

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

31 March 2011

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 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 31 March 2011, and the condensed consolidated interim statements of comprehensive income (comprising of a condensed consolidated statement of comprehensive income and a separate condensed consolidated income statement), changes in equity and cash flows for the three-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 31 March 2011 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG

Munther Dajani
Registration No.: 268

19 April 2011

National Bank of Abu Dhabi PJSC

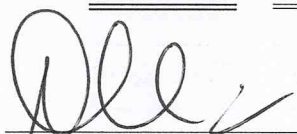
Condensed consolidated interim statement of financial position

As at 31 March 2011

		31 Mar '11	(Audited) 31 Dec '10
	Note	AED'000	AED'000
Assets			
Cash and balances with central banks	6	21,184,323	18,429,827
Investments at fair value through profit or loss		1,130,785	1,292,826
Due from banks and financial institutions		19,076,727	14,764,757
Reverse repurchase agreements		15,490,392	10,898,457
Loans and advances	7	143,237,388	136,833,496
Non-trading investments	8	24,627,729	21,396,005
Other assets		6,474,544	5,601,350
Premises and equipment		2,267,050	2,210,552
Total assets		233,488,938	211,427,270
Liabilities			
Due to banks and financial institutions	9	33,873,773	31,551,346
Repurchase agreements		2,884,287	2,542,896
Euro commercial paper	10	36,013	35,053
Customers' deposits	11	141,051,120	123,130,589
Medium-term borrowings	12	14,573,347	14,458,665
Other liabilities		8,633,751	7,283,019
		201,052,291	179,001,568
Subordinated notes	13	8,306,608	8,312,286
Total liabilities		209,358,899	187,313,854
Equity			
Share capital	14	2,870,043	2,391,703
Statutory and special reserves		3,324,105	3,324,105
Other reserves		11,868,806	10,089,739
Government of Abu Dhabi tier 1 capital notes	15	4,000,000	4,000,000
Share option scheme	16	60,051	52,739
Subordinated convertible notes - equity component	13	42,501	74,925
Retained earnings		1,964,533	4,180,205
Total equity		24,130,039	24,113,416
Total liabilities and equity		233,488,938	211,427,270



Nasser Ahmed Khalifa Alsowaidi
Chairman



Michael Tomalin
Group Chief Executive

The notes 1 to 23 are an integral part of these condensed consolidated interim financial statements. The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

National Bank of Abu Dhabi PJSC

Condensed consolidated interim income statement

For the three month period ended 31 March 2011

	<i>Note</i>	31 Mar '11 AED'000	31 Mar '10 AED'000
Interest income		1,862,677	1,659,544
Interest expense		(567,113)	(468,806)
Net interest income		1,295,564	1,190,738
Income from Islamic financing contracts		97,139	60,054
Depositors' share of profits		(14,368)	(11,355)
Net income from Islamic financing contracts		82,771	48,699
Fee and commission income		392,447	357,618
Fee and commission expense		(48,674)	(34,312)
Net fee and commission income		343,773	323,306
Net gain on investments		69,516	112,951
Net foreign exchange gain		71,207	80,855
Other operating income		18,409	15,471
		159,132	209,277
Operating income		1,881,240	1,772,020
General, administration and other operating expenses		(565,912)	(493,940)
Profit before net impairment charge and taxation		1,315,328	1,278,080
Net impairment charge		(365,046)	(225,126)
Profit before taxation		950,282	1,052,954
Overseas income tax expense		(22,993)	(22,119)
Net profit for the period		927,289	1,030,835
Basic earnings per share (AED)	20	0.28	0.32
Diluted earnings per share (AED)	20	0.28	0.31

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 three month period ended 31 March

	31 Mar '11 AED'000	31 Mar '10 AED'000
Cash flows from operating activities		
Profit before taxation	950,282	1,052,954
<i>Adjustments for:</i>		
Depreciation	34,294	28,428
Accreted interest	4,854	2,916
Net impairment charge on assets	398,879	234,774
Foreign exchange translation adjustment	147,413	(160,464)
Share option scheme	7,312	5,358
	1,543,034	1,163,966
Change in investments at fair value through profit or loss	162,041	155,181
Change in due from banks, financial institutions and central banks	(402,036)	721,369
Change in reverse repurchase agreements	(4,591,935)	(3,415,773)
Change in loans and advances	(6,759,114)	(1,568,105)
Change in other assets	(873,194)	(638,508)
Change in due to banks	2,322,427	508,850
Change in repurchase agreements	341,391	829,466
Change in customers' deposits	17,920,531	(879,583)
Change in other liabilities	1,273,441	500,502
	10,936,586	(2,622,635)
Overseas income tax paid, net of recoveries	(19,797)	(319)
Net cash from / (used in) operating activities	10,916,789	(2,622,954)
Cash flows from investing activities		
Purchase of non-trading investments, net of proceeds from sale or maturity	(3,305,017)	(442,667)
Net disposal/ purchase of premises and equipment	(110,791)	10,583
Net cash used in investing activities	(3,415,808)	(432,084)
Cash flows from financing activities		
Dividends paid	(717,511)	(217,428)
Issue of medium term borrowings	-	3,122,050
Redemption of medium term borrowings	-	(784,523)
Net movement of euro commercial paper	960	(175,221)
Payment on tier 1 capital notes	(120,000)	(120,000)
Net cash (used in) / from financing activities	(836,551)	1,824,878
Net increase / (decrease) in cash and cash equivalents	6,664,430	(1,230,160)
Cash and cash equivalents at 1 January	20,976,579	27,617,187
Cash and cash equivalents at 31 March	27,641,009	26,387,027
Cash and cash equivalents comprise:		
<i>Contractual maturity within three months:</i>		
Cash and balances with central banks	14,191,145	8,932,378
Due from banks and financial institutions	13,449,864	17,454,649
	27,641,009	26,387,027

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National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of comprehensive income

For the three month period ended 31 March

	<i>Note</i>	31 Mar '11 AED'000	31 Mar '10 AED'000
Net profit for the period		927,289	1,030,835
<i>Other comprehensive income</i>			
Exchange difference on translation of foreign operations		(1,723)	237
Change in the fair value reserve	17	(73,294)	307,940
Directors' remuneration		(5,450)	(4,950)
Other comprehensive (expense) / income for the period		(80,467)	303,227
Total comprehensive income for the period		846,822	1,334,062

The notes 1 to 23 are an integral part of these condensed consolidated interim financial statements.

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

National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of changes in equity

For the three month period ended 31 March

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Government of Abu Dhabi tier 1 capital notes AED'000	Share option scheme AED'000	Fair value reserve AED'000	Foreign currency translation reserve AED'000	Subordinated convertible notes - equity component AED'000	Retained earnings AED'000	Total AED'000
Balance at 31 December 2009	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	-	-	-	-	-	-	-	-	-	1,030,835	1,030,835
Net movement in fair value reserve (<i>note 17</i>)	-	-	-	-	-	-	307,940	-	-	-	307,940
Directors' remuneration	-	-	-	-	-	-	-	-	-	(4,950)	(4,950)
Foreign currency translation adjustment	-	-	-	-	-	-	-	237	-	-	237
Total comprehensive income for the period	-	-	-	-	-	-	307,940	237	-	1,025,885	1,334,062
Payment on tier 1 capital note (<i>note 15</i>)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	5,358	-	-	-	-	5,358
Dividend paid for 2009 (<i>note 14</i>)	-	-	-	-	-	-	-	-	-	(217,428)	(217,428)
Bonus shares issued (<i>note 14</i>)	217,428	-	-	(217,428)	-	-	-	-	-	-	-
Transfer to general reserve (<i>note 14</i>)	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Balance at 31 March 2010	2,391,703	1,087,138	2,128,253	10,506,072	4,000,000	24,246	(537,283)	6,124	79,712	1,756,595	21,442,560
Balance at 31 December 2010	2,391,703	1,195,852	2,128,253	10,507,798	4,000,000	52,739	(414,606)	(3,453)	74,925	4,180,205	24,113,416
Net profit for the period	-	-	-	-	-	-	-	-	-	927,289	927,289
Net movement in fair value reserve (<i>note 17</i>)	-	-	-	-	-	-	(73,294)	-	-	-	(73,294)
Directors' remuneration	-	-	-	-	-	-	-	-	-	(5,450)	(5,450)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(1,723)	-	-	(1,723)
Total comprehensive income for the period	-	-	-	-	-	-	(73,294)	(1,723)	-	921,839	846,822
Payment on tier 1 capital note (<i>note 15</i>)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	7,312	-	-	-	-	7,312
Dividend paid for 2010 (<i>note 14</i>)	-	-	-	-	-	-	-	-	-	(717,511)	(717,511)
Bonus shares issued (<i>note 14</i>)	478,340	-	-	(478,340)	-	-	-	-	-	-	-
Transfer to general reserve (<i>note 13,14</i>)	-	-	-	2,332,424	-	-	-	-	(32,424)	(2,300,000)	-
Balance at 31 March 2011	2,870,043	1,195,852	2,128,253	12,361,882	4,000,000	60,051	(487,900)	(5,176)	42,501	1,964,533	24,130,039

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 31 March 2011 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, 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 and the United States of America.

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 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 2010.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors on 19 April 2011.

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 2010.

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 2010.

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 and financial institutions		Loans and advances		Non-trading investments	
	(Audited)		(Audited)		(Audited)	
	31 Mar 2011 AED'000	31 Dec 2010 AED'000	31 Mar 2011 AED'000	31 Dec 2010 AED'000	31 Mar 2011 AED'000	31 Dec 2010 AED'000
Individually impaired						
Substandard	-	-	2,553,919	2,054,985	-	-
Doubtful	979	979	522,102	558,651	20,055	20,055
Loss	-	-	1,097,525	994,079	-	-
Gross amount	979	979	4,173,546	3,607,715	20,055	20,055
Interest suspended	-	-	(398,466)	(358,624)	-	-
Specific allowance for impairment	(979)	(979)	(1,984,928)	(1,771,860)	(16,712)	(16,712)
Carrying amount	-	-	1,790,152	1,477,231	3,343	3,343
Past due but not impaired						
<i>Past due comprises:</i>						
Less than 30 days	-	-	163,999	202,089	-	-
31 – 60 days	-	-	179,646	45,979	-	-
61 – 90 days	-	-	259,950	443,935	-	-
More than 90 days	-	-	2,230,407	2,472,830	-	-
Carrying amount	-	-	2,834,002	3,164,833	-	-
Neither past due nor Impaired	19,076,727	14,764,757	140,589,568	134,083,653	24,624,386	21,392,662
Collective allowance for impairment	-	-	(1,976,334)	(1,892,221)	-	-
Carrying amount	19,076,727	14,764,757	143,237,388	136,833,496	24,627,729	21,396,005

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 8,800 million (31 December 2010: AED 9,800 million).

7 Loans and advances

	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
Gross loans and advances	147,635,334	140,908,666
Less: allowance for impairment	(3,961,262)	(3,664,081)
Less: interest suspended	(436,684)	(411,089)
Net loans and advances	<u>143,237,388</u>	<u>136,833,496</u>

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

	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
Government sector	17,566,237	16,949,791
Public sector	39,934,332	37,698,440
Banking sector	6,479,686	4,236,794
Corporate / private sector	58,690,762	57,081,619
Personal / retail sector	24,964,317	24,942,022
Gross loans and advances	<u>147,635,334</u>	<u>140,908,666</u>

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

	31 Mar '11 AED'000	31 Mar '10 AED'000
Balance as at 1 January	3,664,081	2,657,510
Charge for the period		
- Collective provision	84,114	55,485
- Specific provision	335,980	186,709
Recoveries	(33,340)	(9,002)
Write-backs during the period	(47,641)	(28,423)
Write-offs during the period	(41,932)	(7,568)
Balance as at 31 March	<u>3,961,262</u>	<u>2,854,711</u>

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:

	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
Ijara	6,690,340	6,183,730
Murabaha	604,471	517,883
Mudaraba	14,699	14,699
Others	1,305	1,106
Total Islamic financing contracts	7,310,815	6,717,418
Less: allowance for impairment	(62,481)	(62,481)
Less: suspended profit	(4,118)	(3,239)
Net Islamic financing contracts	7,244,216	6,651,698

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

	31 Mar '11 AED'000	31 Mar '10 AED'000
Balance as at 1 January	62,481	56,540
Collective charge during the period	-	4,027
Balance as at 31 March	62,481	60,567

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 3,061 million (31 December 2010: AED 2,361 million) given under repurchase agreements and derivative arrangements in the normal course of business.

9 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 4,284 million (31 December 2010: AED 5,808 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.

The notes outstanding as at the reporting date are denominated in Singapore Dollar carrying interest rates of 1.01% per annum (31 December 2010: Singapore Dollar 1.01%) and maturing less than 12 months (31 December 2010: less than 12 months).

11 Customers’ deposits

	31 Mar ‘11 AED’000	(Audited) 31 Dec ‘10 AED’000
By account:		
Current accounts	33,747,654	28,195,567
Savings accounts	5,757,463	5,151,931
Notice and time deposits	97,390,391	84,877,678
Certificates of deposit	4,155,612	4,905,413
	<u>141,051,120</u>	<u>123,130,589</u>
	31 Mar ‘11 AED’000	(Audited) 31 Dec ‘10 AED’000
By sector:		
Government sector	47,522,974	32,090,292
Public sector	22,790,481	22,140,648
Corporate / private sector	40,900,474	41,644,916
Retail sector	29,837,191	27,254,733
	<u>141,051,120</u>	<u>123,130,589</u>

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

11 Customers' deposits (*continued*)

Islamic customers' deposits

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

	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
Wakala deposits	2,382,150	1,949,307
Mudaraba deposits	178,498	129,933
	2,560,648	2,079,240

12 Medium-term borrowings

	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
Club loan and other facilities	3,489,350	3,489,350
Medium-term notes	11,083,997	10,969,315
	14,573,347	14,458,665

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

Currency	Interest	Maturity	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
GBP	5.875 per cent (fixed)	Feb 2012	2,141,553	2,080,706
EUR	3 M EURIBOR + step up spread	Jun 2012	182,152	168,671
EUR	3 M EURIBOR + step up spread	Jul 2012	608,907	563,842
USD	3M USD LIBOR+ 120bps	Oct 2012	74,351	73,570
HKD	1.65 per cent (fixed)	Oct 2013	87,957	87,702
USD	4.5 per cent (fixed)	Sep 2014	3,213,894	3,229,021
HKD	3.8 per cent (fixed)	Sep 2014	194,585	194,713
HKD	3.9 per cent (fixed)	Oct 2014	119,004	119,055
USD	4.25 per cent (fixed)	Mar 2015	2,806,104	2,818,543
MYR	4.75 per cent (fixed)	Jun 2015	588,242	577,830
HKD	3.4 per cent (fixed)	Sep 2017	142,577	141,605
USD	3.71 per cent (fixed)	Sep 2017	104,468	104,732
HKD	4.32 per cent (fixed)	Sep 2017	146,466	145,857
HKD	4.45 per cent (fixed)	Sep 2019	152,722	150,844
MYR	4.9 per cent (fixed)	Dec 2020	521,015	512,624
			11,083,997	10,969,315

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

13 Subordinated notes

	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
Subordinated note – Ministry of Finance tier 2 note	5,618,539	5,626,908
Subordinated notes	2,688,069	2,685,378
	<u>8,306,608</u>	<u>8,312,286</u>

Ministry of Finance Tier 2 note

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

	31 Mar '11 AED'000	(Audited) 31 Dec '10 AED'000
<i>Subordinated notes</i>		
<i>Liability component</i>		
15 March 2006 issue	1,100,234	1,099,672
28 February 2008 issue	1,587,835	1,585,706
	<u>2,688,069</u>	<u>2,685,378</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	(10,483)	(10,483)
Transfer to general reserve	(32,424)	-
	<u>42,501</u>	<u>74,925</u>

15 March 2006 issue:

During the period, the conversion option for 15 March 2006 issue expired, accordingly, the equity component of AED 32,424 thousand related to this issue was transferred to general reserve.

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 17.41 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.

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

14 Share capital

At the Annual General Meeting held on 13 March 2011, the shareholders of the Bank approved a cash dividend of AED 0.30 per ordinary share (2010: AED 0.1 per ordinary share) and an increase in the share capital through a 20% bonus shares issue of 478,340 thousand ordinary shares of AED 1 each (2010: 10% bonus shares issue of 217,428 thousand ordinary shares of AED 1 each) amounting to AED 478,340 thousand (2010: AED 217,428 thousand). Accordingly, the issued and paid up share capital as at 31 March 2011 is comprised of 2,870,043 thousand ordinary shares of AED 1 each (31 December 2010: 2,391,703 thousand ordinary shares of AED 1 each).

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors to the shareholders. On 13 March 2011 the AGM approved the transfer of AED 2.3 billion (31 December 2010: 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 (31 March 2010: AED 120 million).

16 Share option scheme

As a result of the issue of bonus shares, the conversion price was revised on 13 March 2011 to AED 12.96 per share.

17 Fair value reserve

	31 Mar '11 AED'000	31 Mar '10 AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	(414,606)	(841,388)
Net change in fair value	(73,294)	308,247
At 31 March	(487,900)	(533,141)
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	-	(3,835)
Net change in fair value	-	(307)
At 31 March	-	(4,142)
Total at 31 March	(487,900)	(537,283)

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

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 22,432 million (*31 December 2010: AED 24,365 million*).

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

19 Net impairment charge

	31 Mar '11 AED'000	31 Mar '10 AED'000
Collective provision for loans and advances	84,114	55,485
Specific provision for loans and advances	335,980	186,709
Write back of provisions for loans and advances	(47,641)	(28,423)
Recovery of loan loss provisions	(33,340)	(9,002)
Write-off of impaired loans and advances to consolidated income statement	6,426	1,006
Recovery of loans previously written off	(493)	(646)
Impairment of non financial assets	20,000	19,997
	365,046	225,126

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Notes to the condensed consolidated interim financial statements

20 Earnings per share

Earnings per share is calculated by dividing the net profit for the period 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:

	Three month period ended 31 Mar '11	Three month period ended 31 Mar '10
Basic earnings per share:		
Net profit for the period (AED'000)	927,289	1,030,835
Less: Payment on tier 1 capital note (AED'000)	(120,000)	(120,000)
	<hr/>	<hr/>
Net profit after payment of tier 1 capital note (AED'000)	807,289	910,835
	<hr/>	<hr/>
Weighted average number of ordinary shares:		
Ordinary shares as at the beginning of the period ('000s)	2,391,703	2,174,275
Effect of bonus shares issued during 2010 ('000s)	-	217,428
Effect of bonus shares issued during 2011 ('000s)	478,340	478,340
	<hr/>	<hr/>
Weighted average number of ordinary shares ('000s)	2,870,043	2,870,043
	<hr/>	<hr/>
Basic earnings per share (AED)	0.28	0.32
	<hr/>	<hr/>
Diluted earnings per share:		
Net profit after payment of tier 1 capital note (AED'000)	807,289	910,835
Add: Interest on subordinated convertible notes (AED'000)	14,226	15,359
	<hr/>	<hr/>
Net profit for the period for calculating diluted earnings per share (AED'000)	821,515	926,194
	<hr/>	<hr/>
Weighted average number of ordinary shares ('000s)	2,870,043	2,870,043
Effect of subordinated convertible not in issue('000s)	92,042	159,385
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	2,962,085	3,029,428
	<hr/>	<hr/>
Diluted earnings per share (AED)	0.28	0.31
	<hr/>	<hr/>

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

21 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 three month period ended 31 March 2011</i>								
Operating income	461,615	268,884	219,897	653,888	51,688	50,326	174,942	1,881,240
Net impairment charge	(72,797)	(33,025)	-	(160,455)	-	-	(98,769)	(365,046)
Profit / (loss) before taxation	214,378	137,655	193,646	439,635	9,510	35,880	(80,422)	950,282
Overseas taxation	-	(22,742)	-	-	(251)	-	-	(22,993)
Net profit / (loss) for the period	214,378	114,912	193,646	439,635	9,260	35,880	(80,422)	927,289
Segment total assets	36,252,403	39,156,022	77,448,794	96,072,454	5,730,968	10,510,895	49,838,898	315,010,434
Inter segment balances								(81,521,496)
Total assets								233,488,938

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

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Notes to the condensed consolidated interim financial statements

21 Segmental information *(continued)*

	Domestic Banking AED'000	Int'l Banking AED'000	Financial Markets AED'000	Corporate & Investment Banking AED'000	Global Wealth AED'000	Islamic Business AED'000	Head Office AED'000	Total AED'000
<i>For the three month period ended 31 March 2010</i>								
Operating income	416,502	218,522	267,713	683,635	32,473	32,369	120,806	1,772,020
Net impairment charge	(102,904)	(12,972)	-	(32,526)	(154)	-	(76,570)	(225,126)
Profit / (loss) before taxation	170,164	122,818	244,661	601,520	(163)	20,732	(106,778)	1,052,954
Overseas taxation	-	(22,635)	-	-	516	-	-	(22,119)
Net profit / (loss) for the period	170,164	100,183	244,661	601,520	353	20,732	(106,778)	1,030,835
<i>As at 31 December 2010</i>								
Segment total assets	34,185,356	36,213,902	76,507,849	92,910,356	4,958,051	7,684,765	38,723,929	291,184,208
Inter segment balances								(79,756,938)
Total assets								211,427,270

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

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

22 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 concerning establishment of Abu Dhabi Investment Council (the "Council"), the erstwhile parent transferred its shareholding to the Council with effect from 1 February 2007.

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 1.31 % to 13.25 % per annum (31 March 2010: 1.61% to 13% per annum).

Interest rates incurred on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 2.14 % per annum (31 March 2010: nil to 3% per annum).

Fees and commissions earned on transactions with related parties during the period have ranged from 0.50% to 1.00% per annum (31 March 2010: 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 31 Mar '11 AED'000	Major shareholders 31 Mar '11 AED'000	Others 31 Mar '11 AED'000	Total 31 Mar '11 AED'000	(Audited) Total 31 Dec '10 AED'000
Loans and advances	830,399	183,650	1,702,971	2,717,020	2,682,397
Customers' deposits	423,731	891,332	36,957,001	38,272,064	22,342,337
Commitments and contingencies	584,448	-	24,455,238	25,039,686	26,405,704

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Notes to the condensed consolidated interim financial statements

22 Related parties (*continued*)

Transactions

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

	Directors and key management 31 Mar '11 AED'000	Major shareholders 31 Mar '11 AED'000	Others 31 Mar '11 AED'000	Total 31 Mar '11 AED'000	Total 31 Mar '10 AED'000
Fee and commission income	815	-	-	815	1,248
Interest income	7,826	1	21,651	29,478	24,849
Interest expense	861	868	107,021	108,750	13,871

No allowances for impairment have been recognised against loans and advances extended to related parties or contingent liabilities issued in favour of related parties during the three month period ended 31 March 2011 (*three month period ended 31 March 2010: AED nil*).

Compensation of key management personnel and directors' remuneration

Key management compensation is as shown below:

	Three month period ended 31 Mar '11 AED'000	Three month period ended 31 Mar '10 AED'000
Short term employment benefits	15,440	11,273
Post employment benefits	340	310
Termination benefits	379	305
	16,159	11,888
Directors' remuneration	5,450	4,950

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 (*31 March 2010: AED 120 million*).

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

23 Comparative figures

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