Jun '08 AED'000	Total 30 Jun '07 AED'000
Fee and commission income	8,366	647	9,013	2,878
Interest income	16,287	54,815	71,102	71,020
Interest expense	4,631	149,287	153,918	96,669

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Notes to the condensed consolidated interim financial statements

18 Related parties *(continued)*

Transactions *(continued)*

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 2008 *(six month period ended 30 June 2007: AED nil)*.

Compensation of key management personnel

Key management compensation is as shown below:

	Six month period ended 30 Jun '08 AED'000	Six month period ended 30 Jun '07 AED'000
Short term employment benefits	17,649	8,486
Post employment benefits	601	271
Termination benefits	464	365
	<u>18,714</u>	<u>9,122</u>

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

19 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation for the current period.