

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

30 September 2012

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 September 2012, the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income, changes in equity and cash flows for the nine-month period then ended, and notes to interim financial information (the "interim financial information"). Management 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 September 2012 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Munther Dajani
Registration No.: 268

23 October 2012

Condensed consolidated interim statement of financial position

As at

		(Unaudited) 30 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
	Note		
Assets			
Cash and balances with central banks	6	41,080,883	24,468,641
Investments at fair value through profit or loss		2,964,459	1,610,745
Due from banks and financial institutions		20,649,437	15,166,763
Reverse repurchase agreements		33,208,664	16,425,020
Loans and advances	7	162,941,593	159,522,178
Non-trading investments	8	30,031,217	26,569,340
Investment properties	9	181,144	-
Other assets		11,202,079	9,689,058
Premises and equipment		2,258,696	2,215,760
Total assets		304,518,172	255,667,505
Liabilities			
Due to banks and financial institutions	10	37,733,949	39,795,601
Repurchase agreements		1,465,029	3,513,726
Euro commercial paper	11	1,748,448	-
Customers' deposits	12	193,625,909	151,816,887
Medium-term borrowings	13	19,655,549	15,148,516
Other liabilities		13,646,046	11,013,236
		267,874,930	221,287,966
Subordinated notes	14	6,914,309	7,990,054
Total liabilities		274,789,239	229,278,020
Equity			
Share capital	15	3,874,558	2,870,043
Statutory and special reserves		3,563,274	3,563,274
Other reserves		13,788,375	11,466,410
Government of Abu Dhabi			
tier 1 capital notes	16	4,000,000	4,000,000
Share option scheme	17	90,147	76,497
Subordinated convertible notes			
- equity component	14	21,663	27,639
Retained earnings		4,390,916	4,385,622
Total equity		29,728,933	26,389,485
Total liabilities and equity		304,518,172	255,667,505



Nasser Ahmed Khalifa Alsowaidi
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.

Condensed consolidated interim statement of income

For the nine month period ended 30 September (Unaudited)

	Note	Nine month period ended 30 Sep '12 AED'000	Nine month period ended 30 Sep '11 AED'000	Three month period ended 30 Sep '12 AED'000	Three month period ended 30 Sep '11 AED'000
Interest income		5,973,231	5,711,777	2,011,628	1,895,594
Interest expense		(1,639,944)	(1,639,640)	(526,227)	(516,739)
Net interest income		4,333,287	4,072,137	1,485,401	1,378,855
Income from Islamic financing contracts		236,693	279,534	78,555	91,294
Depositors' share of profits		(31,127)	(41,274)	(10,629)	(13,489)
Net income from Islamic financing contracts		205,566	238,260	67,926	77,805
Net interest and Islamic financing income		4,538,853	4,310,397	1,553,327	1,456,660
Fee and commission income		1,396,199	1,190,894	470,994	396,731
Fee and commission expense		(249,315)	(165,604)	(90,661)	(54,930)
Net fee and commission income		1,146,884	1,025,290	380,333	341,801
Net gain / (loss) on investments		329,018	136,892	190,684	(27,769)
Net foreign exchange gain		285,362	351,912	102,615	205,531
Other operating income		50,993	64,993	23,785	24,970
		665,373	553,797	317,084	202,732
Operating income		6,351,110	5,889,484	2,250,744	2,001,193
General, administration and other operating expenses		(2,078,707)	(1,805,342)	(728,604)	(617,759)
Profit before net impairment charge and taxation		4,272,403	4,084,142	1,522,140	1,383,434
Net impairment charge	20	(971,460)	(1,016,798)	(366,841)	(320,574)
Profit before taxation		3,300,943	3,067,344	1,155,299	1,062,860
Overseas income tax expense		(89,186)	(83,657)	(30,583)	(32,013)
Net profit for the period		3,211,757	2,983,687	1,124,716	1,030,847
Basic earnings per share (AED)	21	0.77	0.71	0.26	0.24
Diluted earnings per share (AED)	21	0.76	0.70	0.26	0.23

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Condensed consolidated interim statement of comprehensive income

For the nine month period ended 30 September (Unaudited)

		Nine month period ended 30 Sep '12 AED'000	Nine month period ended 30 Sep '11 AED'000	Three month period ended 30 Sep '12 AED'000	Three month period ended 30 Sep '11 AED'000
	<i>Note</i>				
Net profit for the period		3,211,757	2,983,687	1,124,716	1,030,847
Other comprehensive income					
Exchange difference on translation of foreign operations		(64,776)	(2,926)	17,746	4,608
Change in the fair value reserve	18	1,287,423	(58,719)	421,346	(146,661)
Directors' remuneration		(5,450)	(5,450)	-	-
Buy back of subordinated notes		3,833	7,813	230	5,610
Other comprehensive income / (expense)		1,221,030	(59,282)	439,322	(136,443)
Total comprehensive income for the period		4,432,787	2,924,405	1,564,038	894,404

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National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of changes in equity

For the nine month period ended 30 September (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Government of Abu Dhabi tier 1 capital notes AED'000	Share option scheme AED'000	Fair value reserve AED'000	Foreign currency translation reserve AED'000	Subordinated convertible notes - equity component AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2011	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
Total comprehensive income for the period	-	-	-	7,813	-	-	(58,719)	(2,926)	-	2,978,237	2,924,405
Buy back of subordinated convertible notes (note 14)	-	-	-	-	-	-	-	-	(14,213)	-	(14,213)
Payment on Tier 1 capital note (note 16)	-	-	-	-	-	-	-	-	-	(240,000)	(240,000)
Option granted to staff	-	-	-	-	-	18,385	-	-	-	-	18,385
Dividend paid for 2010 (note 15)	-	-	-	-	-	-	-	-	-	(717,511)	(717,511)
Bonus shares issued (note 15)	478,340	-	-	(478,340)	-	-	-	-	-	-	-
Transfer to general reserve (note 14,15)	-	-	-	2,332,424	-	-	-	-	(32,424)	(2,300,000)	-
Balance at 30 September 2011	2,870,043	1,195,852	2,128,253	12,369,695	4,000,000	71,124	(473,325)	(6,379)	28,288	3,900,931	26,084,482
Balance at 1 January 2012	2,870,043	1,435,021	2,128,253	12,370,070	4,000,000	76,497	(899,014)	(4,646)	27,639	4,385,622	26,389,485
Total comprehensive income for the period	-	-	-	3,833	-	-	1,287,423	(64,776)	-	3,206,307	4,432,787
Buy back of subordinated convertible notes (note 14)	-	-	-	-	-	-	-	-	(5,976)	-	(5,976)
Payment on Tier 1 capital note (note 16)	-	-	-	-	-	-	-	-	-	(240,000)	(240,000)
Option granted to staff	-	-	-	-	-	13,650	-	-	-	-	13,650
Dividend paid for 2011 (note 15)	-	-	-	-	-	-	-	-	-	(861,013)	(861,013)
Bonus shares issued (note 15)	1,004,515	-	-	(1,004,515)	-	-	-	-	-	-	-
Transfer to general reserve (note 14,15)	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Balance at 30 September 2012	3,874,558	1,435,021	2,128,253	13,469,388	4,000,000	90,147	388,409	(69,422)	21,663	4,390,916	29,728,933

The notes 1 to 24 are an integral part of these condensed consolidated interim financial statements.

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Condensed consolidated interim statement of cash flows

For the nine month period ended 30 September (Unaudited)

	30 Sep '12 AED'000	30 Sep '11 AED'000
Cash flows from operating activities		
Profit before taxation	3,300,943	3,067,344
<i>Adjustments for:</i>		
Depreciation	134,676	108,886
Accreted interest	(1,599)	11,257
Profit on buy back of subordinated debt	(5,445)	(32,018)
Net impairment charge on assets	1,155,710	1,096,381
Foreign exchange adjustment	50,821	(6,320)
Share options scheme	13,650	18,385
	4,648,756	4,263,915
Change in investments at fair value through profit or loss	(1,427,360)	(209,663)
Change in due from banks, central bank and financial institutions	(5,940,595)	(340,519)
Change in reverse repurchase agreements	(16,783,644)	(1,002,794)
Change in loans and advances	(4,492,974)	(20,045,868)
Change in other assets	(1,256,912)	(4,653,499)
Change in due to banks and financial institutions	(2,061,652)	2,034,763
Change in repurchase agreements	(2,048,697)	2,328,662
Change in customers' deposits	41,809,022	19,461,075
Change in other liabilities	2,579,991	4,672,964
	15,025,935	6,509,036
Overseas income tax paid, net of recoveries	(61,851)	(77,973)
Net cash from operating activities	14,964,084	6,431,063
Cash flows from investing activities		
Purchase of non-trading investments, net of proceeds from sale or maturity	(2,152,764)	(5,663,077)
Purchase of investment properties	(181,144)	-
Purchase of premises and equipment, net of disposals	(177,611)	(257,538)
Net cash used in investing activities	(2,511,519)	(5,920,615)
Cash flows from financing activities		
Issue / (Redemption) of euro commercial paper	1,748,448	(35,053)
Issue of medium term borrowing	6,845,219	537,662
Redemption of medium term borrowing	(2,569,589)	-
Buy back of subordinated notes	(1,221,309)	(567,795)
Payment on tier 1 capital notes	(240,000)	(240,000)
Dividends paid	(861,013)	(717,511)
Net cash from / (used in) financing activities	3,701,756	(1,022,697)
Net increase / (decrease) in cash and cash equivalents	16,154,321	(512,249)
Cash and cash equivalents at 1 January	29,989,578	20,976,579
Cash and cash equivalents at 30 September	46,143,899	20,464,330
Cash and cash equivalents comprise:		
<i>Contractual maturity within three months:</i>		
Cash and balances with central banks	33,995,463	14,213,469
Due from banks and financial institutions	12,148,436	6,250,861
	46,143,899	20,464,330

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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 September 2012 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, management services and Islamic banking activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in United Arab Emirates, Bahrain, Egypt, France, Oman, Kuwait, Sudan, Libya, the United Kingdom, Switzerland, Hong Kong, Jordan, Malaysia, China and the United States of America.

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

The consolidated financial statements of the Group as at and for the year ended 31 December 2011 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 consolidated financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors on 23 October 2012.

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 2011.

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 2011.

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	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	30 Sep '12	31 Dec '11	30 Sep '12	31 Dec '11	30 Sep '12	31 Dec '11
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Individually impaired						
Substandard	-	-	2,763,382	2,292,175	-	-
Doubtful	979	979	1,650,963	1,823,454	20,055	20,055
Loss	-	-	1,787,368	1,225,818	-	-
Gross amount	979	979	6,201,713	5,341,447	20,055	20,055
Interest suspended	-	-	(623,992)	(502,139)	-	-
Specific allowance for impairment	(979)	(979)	(2,928,773)	(2,480,109)	(16,712)	(16,712)
Carrying amount	-	-	2,648,948	2,359,199	3,343	3,343
Past due but not impaired						
<i>Past due comprises:</i>						
Less than 30 days	-	-	297,384	430,912	-	-
31 – 60 days	-	-	103,170	74,894	-	-
61 – 90 days	-	-	113,099	77,998	-	-
More than 90 days	-	-	1,732,329	1,774,272	-	-
Carrying amount	-	-	2,245,982	2,358,076	-	-
Neither past due nor impaired	20,649,437	15,166,763	160,497,465	157,125,500	30,027,874	26,565,997
Collective allowance for impairment	-	-	(2,450,802)	(2,320,597)	-	-
Carrying amount	20,649,437	15,166,763	162,941,593	159,522,178	30,031,217	26,569,340

Non trading investment includes investment in equity instruments amounting to AED 123 million (31 December 2011: AED 97 million) which does not carry credit risk.

No allowance for impairment has been recognised against reverse repurchase agreements during the period (31 December 2011: AED Nil).

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 7,000 million (31 December 2011: AED 6,000 million).

7 Loans and advances

	(Unaudited) 30 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
Gross loans and advances	168,945,160	164,825,023
Less: allowance for impairment	(5,379,575)	(4,800,706)
Less: interest suspended	(623,992)	(502,139)
Net loans and advances	162,941,593	159,522,178

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

	(Unaudited) 30 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
Government sector	20,601,329	17,293,055
Public sector	41,991,067	45,346,578
Banking sector	19,118,902	16,052,536
Corporate / private sector	60,053,811	59,288,780
Personal / retail sector	27,180,051	26,844,074
Gross loans and advances	168,945,160	164,825,023

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

	(Unaudited) Nine month period ended 30 Sep '12 AED'000	(Unaudited) Nine month period ended 30 Sep '11 AED'000	(Unaudited) Three month period ended 30 Sep '12 AED'000	(Unaudited) Three month period ended 30 Sep '11 AED'000
At the beginning of the period	4,800,706	3,664,081	5,101,065	4,231,437
Charge for the period				
- Collective provision	130,206	256,831	54,471	86,621
- Specific provision	1,266,123	907,694	473,320	284,527
Recoveries	(176,730)	(78,169)	(56,461)	(29,120)
Write-backs during the period	(364,295)	(151,756)	(173,210)	(49,342)
Write-offs during the period	(276,435)	(106,146)	(19,610)	(31,588)
Balance as at 30 September	5,379,575	4,492,535	5,379,575	4,492,535

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 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
Ijara	6,302,175	6,804,114
Murabaha	475,346	611,588
Mudaraba	994	2,940
Others	3,202	2,533
Gross Islamic financing contracts	6,781,717	7,421,175
Less: allowance for impairment	(43,117)	(63,648)
Less: suspended profit	(1,162)	(2,263)
Net Islamic financing contracts	6,737,438	7,355,264

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

	(Unaudited) Nine month period ended 30 Sep '12 AED'000	(Unaudited) Nine month period ended 30 Sep '11 AED'000	(Unaudited) Three month period ended 30 Sep '12 AED'000	(Unaudited) Three month period ended 30 Sep '11 AED'000
At the beginning of the period	63,648	62,928	33,092	62,815
Charge for the period				
Specific provision	4,697	-	4,697	-
Amounts written-off and other adjustments	(25,228)	(113)	5,328	-
At the reporting date	43,117	62,815	43,117	62,815

8 Non-trading investments

Non-trading investments include financial instruments of AED 956 million (31 December 2011: AED 2,067 million) given under repurchase agreements in the normal course of business.

Notes to the condensed consolidated interim financial statements

9 Investment Properties

During the period the bank had acquired certain investment properties amounting to AED 181,144 thousand (31 December 2011: AED Nil) which are accounted for using the cost model under IAS 40, *Investment properties*.

10 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 8,793 million (31 December 2011: AED 7,073 million).

11 Euro commercial paper

The Bank established a USD 2 billion Euro commercial paper programme (the “ECP Programme”) for the issuance of Euro commercial paper under the agreement dated 13 September 2006 with CITIBANK, N.A.

These notes are denominated in various currencies and having a maturity of less than one year as at the reporting date.

12 Customers’ deposits

	(Unaudited) 30 Sep ‘12 AED’000	(Audited) 31 Dec ‘11 AED’000
By account:		
Current accounts	36,321,128	32,150,382
Savings accounts	8,091,017	6,814,788
Notice and time deposits	136,411,440	105,288,051
Certificates of deposit	12,802,324	7,563,666
	193,625,909	151,816,887
By counterparty:		
Government sector	78,603,778	46,594,553
Public sector	22,662,537	26,077,291
Corporate / private sector	51,090,642	45,909,760
Retail sector	41,268,952	33,235,283
	193,625,909	151,816,887

Islamic customers’ deposits

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

	(Unaudited) 30 Sep ‘12 AED’000	(Audited) 31 Dec ‘11 AED’000
Wakala deposits	2,413,068	2,769,106
Mudaraba deposits	179,826	146,285
	2,592,894	2,915,391

Notes to the condensed consolidated interim financial statements

13 Medium-term borrowings

	(Unaudited) 30 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
Club loan and other facilities	4,223,950	3,489,350
Medium-term notes	15,431,599	11,659,166
	19,655,549	15,148,516

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

Currency	Interest	Maturity	(Unaudited) 30 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
GBP	5.88 per cent (fixed)	Feb-12	-	2,010,313
EUR	3 M EURIBOR + step up spread	Jun-12	-	166,569
EUR	3 M EURIBOR + step up spread	Jul-12	-	556,815
USD	3M USD LIBOR+ 120bps	Oct-12	73,460	77,808
HKD	1.65 per cent (fixed)	Oct-13	89,339	89,088
USD	4.50 per cent (fixed)	Sep-14	3,255,546	3,270,204
HKD	3.80 per cent (fixed)	Sep-14	197,024	197,718
HKD	3.90 per cent (fixed)	Oct-14	120,774	121,063
USD	4.25 per cent (fixed)	Mar-15	2,893,734	2,892,966
MYR	4.75 per cent (fixed)	Jun-15	596,686	573,449
USD	3.25 per cent (fixed)	Mar-17	2,826,754	-
HKD	3.40 per cent (fixed)	Sep-17	157,716	152,752
USD	3.71 per cent (fixed)	Sep-17	116,783	113,829
HKD	4.32 per cent (fixed)	Sep-17	159,238	155,508
USD	3.00 per cent (fixed)	Aug-19	2,743,689	-
HKD	4.45 per cent (fixed)	Sep-19	172,292	165,833
MYR	4.90 per cent (fixed)	Dec-20	576,658	549,922
HKD	3.95 per cent (fixed)	Apr-22	174,246	-
JPY	2.60 per cent (fixed)	Jul-26	494,090	491,869
HKD	3.94 per cent (fixed)	Jul-27	206,876	-
USD	4.37 per cent (fixed)	Aug-32	292,519	-
USD	4.10 per cent (fixed)	Sep-32	110,972	-
USD	4.80 per cent (fixed)	Sep-36	78,651	73,460
USD	5.01 per cent (fixed)	May-42	94,552	-
			15,431,599	11,659,166

Notes to the condensed consolidated interim financial statements

14 Subordinated notes

	(Unaudited) 30 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
Subordinated note - Ministry of Finance Tier 2 note	5,056,189	5,912,647
Subordinated notes	1,858,120	2,077,407
	6,914,309	7,990,054

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. During the period, the bank has partly repaid Ministry of Finance Tier 2 note with nominal value of AED 1 billion (31 December 2011: Nil).

Subordinated notes

	(Unaudited) 30 Sep '12 AED'000	(Audited) 31 Dec '11 AED'000
<i>Liability component</i>		
15 March 2006 issue	1,042,228	1,040,632
28 February 2008 issue	815,892	1,036,775
	1,858,120	2,077,407
<i>Equity component</i>		
15 March 2006 issue	72,926	72,926
28 February 2008 issue	52,984	52,984
Less: conversion of 15 March 2006 issue	(40,502)	(40,502)
Less: buy back of 28 February 2008 issue	(31,321)	(25,345)
Transfer to general reserve	(32,424)	(32,424)
	21,663	27,639

15 March 2006 issue:

The conversion option for the 15 March 2006 issue expired in 2011. Accordingly, the equity component of AED 32,424 thousand related to this issue was transferred to general reserve.

Notes to the condensed consolidated interim financial statements**14 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 12.81 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 225,570 thousand (30 September 2011: AED 536,500 thousand) of this issue from the market for AED 221,309 thousand (30 September 2011: AED 513,390 thousand). As a result, the total outstanding liability and equity components were decreased by AED 219,594 thousand (30 September 2011: AED 522,287 thousand) and AED 5,976 thousand (30 September 2011: AED 14,213 thousand), respectively. Further, a gain on the extinguishment in the amount of AED 5,445 thousand (30 September 2011: AED 24,996 thousand) was recognised in the condensed consolidated income statement.

15 Share capital

At the Annual General Meeting held on 13 March 2012, the shareholders of the Bank approved a cash dividend of AED 0.30 per ordinary share (31 December 2011: AED 0.30 per ordinary share) and an increase in the share capital through a 35% bonus shares issue of 1,004,515 thousand ordinary shares of AED 1 each (31 December 2011: 20% bonus shares issue of 478,340 thousand ordinary shares of AED 1 each) amounting to AED 1,004,515 thousand (31 December 2011: AED 478,340 thousand). Accordingly, the issued and paid up share capital as at 30 September 2012 is comprised of 3,874,558 thousand ordinary shares of AED 1 each (31 December 2011: 2,870,043 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 2012 the AGM approved the transfer of AED 2.1 billion (31 December 2011: AED 2.3 billion) to general reserve.

16 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 240 million (30 September 2011: AED 240 million).

17 Share option scheme

The Bank introduced in 2008 a share based payment scheme (the "Scheme") for selected employees which would vest over three years and can be exercised within the three years after the vesting period. The key vesting condition is that the option holder is in continued employment with NBAD on the date of vesting. The options lapse nine years after their date of grant irrespective of whether they are exercised or not.

Notes to the condensed consolidated interim financial statements

18 Fair value reserve

	(Unaudited) 30 Sep '12 AED'000	(Unaudited) 30 Sep '11 AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	(916,238)	(414,606)
Net change in fair value	1,300,181	(76,314)
At 30 September	<u>383,943</u>	<u>(490,920)</u>
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	17,224	-
Net change in fair value	(12,758)	17,595
At 30 September	<u>4,466</u>	<u>17,595</u>
Total at 30 September	<u><u>388,409</u></u>	<u><u>(473,325)</u></u>

19 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 27,495 million (31 December 2011: AED 20,873 million).

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

Notes to the condensed consolidated interim financial statements

20 Net impairment charge

	(Unaudited) Nine month period ended 30 Sep '12 AED'000	(Unaudited) Nine month period ended 30 Sep '11 AED'000	(Unaudited) Three month period ended 30 Sep '12 AED'000	(Unaudited) Three month period ended 30 Sep '11 AED'000
Collective provision for loans and advances	130,206	256,831	54,471	86,621
Specific provision for loans and advances	1,266,123	907,694	473,320	284,527
Write back of provisions for loans and advances	(364,295)	(151,756)	(173,210)	(49,342)
Recovery of loan loss provisions	(176,730)	(78,169)	(56,461)	(29,120)
Write-off of impaired loans and advances	50,030	13,624	9,675	3,694
Recovery of loans previously written off	(7,520)	(1,414)	(5,600)	(806)
Provisions for investments	73,646	-	64,646	-
Impairment of non-financial assets	-	69,988	-	25,000
	971,460	1,016,798	366,841	320,574

21 Earnings per share

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

	(Unaudited) Nine month period ended 30 Sep '12	(Unaudited) Nine month period ended 30 Sep '11	(Unaudited) Three month period ended 30 Sep '12	(Unaudited) Three month period ended 30 Sep '11
Basic earnings per share:				
Net profit for the period (AED '000)	3,211,757	2,983,687	1,124,716	1,030,847
Less: Payment on Tier 1 capital note (AED '000)	(240,000)	(240,000)	(120,000)	(120,000)
Net profit after payment of interest on Tier 1 capital note (AED '000)	2,971,757	2,743,687	1,004,716	910,847
Weighted average number of ordinary shares:				
Ordinary shares as at the beginning of the period ('000s)	2,870,043	2,391,703	2,870,043	2,391,703
Effect of bonus shares issued during 2012 ('000s)	1,004,515	1,004,515	1,004,515	1,004,515
Effect of bonus shares issued during 2011 ('000s)	-	478,340	-	478,340
Weighted average number of ordinary shares ('000s)	3,874,558	3,874,558	3,874,558	3,874,558
Basic earnings per share (AED)	0.77	0.71	0.26	0.24
Diluted earnings per share:				
Net profit after payment of interest on Tier 1 capital note (AED '000)	2,971,757	2,743,687	1,004,716	910,847
Add: Interest on subordinated convertible notes (AED '000)	12,561	39,342	3,658	7,135
Net profit for the period for calculating diluted earnings per share (AED '000)	2,984,318	2,783,029	1,008,374	917,982
Weighted average number of ordinary shares ('000s)	3,874,558	3,874,558	3,874,558	3,874,558
Effect of subordinated convertible note in issue ('000s)	72,332	101,085	72,332	101,085
Weighted average number of ordinary shares in issue for diluted earnings per share ('000s)	3,946,890	3,975,643	3,946,890	3,975,643
Diluted earnings per share (AED)	0.76	0.70	0.26	0.23

National Bank of Abu Dhabi PJSC



Notes to the condensed consolidated interim financial statements

22 Segmental information (unaudited)

	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 nine month period ended 30 September 2012</i>								
Operating income	1,445,527	1,001,879	770,002	2,107,800	249,004	195,413	581,485	6,351,110
Net impairment charge	(208,341)	(167,895)	-	(481,718)	(199)	(4,597)	(108,710)	(971,460)
Profit / (loss) before taxation	597,873	516,225	668,579	1,444,318	101,160	117,432	(144,644)	3,300,943
Overseas taxation	-	(82,407)	-	-	(6,779)	-	-	(89,186)
Net profit / (loss) for the period	597,873	433,818	668,579	1,444,318	94,381	117,432	(144,644)	3,211,757
Segment total assets	41,640,755	76,580,620	115,642,962	101,781,744	8,348,363	8,662,258	54,316,914	406,973,616
Inter segment balances								(102,455,444)
Total assets								304,518,172
Segment total liabilities	41,006,060	73,446,388	114,868,811	99,985,914	7,862,027	7,934,005	32,141,478	377,244,683
Inter segment balances								(102,455,444)
Total liabilities								274,789,239

Note: Except for subsidiaries the collective provisions of the Group's United Arab Emirates operations are recognised centrally in the Head office accounts and are not allocated to the business units.

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
<i>As at and for the nine month period ended 30 September 2011 (unaudited):</i>								
Operating income	1,385,895	834,716	764,412	2,027,770	180,174	180,428	516,089	5,889,484
Net impairment charge	(180,332)	(63,092)	-	(430,049)	(5,435)	113	(338,003)	(1,016,798)
Profit / (loss) before taxation	649,307	476,925	678,456	1,427,988	44,641	130,381	(340,354)	3,067,344
Overseas taxation	-	(81,119)	-	-	(2,538)	-	-	(83,657)
Net profit / (loss) for the period	649,307	395,806	678,456	1,427,988	42,103	130,381	(340,354)	2,983,687
<i>As at 31 December 2011 (audited)</i>								
Segment total assets	38,161,060	53,882,988	81,032,958	101,818,967	7,721,189	9,933,120	51,334,172	343,884,454
Inter segment balances								(88,216,949)
Total assets								255,667,505
Segment total liabilities	37,278,142	51,140,937	81,000,396	99,637,619	7,258,254	9,355,964	31,823,657	317,494,969
Inter segment balances								(88,216,949)
Total liabilities								229,278,020

Note: Except for the subsidiaries, 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.

23 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholders, directors and key management personnel of the Group and their related concerns. The terms of related party 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.

Terms and conditions

Loans and deposits are granted and accepted in various currency denominations and for various time periods. Interest rates earned on such loans and advances extended to related parties during the period have ranged from 0.05% to 8.25% per annum (*Sep 2011: 0.59% to 18% per annum*) and interest rates incurred on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 4.50% per annum (*30 September 2011: nil to 4.80% 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 September 2011: 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 Sep '12 AED'000	Major shareholders 30 Sep '12 AED'000	Others 30 Sep '12 AED'000	(Unaudited) Total 30 Sep '12 AED'000	(Audited) Total 31 Dec '11 AED'000
Loans and advances	1,119,009	498,357	56,220,514	57,837,880	50,307,720
Customers' deposits	471,334	630,618	79,047,933	80,149,885	47,986,923
Commitments and contingencies	1,142,691	205,175	41,128,428	42,476,294	27,504,245

Others comprise Government of Abu Dhabi entities.

23 Related parties (continued)

Transactions

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

	Directors and key management 30 Sep '12 AED'000	Major shareholders 30 Sep '12 AED'000	Others 30 Sep '12 AED'000	(Unaudited) Total 30 Sep '12 AED'000	(Unaudited) Total 30 Sep '11 AED'000
Fees and commission					
Income	4,480	1,142	28,133	33,755	11,157
Interest income	22,522	15,193	999,869	1,037,584	1,153,293
Interest expense	1,110	21,151	219,511	241,772	209,586

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 and nine month period ended 30 September 2012 (30 September 2011: AED Nil).

Compensation of key management personnel and director's remuneration.

Key management compensation is as shown below:

	(Unaudited) Nine month period ended 30 Sep '12 AED'000	(Unaudited) Nine month period ended 30 Sep '11 AED'000	(Unaudited) Three month period ended 30 Sep '12 AED'000	(Unaudited) Three month period ended 30 Sep '11 AED'000
Short term employment benefits	56,159	47,297	25,612	15,765
Post employment benefits	1,326	1,140	616	461
Termination benefits	1,526	1,134	703	378
	59,011	49,571	26,931	16,604
Directors' remuneration	5,450	5,450	-	-

During the period, a coupon payment election was made by the Bank in relation to Government of Abu Dhabi tier 1 capital notes in the amount of AED 240 million (30 September 2011: AED 240 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 IAS 24.

24 Comparative figures

Certain comparative figures have been reclassified, where appropriate to conform with the presentation and accounting policies adopted in these consolidated interim financial statements.