

# **National Bank of Abu Dhabi PJSC**

Condensed consolidated interim financial statements

**30 June 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 30 June 2011, the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income, changes in equity and cash flows for the six-month period then ended (the "condensed consolidated interim financial information"). The Board of Directors of the Group is responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Munther Dajani  
Registration No.: 268

20 July 2011

# National Bank of Abu Dhabi PJSC

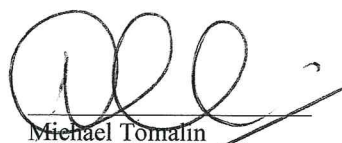
## Condensed consolidated interim statement of financial position

As at 30 June 2011

		30 Jun '11	(Audited) 31 Dec '10
	Note	AED'000	AED'000
<b>Assets</b>			
Cash and balances with central banks	6	18,781,635	18,429,827
Investments at fair value			
through profit or loss		1,300,572	1,292,826
Due from banks and financial institutions		16,011,960	14,764,757
Reverse repurchase agreements		20,287,042	10,898,457
Loans and advances	7	152,956,705	136,833,496
Non-trading investments	8	27,113,215	21,396,005
Other assets		7,773,201	5,601,350
Premises and equipment		2,303,540	2,210,552
<b>Total assets</b>		<b>246,527,870</b>	<b>211,427,270</b>
<b>Liabilities</b>			
Due to banks and financial institutions	9	38,492,773	31,551,346
Repurchase agreements		2,846,596	2,542,896
Euro commercial paper	10	-	35,053
Customers' deposits	11	147,195,636	123,130,589
Medium-term borrowings	12	14,709,632	14,458,665
Other liabilities		9,596,300	7,283,019
		<b>212,840,937</b>	<b>179,001,568</b>
Subordinated notes	13	8,371,029	8,312,286
<b>Total liabilities</b>		<b>221,211,966</b>	<b>187,313,854</b>
<b>Equity</b>			
Share capital	14	2,870,043	2,391,703
Statutory and special reserves		3,324,105	3,324,105
Other reserves		12,026,434	10,089,739
Government of Abu Dhabi			
tier 1 capital notes	15	4,000,000	4,000,000
Share option scheme	16	67,362	52,739
Subordinated convertible notes			
- equity component	13	37,876	74,925
Retained earnings		2,990,084	4,180,205
<b>Total equity</b>		<b>25,315,904</b>	<b>24,113,416</b>
<b>Total liabilities and equity</b>		<b>246,527,870</b>	<b>211,427,270</b>



Dr. Jauan Salem Al Dhaheri  
Deputy Chairman



Michael Tomalin  
Group 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 (Unaudited)

		<b>Six month period ended 30 Jun '11 AED'000</b>	Six month period ended 30 Jun '10 AED'000	<b>Three month period ended 30 Jun '11 AED'000</b>	Three month period ended 30 Jun '10 AED'000
Interest income		<b>3,816,183</b>	3,387,309	<b>1,953,506</b>	1,727,765
Interest expense		<b>(1,122,901)</b>	(973,744)	<b>(555,788)</b>	(504,938)
<b>Net interest income</b>		<b>2,693,282</b>	2,413,565	<b>1,397,718</b>	1,222,827
Income from Islamic financing contracts		<b>188,240</b>	126,933	<b>91,101</b>	66,879
Depositors' share of profits		<b>(27,785)</b>	(24,657)	<b>(13,417)</b>	(13,302)
<b>Net income from Islamic financing contracts</b>		<b>160,455</b>	102,276	<b>77,684</b>	53,577
Fee and commission income		<b>806,199</b>	701,316	<b>413,752</b>	343,698
Fee and commission expense		<b>(133,447)</b>	(73,404)	<b>(84,773)</b>	(39,092)
<b>Net fee and commission income</b>		<b>672,752</b>	627,912	<b>328,979</b>	304,606
Net gain on investments		<b>179,204</b>	201,101	<b>109,688</b>	88,150
Net foreign exchange gain		<b>142,575</b>	163,131	<b>71,368</b>	82,276
Other operating income	20	<b>40,023</b>	39,739	<b>21,614</b>	24,268
		<b>361,802</b>	403,971	<b>202,670</b>	194,694
<b>Operating income</b>		<b>3,888,291</b>	3,547,724	<b>2,007,051</b>	1,775,704
General, administration and other operating expenses		<b>(1,187,583)</b>	(1,003,950)	<b>(621,671)</b>	(510,010)
<b>Profit before net impairment charge and taxation</b>		<b>2,700,708</b>	2,543,774	<b>1,385,380</b>	1,265,694
Net impairment charge	19	<b>(696,224)</b>	(463,443)	<b>(331,178)</b>	(238,317)
<b>Profit before taxation</b>		<b>2,004,484</b>	2,080,331	<b>1,054,202</b>	1,027,377
Overseas income tax expense		<b>(51,644)</b>	(48,683)	<b>(28,651)</b>	(26,564)
<b>Net profit for the period</b>		<b>1,952,840</b>	2,031,648	<b>1,025,551</b>	1,000,813
Basic earnings per share (AED)	21	<b>0.64</b>	0.67	<b>0.36</b>	0.35
Diluted earnings per share (AED)	21	<b>0.62</b>	0.64	<b>0.35</b>	0.34

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 (Unaudited)

	<i>Note</i>	<b>Six month period ended 30 Jun '11 AED'000</b>	Six month period ended 30 Jun '10 AED'000	<b>Three month period ended 30 Jun '11 AED'000</b>	Three month period ended 30 Jun '10 AED'000
<b>Net profit for the period</b>		<b>1,952,840</b>	2,031,648	<b>1,025,551</b>	1,000,813
<b>Other comprehensive income</b>					
Exchange difference on translation of foreign operations		<b>(7,534)</b>	(1,369)	<b>(5,811)</b>	(1,606)
Change in the fair value reserve	17	<b>87,942</b>	206,944	<b>161,236</b>	(100,996)
Directors' remuneration		<b>(5,450)</b>	(4,950)	-	-
Buy back of subordinated convertible notes		<b>2,203</b>	1,030	<b>2,203</b>	1,030
Other comprehensive income / (expense)		<b>77,161</b>	201,655	<b>157,628</b>	(101,572)
<b>Total comprehensive income for the period</b>		<b>2,030,001</b>	2,233,303	<b>1,183,179</b>	899,241

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# National Bank of Abu Dhabi PJSC

## Condensed consolidated interim statement of changes in equity

For the six month period ended 30 June (Unaudited)

					Government of Abu Dhabi						
	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	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
<b>Balance at 1 January 2010</b>	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 (note 13)	-	-	-	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)	-
<b>Balance at 30 June 2010</b>	<b>2,391,703</b>	<b>1,087,138</b>	<b>2,128,253</b>	<b>10,507,102</b>	<b>4,000,000</b>	<b>29,604</b>	<b>(638,279)</b>	<b>4,518</b>	<b>76,488</b>	<b>2,757,408</b>	<b>22,343,935</b>
<b>Balance at 1 January 2011</b>	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	-	-	-	-	-	-	-	-	-	1,952,840	1,952,840
Net movement in fair value reserve (note 17)	-	-	-	-	-	-	87,942	-	-	-	87,942
Directors' remuneration	-	-	-	-	-	-	-	-	-	(5,450)	(5,450)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(7,534)	-	-	(7,534)
Buy back of subordinated convertible notes (note 13)	-	-	-	2,203	-	-	-	-	-	-	2,203
Total comprehensive income for the period	-	-	-	2,203	-	-	87,942	(7,534)	-	1,947,390	2,030,001
Buy back of subordinated convertible notes (note 13)	-	-	-	-	-	-	-	-	(4,625)	-	(4,625)
Payment on Tier 1 capital note (note 15)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	14,623	-	-	-	-	14,623
Dividend paid for 2010 (note 14)	-	-	-	-	-	-	-	-	-	(717,511)	(717,511)
Bonus shares issued (note 14)	478,340	-	-	(478,340)	-	-	-	-	-	-	-
Transfer to general reserve (note 13,14)	-	-	-	2,332,424	-	-	-	-	(32,424)	(2,300,000)	-
<b>Balance at 30 June 2011</b>	<b>2,870,043</b>	<b>1,195,852</b>	<b>2,128,253</b>	<b>12,364,085</b>	<b>4,000,000</b>	<b>67,362</b>	<b>(326,664)</b>	<b>(10,987)</b>	<b>37,876</b>	<b>2,990,084</b>	<b>25,315,904</b>

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 (Unaudited)

	30 Jun '11 AED'000	30 Jun '10 AED'000
<b>Cash flows from operating activities</b>		
Profit before taxation	2,004,484	2,080,331
<i>Adjustments for:</i>		
Depreciation	71,425	58,060
Accreted interest	9,536	5,813
Profit on buy back of subordinated convertible debt	(9,915)	(17,353)
Net impairment charge on assets	745,882	479,109
Foreign exchange translation adjustment	156,066	(202,102)
Share options scheme	14,623	10,716
	<b>2,992,101</b>	<b>2,414,574</b>
Change in investments at fair value through profit or loss	(7,745)	273,985
Change in due from banks and financial institutions and central banks	(3,714,786)	(419,672)
Change in reverse repurchase agreements	(9,388,584)	(3,454,941)
Change in loans and advances	(16,807,561)	(3,142,361)
Change in other assets	(2,105,273)	(654,303)
Change in due to banks	6,941,427	1,492,614
Change in repurchase agreements	303,700	479,489
Change in customers' deposits	24,065,047	(3,440,405)
Change in other liabilities	2,536,965	1,747,694
	<b>4,815,291</b>	<b>(4,703,326)</b>
Overseas income tax paid, net of recoveries	(54,392)	(52,632)
<b>Net cash from / (used in) operating activities</b>	<b>4,760,899</b>	<b>(4,755,958)</b>
<b>Cash flows from investing activities</b>		
Purchase of non-trading investments, net of proceeds from sale or maturity	(5,629,269)	(552,226)
Purchase of premises and equipment, net of disposals	(209,400)	(139,219)
<b>Net cash used in investing activities</b>	<b>(5,838,669)</b>	<b>(691,445)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(717,511)	(217,428)
Issue of medium term borrowing	-	3,812,221
Redemption of medium term borrowing	-	(974,165)
Redemption of euro commercial paper	(35,053)	(142,448)
Buy back of subordinated convertible notes	(165,440)	(104,746)
Payment on tier 1 capital notes	(120,000)	(120,000)
<b>Net cash (used in) / from financing activities</b>	<b>(1,038,004)</b>	<b>2,253,434</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,115,774)</b>	<b>(3,193,969)</b>
Cash and cash equivalents at 1 January	20,976,579	27,617,187
<b>Cash and cash equivalents at 30 June</b>	<b>18,860,805</b>	<b>24,423,218</b>
<b>Cash and cash equivalents comprise:</b>		
<i>Contractual maturity within three months:</i>		
Cash and balances with central banks	12,678,235	9,200,330
Due from banks and financial institutions	6,182,570	15,222,888
	<b>18,860,805</b>	<b>24,423,218</b>

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 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 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 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 20 July 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 except as disclosed below:

IAS 24 – “Related party disclosures” (revised 2009) supersedes the IAS 24, “Related party disclosures” issued in 2003. The revised standard is effective for periods beginning on or after 1 January 2011 and has been applied by the Group in the Group condensed consolidated interim financial statements.

### 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.

	<b>Due from Banks and financial institutions</b>		<b>Loans and advances</b>		<b>Non-trading investments</b>	
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>	<b>30 Jun</b>	<b>31 Dec</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<b>Individually impaired</b>						
Substandard	-	-	2,535,467	2,054,985	-	-
Doubtful	979	979	947,016	558,651	20,055	20,055
Loss	-	-	1,130,466	994,079	-	-
Gross amount	979	979	4,612,949	3,607,715	20,055	20,055
Interest suspended	-	-	(440,736)	(358,624)	-	-
Specific allowance for impairment	(979)	(979)	(2,169,006)	(1,771,860)	(16,712)	(16,712)
Carrying amount	-	-	2,003,207	1,477,231	3,343	3,343
<b>Past due but not impaired</b>						
<i>Past due comprises:</i>						
Less than 30 days	-	-	267,804	202,089	-	-
31 – 60 days	-	-	73,048	45,979	-	-
61 – 90 days	-	-	110,214	443,935	-	-
More than 90 days	-	-	2,235,579	2,472,830	-	-
Carrying amount	-	-	2,686,645	3,164,833	-	-
<b>Neither past due nor impaired</b>	<b>16,011,960</b>	<b>14,764,757</b>	<b>150,329,284</b>	<b>134,083,653</b>	<b>27,109,872</b>	<b>21,392,662</b>
<b>Collective allowance for impairment</b>	<b>-</b>	<b>-</b>	<b>(2,062,431)</b>	<b>(1,892,221)</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>	<b>16,011,960</b>	<b>14,764,757</b>	<b>152,956,705</b>	<b>136,833,496</b>	<b>27,113,215</b>	<b>21,396,005</b>

# 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 6,000 million (31 December 2010: AED 9,800 million).

### 7 Loans and advances

	(Unaudited) 30 Jun '11 AED'000	(Audited) 31 Dec '10 AED'000
Gross loans and advances	157,628,878	140,856,201
Less: allowance for impairment	(4,231,437)	(3,664,081)
Less: interest suspended	(440,736)	(358,624)
Net loans and advances	<u>152,956,705</u>	<u>136,833,496</u>

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

	(Unaudited) 30 Jun '11 AED'000	(Audited) 31 Dec '10 AED'000
Government sector	17,587,458	16,949,791
Public sector	45,351,178	37,698,440
Banking sector	9,573,527	4,236,794
Corporate / private sector	60,680,882	57,029,154
Personal / retail sector	24,435,833	24,942,022
Gross loans and advances	<u>157,628,878</u>	<u>140,856,201</u>

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

	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Six month period ended 30 Jun '10 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '10 AED'000
At the beginning of the period	3,664,081	2,657,510	3,961,262	2,854,711
Charge for the period				
- Collective provision	170,210	80,440	86,096	24,955
- Specific provision	623,167	410,941	287,187	224,232
Recoveries	(49,049)	(14,615)	(15,709)	(5,613)
Write-backs during the period	(102,414)	(68,234)	(54,773)	(39,811)
Write-offs during the period	(74,558)	(15,969)	(32,626)	(8,401)
Balance as at 30 June	<u>4,231,437</u>	<u>3,050,073</u>	<u>4,231,437</u>	<u>3,050,073</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:

	(Unaudited) 30 Jun '11 AED'000	(Audited) 31 Dec '10 AED'000
Ijara	7,012,610	6,183,730
Murabaha	618,910	517,883
Mudaraba	14,698	14,699
Others	1,859	1,106
<b>Gross Islamic financing contracts</b>	<b>7,648,077</b>	<b>6,717,418</b>
Less: allowance for impairment	(62,815)	(62,928)
Less: suspended profit	(3,516)	(3,239)
<b>Net Islamic financing contracts</b>	<b>7,581,746</b>	<b>6,651,251</b>

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

	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Six month period ended 30 Jun '10 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '10 AED'000
At the beginning of the period	62,928	56,540	62,928	60,567
Collective charge / (reversal) for the period	-	3,981	-	(46)
Amounts written-off and other adjustments	(113)	(637)	(113)	(637)
At the reporting date	<b>62,815</b>	59,884	<b>62,815</b>	59,884

# 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 2,984 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 include balances due to central banks amounting to AED 10,916 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.

There are no notes outstanding as at the reporting date (31 December 2010: Singapore Dollar 1.01% and maturing less than 12 months).

### 11 Customers’ deposits

	(Unaudited) 30 Jun ‘11 AED’000	(Audited) 31 Dec ‘10 AED’000
<b>By account:</b>		
Current account	34,494,921	28,195,567
Savings account	6,174,455	5,151,931
Notice and time deposit	101,725,669	84,877,678
Certificates of deposit	4,800,591	4,905,413
	<u>147,195,636</u>	<u>123,130,589</u>
<b>By sector:</b>		
Government sector	44,607,105	32,090,292
Public sector	32,121,746	22,140,648
Corporate / private sector	35,879,033	41,644,916
Retail sector	34,587,752	27,254,733
	<u>147,195,636</u>	<u>123,130,589</u>

#### Islamic customers’ deposits

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

	(Unaudited) 30 Jun ‘11 AED’000	(Audited) 31 Dec ‘10 AED’000
Wakala deposits	2,636,653	1,949,307
Mudaraba deposits	130,833	129,933
	<u>2,767,486</u>	<u>2,079,240</u>

# National Bank of Abu Dhabi PJSC

## Notes to the condensed consolidated interim financial statements

### 12 Medium-term borrowings

	(Unaudited) 30 Jun '11 AED'000	(Audited) 31 Dec '10 AED'000
Club loan and other facilities	3,489,350	3,489,350
Medium-term notes	11,220,282	10,969,315
	<b>14,709,632</b>	<b>14,458,665</b>

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

Currency	Interest	Maturity	(Unaudited) 30 Jun '11 AED'000	(Audited) 31 Dec '10 AED'000
GBP	5.875 per cent (fixed)	Feb 2012	2,112,824	2,080,706
EUR	3 M EURIBOR + step up spread	Jun 2012	187,844	168,671
EUR	3 M EURIBOR + step up spread	Jul 2012	627,937	563,842
USD	3M USD LIBOR+ 120bps	Oct 2012	73,712	73,570
HKD	1.65 per cent (fixed)	Oct 2013	88,987	87,702
USD	4.5 per cent (fixed)	Sep 2014	3,256,035	3,229,021
HKD	3.8 per cent (fixed)	Sep 2014	197,802	194,713
HKD	3.9 per cent (fixed)	Oct 2014	121,059	119,055
USD	4.25 per cent (fixed)	Mar 2015	2,853,627	2,818,543
MYR	4.75 per cent (fixed)	Jun 2015	593,174	577,830
HKD	3.4 per cent (fixed)	Sep 2017	147,575	141,605
USD	3.71 per cent (fixed)	Sep 2017	107,342	104,732
HKD	4.32 per cent (fixed)	Sep 2017	151,006	145,857
HKD	4.45 per cent (fixed)	Sep 2019	160,635	150,844
MYR	4.9 per cent (fixed)	Dec 2020	540,723	512,624
			<b>11,220,282</b>	<b>10,969,315</b>

# National Bank of Abu Dhabi PJSC

## Notes to the condensed consolidated interim financial statements

### 13 Subordinated notes

	(Unaudited) 30 Jun '11 AED'000	(Audited) 31 Dec '10 AED'000
Subordinated note - Ministry of Finance Tier 2 note	5,853,309	5,626,908
Subordinated notes	2,517,720	2,685,378
	<u>8,371,029</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.

#### *Subordinated notes*

	(Unaudited) 30 Jun '11 AED'000	(Audited) 31 Dec '10 AED'000
<i>Liability component</i>		
15 March 2006 issue	1,100,796	1,099,672
28 February 2008 issue	1,416,924	1,585,706
	<u>2,517,720</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	(15,108)	(10,483)
Transfer to general reserve	(32,424)	-
	<u>37,876</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.

# National Bank of Abu Dhabi PJSC

## 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 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.

During the period, the Bank purchased back AED 174,600 thousand (*30 June 2010: AED 121,710 thousand*) of this issue from the market for AED 165,441 thousand (*30 June 2010: AED 104,746 thousand*). As a result, the total outstanding liability and equity components were decreased by AED 169,974 thousand (*30 June 2010: AED 118,486 thousand*) and AED 4,625 thousand (*30 June 2010: AED 3,224 thousand*), respectively. Further, a gain on the extinguishment in the amount of AED 9,916 thousand (*30 June 2010: AED 17,353 thousand*) was recognised in the condensed consolidated income statement.

### 14 Share capital

At the Annual General Meeting held on 13 March 2011, the shareholders of the Bank approved a cash dividend of AED 0.3 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 30 June 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 (*30 June 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 and communicated to option holders.



# National Bank of Abu Dhabi PJSC

## Notes to the condensed consolidated interim financial statements

### 17 Fair value reserve

	(Unaudited) 30 Jun '11 AED'000	(Unaudited) 30 Jun '10 AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	(414,606)	(841,388)
Net change in fair value	87,942	203,109
At 30 June	(326,664)	(638,279)
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	-	(3,835)
Net change in fair value	-	3,835
At 30 June	-	-
<b>Total at 30 June</b>	<b>(326,664)</b>	<b>(638,279)</b>

### 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 22,982 million (31 December 2010: AED 24,365 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

	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Six month period ended 30 Jun '10 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '10 AED'000
Collective provision for loans and advances	170,210	80,440	86,096	24,955
Specific provision for loans and advances	623,167	410,941	287,187	224,232
Write back of provisions for loans and advances	(102,414)	(68,234)	(54,773)	(39,811)
Recovery of loan loss provisions	(49,049)	(14,615)	(15,709)	(5,613)
Write-off of impaired loans and advances to consolidated income statement	9,930	2,708	3,504	1,703
Recovery of loans previously written off	(608)	(1,051)	(115)	(406)
Provisions for investment	-	16,253	-	16,253
Impairment of non financial assets	44,988	37,001	24,988	17,004
	<u>696,224</u>	<u>463,443</u>	<u>331,178</u>	<u>238,317</u>

### 20 Other operating income

	(Unaudited) Six month period ended 30 Jun '11 AED'000	(Unaudited) Six month period ended 30 Jun '10 AED'000	(Unaudited) Three month period ended 30 Jun '11 AED'000	(Unaudited) Three month period ended 30 Jun '10 AED'000
Profit on buy back of subordinated convertible debt	9,916	17,353	9,916	17,353
Others	30,107	22,386	11,698	6,915
	<u>40,023</u>	<u>39,739</u>	<u>21,614</u>	<u>24,268</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:

	(Unaudited) Six month period ended 30 Jun '11	(Unaudited) Six month period ended 30 Jun '10	(Unaudited) Three month period ended 30 Jun '11	(Unaudited) Three month period ended 30 Jun '10
<b>Basic earnings per share:</b>				
Net profit for the period (AED '000)	1,952,840	2,031,648	1,025,551	1,000,813
Less: Payment on Tier 1 capital note (AED '000)	(120,000)	(120,000)	-	-
Net profit after payment of Tier 1 capital note (AED '000)	1,832,840	1,911,648	1,025,551	1,000,813
<b>Weighted average number of ordinary shares:</b>				
Ordinary shares as at the beginning of the period ('000s)	2,391,703	2,174,275	2,391,703	2,174,275
Effect of bonus shares issued during 2011 ('000s)	478,340	478,340	478,340	478,340
Effect of bonus shares issued during 2010 ('000s)	-	217,428	-	217,428
Weighted average number of ordinary shares ('000s)	2,870,043	2,870,043	2,870,043	2,870,043
<b>Basic earnings per share (AED)</b>	<b>0.64</b>	<b>0.67</b>	<b>0.36</b>	<b>0.35</b>
<b>Diluted earnings per share:</b>				
Net profit after payment of Tier 1 capital note (AED '000)	1,832,840	1,911,648	1,025,551	1,000,813
Add: Interest on subordinated convertible notes (AED '000)	25,092	35,559	10,866	20,200
Net profit for the period for calculating diluted earnings per share (AED '000)	1,857,932	1,947,207	1,036,417	1,021,013
Weighted average number of ordinary shares ('000s)	2,870,043	2,870,043	2,870,043	2,870,043
Effect of subordinated convertible note in issue ('000s)	113,331	156,846	113,331	156,846
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	2,983,374	3,026,889	2,983,374	3,026,889
<b>Diluted earnings per share (AED)</b>	<b>0.62</b>	<b>0.64</b>	<b>0.35</b>	<b>0.34</b>

## 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>30 June 2011:</i>								
Operating income	925,966	545,729	453,407	1,345,952	120,596	114,226	382,415	<b>3,888,291</b>
Net impairment charge	132,609	43,930	-	301,925	1,033	(113)	216,840	<b>696,224</b>
Profit / (loss) before taxation	432,590	305,017	396,403	933,021	30,166	83,057	(175,770)	<b>2,004,484</b>
Overseas taxation	-	49,047	-	-	2,597	-	-	<b>51,644</b>
Net profit / (loss) for the period	432,590	255,970	396,403	933,021	27,569	83,057	(175,770)	<b>1,952,840</b>
Segment total assets	38,439,575	42,335,171	87,324,349	104,688,629	6,571,066	10,629,637	49,400,547	<b>339,388,974</b>
Inter segment balances								<b>(92,861,104)</b>
Total assets								<b>246,527,870</b>

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 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
<b>30 June 2010:</b>								
Operating income	859,334	457,330	446,922	1,331,214	74,155	72,719	306,050	3,547,724
Net impairment charge	118,416	30,146	-	197,902	237	-	116,742	463,443
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
<b>31 December 2010:</b>								
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

### 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 1.25% to 18.00% per annum (30 June 2010: 1.00% to 13.00% per annum).

Interest rates incurred on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 4.65% per annum (30 June 2010: nil (non-interest bearing accounts) to 2.00% 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 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:

	<b>Directors and key management 30 Jun '11 AED'000</b>	<b>Major shareholders 30 Jun '11 AED'000</b>	<b>Others 30 Jun '11 AED'000</b>	<b>(Unaudited) Total 30 Jun '11 AED'000</b>	<b>(Audited) Total 31 Dec '10 AED'000</b>
Loans and advances	<b>791,479</b>	<b>183,650</b>	<b>1,698,053</b>	<b>2,673,182</b>	2,682,397
Customers' deposits	<b>400,772</b>	<b>713,541</b>	<b>38,607,069</b>	<b>39,721,382</b>	22,342,337
Commitments and contingencies	<b>614,342</b>	<b>-</b>	<b>20,661,964</b>	<b>21,276,306</b>	26,405,704

# National Bank of Abu Dhabi PJSC

## Notes to the condensed consolidated interim financial statements

### 23 Related parties (*continued*)

#### *Transactions*

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

	<b>Directors and key management</b>	<b>Major shareholders</b>	<b>Others</b>	<b>(Unaudited) Total</b>	<b>(Unaudited) Total</b>
	<b>30 Jun '11</b>	<b>30 Jun '11</b>	<b>30 Jun '11</b>	<b>30 Jun '11</b>	<b>30 Jun '10</b>
	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
Fee and commission income	<b>1,750</b>	<b>-</b>	<b>-</b>	<b>1,750</b>	2,224
Interest income	<b>15,038</b>	<b>4,618</b>	<b>52,951</b>	<b>72,607</b>	61,509
Interest expense	<b>1,447</b>	<b>438</b>	<b>206,281</b>	<b>208,166</b>	28,064

No individual impairment has been recognised against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relations for the six month period ended 30 June 2011 (*six month period ended 30 June 2010: AED nil*).

#### *Compensation of key management personal and director's remuneration.*

Key management compensation is as shown below:

	<b>(Unaudited) Six month period ended 30 Jun '11 AED'000</b>	<b>(Unaudited) Six month period ended 30 Jun '10 AED'000</b>	<b>(Unaudited) Three month period ended 30 Jun '11 AED'000</b>	<b>(Unaudited) Three month period ended 30 Jun '10 AED'000</b>
Short term employment benefits	<b>31,532</b>	22,785	<b>16,092</b>	11,512
Post employment benefits	<b>679</b>	620	<b>339</b>	310
Termination benefits	<b>756</b>	612	<b>377</b>	307
	<b>32,967</b>	24,017	<b>16,808</b>	12,129
Directors' remuneration	<b>5,450</b>	4,950	<b>-</b>	-

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 and restated, where appropriate, to conform with the presentation and accounting policies adopted in these financial statements.