

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

30 June 2010

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

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

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

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

The Shareholders
National Bank of Abu Dhabi PJSC

Introduction

We have reviewed the accompanying 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 2010, and the condensed consolidated interim statements of comprehensive income (comprising of a condensed consolidated statement of comprehensive income and a separate condensed consolidated interim income statement), changes in equity and cash flows for the six-month period then ended (the "interim financial information"). The Board of Directors of the Group is responsible for the preparation and presentation of the interim financial information in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on the 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 interim financial information as at and for the period ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Munther Dajani
Registration No.: 268

27 July 2010

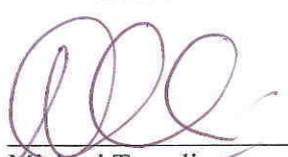
National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of financial position

As at 30 June 2010

			(Audited)
		30 Jun '10	31 Dec '09
		AED'000	AED'000
Assets			
Cash and balances with central banks	6	15,032,614	18,056,843
Investments at fair value through profit or loss		804,083	1,094,321
Due from banks		19,770,641	19,520,709
Reverse repurchase agreements		4,012,016	557,075
Loans and advances	7	135,037,325	132,258,330
Non-trading investments	8	19,709,733	18,954,398
Other assets		5,173,512	4,317,495
Premises and equipment		2,129,507	2,085,349
Total assets		201,669,431	196,844,520
Liabilities			
Due to banks	9	32,269,277	30,776,663
Repurchase agreements with banks		3,049,778	2,570,289
Euro commercial paper	10	32,773	175,221
Customers' deposits	11	112,161,058	121,205,104
Medium-term borrowings	12	16,076,111	13,236,743
Other liabilities		7,333,549	5,587,598
		170,922,546	173,551,618
Subordinated notes	13	8,402,950	2,852,334
Total liabilities		179,325,496	176,403,952
Equity			
Share capital	14	2,391,703	2,174,275
Statutory and special reserves		3,215,391	3,215,391
Other reserves		9,873,341	7,784,164
Government of Abu Dhabi tier 1 capital notes	15	4,000,000	4,000,000
Share option scheme	16	29,604	18,888
Subordinated convertible notes - equity component	13	76,488	79,712
Retained earnings		2,757,408	3,168,138
Total equity		22,343,935	20,440,568
Total liabilities and equity		201,669,431	196,844,520


Dr. Javan Salem Al Dhaheri
Deputy Chairman


Michael Tomalin
Chief Executive

The notes 1 to 24 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 income statement

For the six month period ended 30 June 2010

	Note	Six month period ended 30 Jun '10 AED'000	Six month period ended 30 Jun '09 AED'000	Three month period ended 30 Jun '10 AED'000	Three month period ended 30 Jun '09 AED'000
Interest income		3,387,309	3,387,358	1,727,765	1,615,414
Interest expense		(973,744)	(1,273,985)	(504,938)	(578,072)
Net interest income		2,413,565	2,113,373	1,222,827	1,037,342
Income from Islamic financing contracts		126,933	77,045	66,879	40,864
Depositors' share of profits		(24,657)	(28,067)	(13,302)	(12,509)
Net income from Islamic financing contracts		102,276	48,978	53,577	28,355
Fee and commission income		701,316	578,407	343,698	327,703
Fee and commission expense		(73,404)	(67,929)	(39,092)	(34,802)
Net fee and commission income		627,912	510,478	304,606	292,901
Net gain on investments		189,614	46,909	92,582	102,353
Net foreign exchange gain		174,618	279,516	77,844	132,175
Other operating income	20	39,739	87,695	24,268	55,799
		403,971	414,120	194,694	290,327
Operating income		3,547,724	3,086,949	1,775,704	1,648,925
General, administration and other operating expenses		(1,003,950)	(871,535)	(510,010)	(436,453)
Profit before net impairment charge and taxation		2,543,774	2,215,414	1,265,694	1,212,472
Net impairment charge	19	(463,443)	(499,877)	(238,317)	(285,857)
Profit before taxation		2,080,331	1,715,537	1,027,377	926,615
Overseas income tax expense		(48,683)	(38,553)	(26,564)	(20,096)
Net profit for the period		2,031,648	1,676,984	1,000,813	906,519
Basic earnings per share (AED)	21	0.799	0.701	0.418	0.379
Diluted earnings per share (AED)	21	0.770	0.684	0.404	0.367

The notes 1 to 24 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 2010

	30 Jun '10 AED'000	30 Jun '09 AED'000
Cash flows from operating activities		
Profit before taxation	2,080,331	1,715,537
<i>Adjustments for:</i>		
Depreciation	58,060	46,561
Accreted interest	5,813	6,272
Profit on buy back of subordinated convertible debt	(17,353)	(55,403)
Net impairment charge on assets	479,109	511,406
Foreign exchange translation adjustment	(202,102)	159,068
Share options scheme	10,716	7,584
	<u>2,414,574</u>	<u>2,391,025</u>
Change in investments at fair value through profit or loss	273,985	170,338
Change in due from banks and central banks	(419,672)	1,329,462
Change in reverse repurchase agreements with banks	(3,454,941)	483,518
Change in loans and advances	(3,142,361)	(12,916,802)
Change in other assets	(654,303)	1,484,257
Change in due to banks	1,492,614	5,562,532
Change in repurchase agreements with banks	479,489	(2,210,271)
Change in customers' deposits	(3,440,405)	8,192,555
Change in other liabilities	1,747,694	383,905
	<u>(4,703,326)</u>	<u>4,870,519</u>
Overseas income tax paid	(52,632)	(73,394)
Net cash (used in) / from operating activities	<u>(4,755,958)</u>	<u>4,797,125</u>
Cash flows from investing activities		
Purchase of non-trading investments, net of proceeds from sale or maturity	(552,226)	(382,730)
Purchase of premises and equipment, net of disposals	(139,219)	(82,690)
Net cash used in investing activities	<u>(691,445)</u>	<u>(465,420)</u>
Cash flows from financing activities		
Dividends paid	(217,428)	(592,984)
Issue of medium term borrowing	3,812,221	-
Redemption of medium term borrowing	(974,165)	(286,277)
Redemption of euro commercial paper	(142,448)	(73,997)
Proceeds from issuance of Tier 1 capital notes	-	4,000,000
Buy back of subordinated convertible notes	(104,746)	(159,100)
Payment on tier 1 capital notes	(120,000)	-
Net cash from financing activities	<u>2,253,434</u>	<u>2,887,642</u>
(Decrease) / increase in cash and cash equivalents	<u>(3,193,969)</u>	<u>7,219,347</u>
Cash and cash equivalents at 1 January	27,617,187	15,599,555
Cash and cash equivalents at 30 June	<u>24,423,218</u>	<u>22,818,902</u>
Cash and cash equivalents comprise:		
<i>Contractual maturity within three months:</i>		
Cash and balances with central banks	9,200,330	9,892,287
Due from banks	15,222,888	12,926,615
	<u>24,423,218</u>	<u>22,818,902</u>

The notes 1 to 24 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 2010

	Six month period ended 30 Jun '10 AED'000	Six month period ended 30 Jun '09 AED'000	Three month period ended 30 Jun '10 AED'000	Three month period ended 30 Jun '09 AED'000
Net profit for the period	<u>2,031,648</u>	<u>1,676,984</u>	<u>1,000,813</u>	<u>906,519</u>
<i>Adjustments considered in the equity statement:</i>				
Exchange difference on translation of foreign operations	(1,369)	(16,008)	(1,606)	661
Change in the fair value reserve	206,944	(346,045)	(100,996)	(130,875)
Directors' remuneration	(4,950)	(4,452)	-	-
Buy back of subordinated convertible notes	1,030	1,698	1,030	1,154
Other comprehensive income / (expense)	<u>201,655</u>	<u>(364,807)</u>	<u>(101,572)</u>	<u>(129,060)</u>
Total comprehensive income for the period	<u><u>2,233,303</u></u>	<u><u>1,312,177</u></u>	<u><u>899,241</u></u>	<u><u>777,459</u></u>

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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 2010

	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 options 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 2009	1,976,614	988,307	2,128,253	6,819,463	-	7,214	(632,311)	19,183	85,408	2,964,468	14,356,599
Net profit for the period	-	-	-	-	-	-	-	-	-	1,676,984	1,676,984
Net movement in fair value reserve (note 17)	-	-	-	-	-	-	(346,045)	-	-	-	(346,045)
Directors' remuneration	-	-	-	-	-	-	-	-	-	(4,452)	(4,452)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(16,008)	-	-	(16,008)
Buy back of subordinated convertible notes	-	-	-	1,698	-	-	-	-	-	-	1,698
Total comprehensive income for the period	-	-	-	1,698	-	-	(346,045)	(16,008)	-	1,672,532	1,312,177
Buy back of subordinated convertible notes (note 13)	-	-	-	-	-	-	-	-	(5,696)	-	(5,696)
Options granted to staff	-	-	-	-	-	7,584	-	-	-	-	7,584
Dividend paid for 2008 (note 14)	-	-	-	-	-	-	-	-	-	(592,984)	(592,984)
Bonus shares issued (note 14)	197,661	-	-	(197,661)	-	-	-	-	-	-	-
Tier 1 capital introduced during the period (note 15)	-	-	-	-	4,000,000	-	-	-	-	-	4,000,000
Balance at 30 June 2009	2,174,275	988,307	2,128,253	6,623,500	4,000,000	14,798	(978,356)	3,175	79,712	4,044,016	19,077,680
Balance at 1 January 2010	2,174,275	1,087,138	2,128,253	8,623,500	4,000,000	18,888	(845,223)	5,887	79,712	3,168,138	20,440,568
Net profit for the period	-	-	-	-	-	-	-	-	-	2,031,648	2,031,648
Net movement in fair value reserve (note 17)	-	-	-	-	-	-	206,944	-	-	-	206,944
Directors' remuneration	-	-	-	-	-	-	-	-	-	(4,950)	(4,950)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,369)	-	-	(1,369)
Buy back of subordinated convertible notes	-	-	-	1,030	-	-	-	-	-	-	1,030
Total comprehensive income for the period	-	-	-	1,030	-	-	206,944	(1,369)	-	2,026,698	2,233,303
Buy back of subordinated convertible notes (note 13)	-	-	-	-	-	-	-	-	(3,224)	-	(3,224)
Payment on Tier 1 capital note (note 15)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	10,716	-	-	-	-	10,716
Dividend paid for 2009 (note 14)	-	-	-	-	-	-	-	-	-	(217,428)	(217,428)
Bonus shares issued (note 14)	217,428	-	-	(217,428)	-	-	-	-	-	-	-
Transfer to general reserve (note 14)	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Balance at 30 June 2010	2,391,703	1,087,138	2,128,253	10,507,102	4,000,000	29,604	(638,279)	4,518	76,488	2,757,408	22,343,935

The notes 1 to 24 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 2010 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; it 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 and the United States of America.

The consolidated financial statements of the Group as at and for the year ended 31 December 2009 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 2009.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors on 27 July 2010.

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 2009.

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, except as highlighted below, 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 2009.

Effective 1 April 2010, the Bank revised the estimated useful lives of buildings to become 20 to 50 years. This revision has been applied prospectively. The impact of this revision for the current reporting period is trivial.

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

5 Financial risk management

Credit risk

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

	Due from Banks		Loans and advances		Non-trading investments	
	30 Jun 2010 AED'000	(Audited) 31 Dec 2009 AED'000	30 Jun 2010 AED'000	(Audited) 31 Dec 2009 AED'000	30 Jun 2010 AED'000	(Audited) 31 Dec 2009 AED'000
Individually impaired						
Substandard	-	-	1,238,980	961,141	-	-
Doubtful	979	979	595,567	554,127	20,055	20,055
Loss	-	-	939,146	810,924	-	-
Gross amount	979	979	2,773,693	2,326,192	20,055	20,055
Interest suspended	-	-	(700,767)	(639,519)	-	-
Specific allowance for impairment	(979)	(979)	(1,365,545)	(1,053,422)	(16,712)	(16,712)
Carrying amount	-	-	707,381	633,251	3,343	3,343
Past due but not impaired						
Other loans especially mentioned (OLEM)*						
Carrying amount	-	-	3,197,639	3,342,278	-	-
Interest suspended	-	-	(30,076)	(18,247)	-	-
Carrying amount	-	-	3,167,563	3,324,031	-	-
Neither past due nor impaired	19,770,641	19,520,709	132,846,909	129,905,136	19,706,390	18,951,055
Collective allowance for impairment	-	-	(1,684,528)	(1,604,088)	-	-
Carrying amount	19,770,641	19,520,709	135,037,325	132,258,330	19,709,733	18,954,398

*OLEM includes loans which are past due but not impaired for which the value of security / collateral is sufficient to cover outstanding amounts and specific impairment is not appropriate at the current condition.

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

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 5,800 million (31 December 2009: AED 8,450 million).

7 Loans and advances

	30 Jun '10	(Audited) 31 Dec '09
	AED'000	AED'000
Gross loans and advances	138,818,241	135,573,606
Less: allowance for impairment	(3,050,073)	(2,657,510)
Less: interest suspended	(730,843)	(657,766)
Net loans and advances	135,037,325	132,258,330

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

	30 Jun '10	(Audited) 31 Dec '09
	AED'000	AED'000
Government sector	16,555,713	16,732,726
Public sector	36,942,459	36,169,590
Banking sector	1,153,990	1,062,590
Corporate / private sector	60,199,115	56,344,763
Personal / retail sector	23,966,964	25,263,937
Gross loans and advances	138,818,241	135,573,606

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

	Six month period ended 30 Jun '10	Six month period ended 30 Jun '09	Three month period ended 30 Jun '10	Three month period ended 30 Jun '09
	AED'000	AED'000	AED'000	AED'000
At the beginning of the period	2,657,510	1,549,782	2,854,711	1,750,209
Charge for the period				
- Collective impairment charge	80,440	297,612	24,955	145,442
- Specific impairment charge	410,941	244,983	224,232	159,568
Recoveries	(14,615)	(11,200)	(5,613)	(5,258)
Write-backs during the period	(68,234)	(34,939)	(39,811)	(15,792)
Write-offs during the period	(15,969)	(22,233)	(8,401)	(10,164)
At the reporting date	3,050,073	2,024,005	3,050,073	2,024,005

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

7 Loans and advances (continued)

Islamic financing

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

	30 Jun '10	(Audited) 31 Dec '09
	AED'000	AED'000
Ijara	5,324,587	3,955,827
Murabaha	468,307	424,541
Mudaraba	-	17,459
	<hr/>	<hr/>
Gross Islamic financing contracts	5,792,894	4,397,827
Less: allowance for impairment	(59,437)	(56,093)
Less: suspended profit	(32,539)	(32,140)
	<hr/>	<hr/>
Net Islamic financing contracts	5,700,918	4,309,594
	<hr/> <hr/>	<hr/> <hr/>

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

	Six month period ended 30 Jun '10	Six month period ended 30 Jun '09	Three month period ended 30 Jun '10	Three month period ended 30 Jun '09
	AED'000	AED'000	AED'000	AED'000
At the beginning of the period	56,093	38,298	60,120	40,978
Collective charge / (reversal) for the period	3,981	9,872	(46)	5,275
Amounts written-off and other adjustments	(637)	(2,896)	(637)	(979)
	<hr/>	<hr/>	<hr/>	<hr/>
At the reporting date	59,437	45,274	59,437	45,274
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

8 Non-trading investments

Non-trading investments include financial instruments of AED 3,439 million (31 December 2009: AED 3,110 million) given under repurchase agreements and derivative arrangements in the normal course of business.

9 Due to banks

Due to banks include balances due to central banks amounting to AED 8,719 million (31 December 2009: AED 3,809 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.

11 Customers’ deposits

	(Audited)
	30 Jun ‘10
	31 Dec ‘09
	AED’000
	AED’000
By sector:	
Government sector	28,395,070
Public sector	22,482,093
Corporate / private sector	35,968,706
Retail sector	25,315,189
	<u>112,161,058</u>
	<u>121,205,104</u>

Customers’ deposits include NBAD 3 Year 100% UAE Principal Protected Notes issued during 2007 having a nominal value of AED 110 million (31 December 2009: 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 call options to cover this exposure.

During the period special deposits amounting to AED 5,606 million (31 December 2009: AED 5,606 million) received from the UAE Ministry of Finance with original contractual maturities of 3 and 5 years were converted into Tier 2 notes maturing in December 2016 (see note 13).

Islamic customers’ deposits

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

	(Audited)
	30 Jun ‘10
	31 Dec ‘09
	AED’000
	AED’000
Wakala deposits	2,104,692
Mudaraba deposits	88,284
	<u>2,192,976</u>
	<u>1,527,034</u>

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

12 Medium-term borrowings

	30 Jun '10	(Audited) 31 Dec '09
	AED'000	AED'000
Club loan and other facilities	3,122,050	2,824,651
Medium-term notes	12,954,061	10,412,092
	16,076,111	13,236,743

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

Currency	Interest	Maturity	30 Jun '10	(Audited) 31 Dec '09
			AED'000	AED'000
CHF	3 M CHF LIBOR + 10bps	Mar 2010	-	677,894
CHF	3 M CHF LIBOR + 10bps	Mar 2010	-	106,629
JPY	3 M JPY LIBOR	Jun 2010	-	119,741
USD	3 M USD LIBOR+ 30bps	Dec 2010	3,048,219	3,048,109
GBP	5.875 per cent (fixed)	Feb 2012	1,934,378	2,055,980
EUR	3 M EURIBOR + step up spread	Jun 2012	158,637	-
EUR	3 M EURIBOR + step up spread	Jul 2012	530,327	620,718
USD	3M USD LIBOR+ 120bps	Oct 2012	73,238	73,460
USD	4.5 per cent (fixed)	Sep 2014	3,223,709	3,122,050
HKD	3.8 per cent (fixed)	Sep 2014	194,151	187,541
HKD	3.9 per cent (fixed)	Oct 2014	118,617	114,372
USD	4.25 per cent (fixed)	Mar 2015	2,814,740	-
MYR	4.75 per cent (fixed)	Jun 2015	552,099	-
HKD	4.32 per cent (fixed)	Sep 2017	148,744	140,206
HKD	4.45 per cent (fixed)	Sep 2019	157,202	145,392
			12,954,061	10,412,092

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

13 Subordinated notes

	30 Jun '10	(Audited) 31 Dec '09
	AED'000	AED'000
Subordinated note - Ministry of Finance Tier II note	5,664,709	-
Subordinated convertible notes	2,738,241	2,852,334
	8,402,950	2,852,334

Ministry of Finance Tier II note

During the period, special deposits amounting to AED 5,606 million (31 December 2009: AED 5,606 million) received from the UAE Ministry of Finance which were previously classified as customers' deposits were converted into Tier 2 notes, maturing in December 2016 (see note 11). The notes carry a fixed step up coupon and are paid quarterly in arrears. The Bank has hedged the interest rate exposure on these notes.

	30 Jun '10	(Audited) 31 Dec '09
	AED'000	AED'000
<i>Subordinated convertible notes</i>		
<i>Liability component</i>		
15 March 2006 issue	1,098,550	1,097,429
28 February 2008 issue	1,639,691	1,754,905
	2,738,241	2,852,334
<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	(8,920)	(5,696)
	76,488	79,712

15 March 2006 issue:

As a result of the issue of bonus shares, the conversion price has been revised to AED 23.22 per share and communicated to Abu Dhabi Securities Exchange on 16 March 2010.

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Notes to the condensed consolidated interim financial statements

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 21.02 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 121,710 thousand (*30 June 2009: AED 215,000 thousand*) of this issue from the market for AED 104,746 thousand (*30 June 2009: AED 159,100 thousand*). As a result, the total outstanding liability and equity components were decreased by AED 118,486 thousand (*30 June 2009: AED 209,304 thousand*) and AED 3,224 thousand (*30 June 2009: AED 5,696 thousand*), respectively. Further, a gain on the extinguishment in the amount of AED 17,353 thousand (*30 June 2009: AED 55,403 thousand*) was recognised in the consolidated income statement.

14 Share capital

At the Annual General Meeting held on 15 March 2010, the shareholders of the Bank approved a cash dividend of AED 0.1 per ordinary share (*31 December 2009: AED 0.3 per ordinary share*) and an increase in the share capital through a 10% bonus shares issue of 217,428 thousand ordinary shares of AED 1 each (*31 December 2009: 10% bonus shares issue of 197,661 thousand ordinary shares of AED 1 each*) amounting to AED 217,428 thousand (*31 December 2009: AED 197,661 thousand*). Accordingly, the issued and paid up share capital as at 30 June 2010 is comprised of 2,391,703 thousand ordinary shares of AED 1 each (*31 December 2009: 2,174,275 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 15 March 2010 the AGM approved the transfer of AED 2.1 billion (*31 December 2009: AED 2 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"). 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 120,000 thousand (*30 June 2009: nil*).

16 Share option scheme

As a result of the issue of bonus shares, the conversion price was revised on 24 March 2010 to AED 15.55 per share and communicated to option holders.

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

17 Fair value reserve

	30 Jun '10	30 Jun '09
	AED'000	AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	(841,388)	(846,865)
Net change in fair value	203,109	(281,989)
At 30 June	(638,279)	(1,128,854)
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	(3,835)	214,554
Net change in fair value	3,835	(64,056)
At 30 June	-	150,498
Total at 30 June	(638,279)	(978,356)

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 29,194 million (31 December 2009: AED 31,890 million).

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

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

19 Net impairment charge

	Six month period ended 30 Jun '10 AED'000	Six month period ended 30 Jun '09 AED'000	Three month period ended 30 Jun '10 AED'000	Three month period ended 30 Jun '09 AED'000
Collective provision for loans and advances	80,440	297,612	24,955	145,442
Specific provision for loans and advances	410,941	244,983	224,232	159,568
Write back of provisions for loans and advances	(68,234)	(34,938)	(39,811)	(15,791)
Recovery of loan loss provisions	(14,615)	(11,200)	(5,613)	(5,257)
Write-off of impaired loans and advances income statement	2,708	3,750	1,703	1,923
Recovery of loans previously written off	(1,051)	(330)	(406)	(28)
Provisions for investment	16,253	-	16,253	-
Impairment of non financial assets	37,001	-	17,004	-
	<u>463,443</u>	<u>499,877</u>	<u>238,317</u>	<u>285,857</u>

20 Other operating income

	Six month period ended 30 Jun '10 AED'000	Six month period ended 30 Jun '09 AED'000	Three month period ended 30 Jun '10 AED'000	Three month period ended 30 Jun '09 AED'000
Profit on buy back of subordinated convertible debt	17,353	55,403	17,353	34,739
Others	22,386	32,292	6,915	21,060
	<u>39,739</u>	<u>87,695</u>	<u>24,268</u>	<u>55,799</u>

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

21 Earnings per share

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

	Six month period ended 30 Jun '10	Six month period ended 30 Jun '09	Three month period ended 30 Jun '10	Three month period ended 30 Jun '09
Basic earnings per share:				
Net profit for the period (AED '000)	2,031,648	1,676,984	1,000,813	906,519
Less: Payment on Tier 1 capital note (AED '000)	(120,000)	-	-	-
Net profit after payment of Tier 1 capital note (AED '000)	<u>1,911,648</u>	<u>1,676,984</u>	<u>1,000,813</u>	<u>906,519</u>
Weighted average number of ordinary shares:				
Ordinary shares as at the beginning of the period ('000s)	2,174,275	1,976,614	2,174,275	1,976,614
Effect of bonus shares issued during 2010 ('000s)	217,428	217,428	217,428	217,428
Effect of bonus shares issued during 2009 ('000s)	-	197,661	-	197,661
Weighted average number of ordinary shares ('000s)	<u>2,391,703</u>	<u>2,391,703</u>	<u>2,391,703</u>	<u>2,391,703</u>
Basic earnings per share (AED)	<u>0.799</u>	<u>0.701</u>	<u>0.418</u>	<u>0.379</u>
Diluted earnings per share:				
Net profit after payment of Tier 1 capital note (AED '000)	1,911,648	1,676,984	1,000,813	906,519
Add: Interest on subordinated convertible notes (AED '000)	35,559	59,244	20,199	25,078
Add: Expenses on share option scheme (AED '000)	10,716	7,584	5,358	3,792
Net profit for the period for calculating diluted earnings per share (AED '000)	<u>1,957,923</u>	<u>1,743,812</u>	<u>1,026,370</u>	<u>935,389</u>
Weighted average number of ordinary shares ('000s)	2,391,703	2,391,703	2,391,703	2,391,703
Effect of dilutive potential ordinary shares issued ('000s)	131,410	141,659	131,410	141,659
Effect of share option scheme ('000s)	19,796	14,653	19,796	14,653
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	<u>2,542,909</u>	<u>2,548,015</u>	<u>2,542,909</u>	<u>2,548,015</u>
Diluted earnings per share (AED)	<u>0.770</u>	<u>0.684</u>	<u>0.404</u>	<u>0.367</u>

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

22 Segmental information

	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 2010:</i>								
Operating income	859,334	457,330	446,922	1,331,214	74,155	72,719	306,050	3,547,724
Profit / (loss) before taxation	447,219	259,140	396,456	1,034,077	6,892	48,278	(111,731)	2,080,331
Overseas taxation	-	(49,088)	-	-	405	-	-	(48,683)
Net profit / (loss) for the period	447,219	210,052	396,456	1,034,077	7,297	48,278	(111,731)	2,031,648
Segment total assets	32,942,309	33,631,815	69,753,164	92,661,387	4,093,402	7,209,975	41,033,015	281,325,067
Inter segment balances								(79,655,636)
Total assets								201,669,431

Note: 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.

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Notes to the condensed consolidated interim financial statements

22 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 2009:</i>								
Operating income	696,584	418,993	519,873	975,373	73,528	39,622	362,976	3,086,949
Profit / (loss) before taxation	339,670	244,505	479,371	808,016	11,527	15,327	(182,879)	1,715,537
Overseas taxation	-	(41,346)	-	-	2,793	-	-	(38,553)
Net profit / (loss) for the period	339,670	203,159	479,371	808,016	14,320	15,327	(182,879)	1,676,984
<i>As at 31 December 2009:</i>								
Segment total assets	31,463,106	31,602,154	85,061,442	86,822,705	2,572,203	5,978,862	29,955,449	273,455,921
Inter segment balances								(76,611,401)
Total assets								196,844,520

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Notes to the condensed consolidated interim financial statements

23 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

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.

The ultimate controlling party is the government of Abu Dhabi.

Terms and conditions

Interest rates earned on loans and advances extended to related parties during the period have ranged from 1.00% to 13.00% per annum (30 June 2009: 1.82% to 13.38% per annum).

Interest rates incurred on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 2.00% per annum (30 June 2009: nil (non-interest bearing accounts) to 5.00% 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 2009: 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 '10 AED'000	Major shareholder 30 Jun '10 AED'000	Others 30 Jun '10 AED'000	Total 30 Jun '10 AED'000	(Audited) Total 31 Dec '09 AED'000
Loans and advances	834,275	183,650	1,427,319	2,445,244	2,522,335
Customers' deposits	369,245	21,248	9,802,455	10,192,948	18,094,893
Commitments and contingencies	449,059	-	27,553,395	28,002,454	23,033,890

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Notes to the condensed consolidated interim financial statements

23 Related parties (continued)

Transactions

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

	Directors and key management	Major shareholder	Others	Total	Total
	30 Jun '10	30 Jun '10	30 Jun '10	30 Jun '10	30 Jun '09
	AED'000	AED'000	AED'000	AED'000	AED'000
Fee and commission income	2,212	12	-	2,224	5,741
Interest income	14,519	4,618	42,372	61,509	76,261
Interest expense	1,717	157	26,190	28,064	71,856
	<u>2,212</u>	<u>12</u>	<u>-</u>	<u>2,224</u>	<u>5,741</u>
	<u>14,519</u>	<u>4,618</u>	<u>42,372</u>	<u>61,509</u>	<u>76,261</u>
	<u>1,717</u>	<u>157</u>	<u>26,190</u>	<u>28,064</u>	<u>71,856</u>

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 2010 (*six month period ended 30 June 2009: AED nil*).

Compensation of directors and management personnel

Key management compensation is as shown below:

	Six month period ended	Six month period ended	Three month period ended	Three month period ended
	30 Jun '10	30 Jun '09	30 Jun '10	30 Jun '09
	AED'000	AED'000	AED'000	AED'000
Short term employment benefits	22,785	24,041	11,512	12,298
Post employment benefits	620	610	310	303
Termination benefits	612	541	307	272
	<u>22,785</u>	<u>24,041</u>	<u>11,512</u>	<u>12,298</u>
	<u>620</u>	<u>610</u>	<u>310</u>	<u>303</u>
	<u>612</u>	<u>541</u>	<u>307</u>	<u>272</u>
	<u>24,017</u>	<u>25,192</u>	<u>12,129</u>	<u>12,873</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.

24 Comparative figures

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