

National Bank of Abu Dhabi PJSC

Condensed consolidated interim financial statements

31 March 2013

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 2013, the condensed consolidated interim statement of income and condensed consolidated interim statement of comprehensive income, changes in equity and cash flows for the three-month period then ended (the "condensed consolidated 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 31 March 2013 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Munther Dajani
Registration No.: 268

Date: 23 April 2013

National Bank of Abu Dhabi PJSC



Condensed consolidated interim statement of financial position

As at

		(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
	Note		
Assets			
Cash and balances with central banks	6	51,893,622	54,943,221
Investments at fair value through profit or loss		3,504,076	3,274,313
Due from banks and financial institutions		18,781,279	14,615,968
Reverse repurchase agreements		35,799,569	18,509,608
Loans and advances	7	162,448,442	164,599,378
Non-trading investments	8	34,749,221	32,286,857
Derivative financial instruments		7,285,939	5,583,080
Other assets		5,064,206	4,300,195
Investment properties		138,859	140,061
Premises and equipment		2,356,746	2,346,488
Total assets		322,021,959	300,599,169
Liabilities			
Due to banks and financial institutions	9	38,940,416	35,477,275
Repurchase agreements		4,525,560	2,017,041
Euro commercial paper	10	3,159,477	2,831,198
Customers' deposits	11	205,620,964	190,303,573
Term borrowings	12	19,809,805	19,073,630
Derivative financial instruments		6,505,778	6,652,508
Other liabilities		8,992,888	7,448,492
		287,554,888	263,803,717
Subordinated notes	13	3,243,894	5,662,361
Total liabilities		290,798,782	269,466,078
Equity			
Share capital	14	4,272,727	3,874,558
Statutory and special reserves		4,149,283	4,065,532
Other reserves		15,868,919	14,067,140
Government of Abu Dhabi tier 1 capital notes	15	4,000,000	4,000,000
Share option scheme	16	99,080	95,312
Subordinated convertible notes - equity component	13	-	21,420
Retained earnings		2,833,168	5,009,129
Total equity		31,223,177	31,133,091
Total liabilities and equity		322,021,959	300,599,169


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 statement of income

For the three month period ended 31 March (Unaudited)



	Note	31 Mar '13 AED'000	31 Mar '12 AED'000
Interest income		1,945,066	1,948,733
Interest expense		(477,416)	(558,436)
Net interest income		1,467,650	1,390,297
Income from Islamic financing contracts		77,701	80,064
Depositors' share of profits		(8,958)	(10,726)
Net income from Islamic financing contracts		68,743	69,338
Net interest and Islamic financing income		1,536,393	1,459,635
Fee and commission income		524,502	452,516
Fee and commission expense		(110,185)	(72,122)
Net fee and commission income		414,317	380,394
Net gain on investments		263,639	91,156
Net foreign exchange gain		132,513	81,686
Other operating income		163,441	16,734
		559,593	189,576
Operating income		2,510,303	2,029,605
General, administration and other operating expenses		(727,505)	(645,270)
Profit before net impairment charge and taxation		1,782,798	1,384,335
Net impairment charge	19	(322,135)	(312,799)
Profit before taxation		1,460,663	1,071,536
Overseas income tax expense		(51,170)	(30,956)
Net profit for the period		1,409,493	1,040,580
Basic earnings per share (AED)	20	0.30	0.22
Diluted earnings per share (AED)	20	0.30	0.21

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 comprehensive income

For the three month period ended 31 March (Unaudited)

	Note	31 Mar '13 AED'000	31 Mar '12 AED'000
Net profit for the period		1,409,493	1,040,580
Other comprehensive income			
<u>Items that may subsequently be reclassified to consolidated income statement:</u>			
Exchange difference on translation of foreign operations		6,805	(10,823)
Change in the fair value reserve	17	61,984	694,173
<u>Items that will not be reclassified to consolidated income statement:</u>			
Directors' remuneration		(5,950)	(5,450)
Expiry / buy back of subordinated notes		21,420	229
Other comprehensive income for the period		84,259	678,129
Total comprehensive income for the period		1,493,752	1,718,709

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National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of changes in equity

For the three month period ended 31 March (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 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	-	-	-	229	-	-	694,173	(10,823)	-	1,035,130	1,718,709
Payment on tier 1 capital note (note 15)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Option granted to staff	-	-	-	-	-	5,656	-	-	-	-	5,656
Dividends for 2011 (note 14)	-	-	-	-	-	-	-	-	-	(861,013)	(861,013)
Bonus shares issued (note 14)	1,004,515	-	-	(1,004,515)	-	-	-	-	-	-	-
Transfer to general reserve (note 14)	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Buy back of subordinated notes	-	-	-	-	-	-	-	-	(298)	-	(298)
Balance at 31 March 2012	3,874,558	1,435,021	2,128,253	13,465,784	4,000,000	82,153	(204,841)	(15,469)	27,341	2,339,739	27,132,539
Balance at 1 January 2013	3,874,558	1,937,279	2,128,253	13,469,554	4,000,000	95,312	699,317	(101,731)	21,420	5,009,129	31,133,091
Total comprehensive income for the period	-	-	-	21,420	-	-	61,984	6,805	-	1,403,543	1,493,752
Issue of shares (note 14, 16)	39,584	-	340,416	-	-	-	-	-	-	-	380,000
Treasury shares (note 14, 16)	(32,829)	-	(256,665)	2,984	-	-	-	-	-	-	(286,510)
Bonus shares issued (note 14)	391,414	-	-	(391,414)	-	-	-	-	-	-	-
Dividends for 2012 (note 14)	-	-	-	-	-	-	-	-	-	(1,359,504)	(1,359,504)
Transfer to general reserve (note 14)	-	-	-	2,100,000	-	-	-	-	-	(2,100,000)	-
Option granted to staff	-	-	-	-	-	3,768	-	-	-	-	3,768
Expiry of conversion option on subordinated convertible notes (note 13)	-	-	-	-	-	-	-	-	(21,420)	-	(21,420)
Payment on Tier 1 capital note (note 15)	-	-	-	-	-	-	-	-	-	(120,000)	(120,000)
Balance at 31 March 2013	4,272,727	1,937,279	2,212,004	15,202,544	4,000,000	99,080	761,301	(94,926)	-	2,833,168	31,223,177

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National Bank of Abu Dhabi PJSC

Condensed consolidated interim statement of cash flows

For the three month period ended 31 March (Unaudited)

	31 Mar '13 AED'000	31 Mar '12 AED'000
Cash flows from operating activities		
Profit before taxation	1,460,663	1,071,536
<i>Adjustments for:</i>		
Depreciation	47,828	40,396
Accreted interest	4,856	4,660
Profit on buy back of subordinated notes	(140,330)	(334)
Net impairment charge	428,255	395,908
Foreign exchange translation adjustment	(49,350)	60,960
Share options scheme	3,768	5,656
	1,755,690	1,578,782
Change in investments at fair value through profit or loss	(230,658)	(300,480)
Change in due from central banks, banks and financial institutions	1,236,457	(1,514,025)
Change in reverse repurchase agreements	(17,289,961)	(10,062,127)
Change in loans and advances	1,743,677	(4,088,337)
Change in derivative financial instruments	(1,871,264)	404,009
Change in other assets	(764,011)	(826,059)
Change in due to banks and financial institutions	3,463,141	(6,921,607)
Change in repurchase agreements	2,508,519	(1,451,259)
Change in customers' deposits	15,317,391	35,882,469
Change in other liabilities	160,520	2,067,208
	6,029,501	14,768,574
Overseas income tax paid, net of recoveries	(47,090)	(22,592)
Net cash from operating activities	5,982,411	14,745,982
Cash flows from investing activities		
Purchase of non-trading investments, net of proceeds from sale or maturity	(2,400,380)	1,982,603
Purchase of premises and equipment, net of disposals	(56,884)	(72,373)
Net cash (used in) / from investing activities	(2,457,264)	1,910,230
Cash flows from financing activities		
Proceeds from issue of shares	93,490	-
Net movement in euro commercial paper	328,279	3,308,571
Issue of term borrowings	1,201,093	2,754,750
Redemption of term borrowings	(367,300)	(2,039,397)
Buy back of subordinated notes	(2,308,540)	(10,927)
Payment on tier 1 capital notes	(120,000)	(120,000)
Dividends paid	-	(861,013)
Net cash (used in) / from financing activities	(1,172,978)	3,031,984
Net increase in cash and cash equivalents	2,352,169	19,688,196
Cash and cash equivalents at 1 January	55,631,383	29,989,578
Cash and cash equivalents at 31 March	57,983,552	49,677,774
Cash and cash equivalents comprise:		
<i>Contractual maturity within three months:</i>		
Cash and balances with central banks	49,100,911	34,714,201
Due from banks and financial institutions	8,882,641	14,963,573
	57,983,552	49,677,774

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 2013 comprises 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 2012 are available upon request from the Bank’s registered office 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 2012.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 23 April 2013.

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 2012 except for as stated below:

New standards and interpretations adopted

A number of new standards, amendments to standards and interpretations have become effective for the period and have been applied in preparing these condensed consolidated interim financial statements.

(a) Basis of consolidation

IFRS 10 establishes a single control model that applies to all entities including special purpose entities and replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Based on management's analysis, IFRS 10 had no significant impact on the consolidation of investments held by the Group.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. These changes had no impact on the condensed consolidated interim financial statements of the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The interim financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

These condensed consolidated interim financial statements of the Group comprise the Bank and its subsidiaries as listed below:

Abu Dhabi International Bank N.V.
 NBAD Securities LLC
 Abu Dhabi National Leasing LLC
 Abu Dhabi National Properties PrJC
 NBAD Trust Company (Jersey) Limited
 NBAD Private Bank (Suisse) SA
 Abu Dhabi National Islamic Finance Company
 Ample China Holding Limited
 Abu Dhabi Brokerage Egypt
 National Bank of Abu Dhabi Malaysia Berhad
 NBAD Investment Management (DIFC) Limited
 NBAD Employee Share Options Limited

Country of incorporation

Willemstad, Curacao
 Abu Dhabi, United Arab Emirates
 Abu Dhabi, United Arab Emirates
 Abu Dhabi, United Arab Emirates
 Jersey, Channel Islands
 Geneva, Switzerland
 Abu Dhabi, United Arab Emirates
 Hong Kong, China
 Egypt
 Kuala Lumpur, Malaysia
 Dubai, United Arab Emirates
 Dubai, United Arab Emirates

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Structured entities

A structured entity is established by the Group to perform a specific task. Structured entities are designed so that their activities are not governed by way of voting rights. In assessing whether the Group has power over such investees in which it has an interest, the Group considers factors such as the purpose and design of the investee; its practical ability to direct the relevant activities of the investee; the nature of its relationship with the investee; and the size of its exposure to the variability of returns of the investee.

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (*refer note 4*).

The Group's interest in investment funds is set out below:

Type of Structured Entity	Nature and purpose	Interest held by the Group
Investment Funds	Generate fees from managing assets on behalf of third-party investors	Investments in units issued by the fund amounting to AED 91,572 thousand (31 December 2012: AED 53,658 thousand)

(iii) IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary contributions by venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. Based on management's analysis, IFRS 11 had no significant impact on the accounting of the Group's condensed consolidated interim financial statements.

(iv) IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The disclosure for the same is set out in note 3(a)(ii).

(b) Financial assets and financial liabilities

IFRS 13 establishes a single source of guidance for all fair value measurements. The requirement on use fair value has not undergone any changes, rather it provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34, thereby affecting the condensed consolidated interim financial statements period. The Group provides these disclosures in Note 5(b).

National Bank of Abu Dhabi PJSC

Notes to the condensed consolidated interim financial statements

3 Significant accounting policies (continued)

(b) Financial assets and financial liabilities (continued)

In accordance with the transitional provisions, the Group has adopted IFRS 13 prospectively from the beginning of the period. The change had no impact on the measurements of the Group's assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in consolidated statement of income on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure.

The Group recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4 Estimates

The preparation of these 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 2012 except as stated below.

- (a) For all funds managed by the Group, the investors are able to vote by simple majority to remove the Group as fund manager, and the Group's aggregate economic interest in each fund is not material. As a result, the Group has concluded that it acts as agent for the investors in these funds, and therefore has not consolidated these funds.
- (b) Valuation of financial instruments are set out in note 3(b) and 5(b) of these condensed consolidated interim financial statements.

5 Financial risk management

(a) 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) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
Individually impaired						
Substandard	-	-	2,885,506	2,734,930	-	-
Doubtful	718	718	1,979,304	1,860,988	20,055	20,055
Loss	-	-	1,818,126	1,891,896	-	-
Gross amount	718	718	6,682,936	6,487,814	20,055	20,055
Interest suspended	-	-	(721,975)	(707,053)	-	-
Specific allowance for impairment	(718)	(718)	(3,221,775)	(3,089,649)	(16,712)	(16,712)
Carrying amount	-	-	2,739,186	2,691,112	3,343	3,343
Past due but not impaired						
<i>Past due comprises:</i>						
Less than 30 days	-	-	240,530	374,812	-	-
31 – 60 days	-	-	138,596	85,501	-	-
61 – 90 days	-	-	253,100	132,632	-	-
More than 90 days	-	-	2,225,596	1,935,744	-	-
Carrying amount	-	-	2,857,822	2,528,689	-	-
Renegotiated financial assets	-	-	2,467,037	2,478,270	-	-
Neither past due nor impaired	18,781,279	14,615,968	156,812,471	159,329,381	34,745,878	32,283,514
Collective allowance for impairment	-	-	(2,428,074)	(2,428,074)	-	-
Carrying amount	18,781,279	14,615,968	162,448,442	164,599,378	34,749,221	32,286,857

Non-trading investments includes investment in equity instruments amounting to AED 123 million (31 December 2012: AED 121 million) which does not carry credit risk.

During the period, no allowance for impairment has been recognised against any financial asset other than those mentioned above (31 December 2012: AED Nil).

5 Financial risk management (continued)
(b) Fair value hierarchy

The table below analyzes financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
As at 31 March 2013 (Unaudited)				
Financial assets held for trading	3,361,555	124,279	-	3,485,834
Designated at fair value through profit and loss	18,242	-	-	18,242
Available-for-sale financial assets	28,000,760	2,733,521	14,867	30,749,148
Derivative financial instruments (Assets)	3,641	7,282,298	-	7,285,939
Derivative financial instruments (Liabilities)	1,603	6,504,175	-	6,505,778
	31,385,801	16,644,273	14,867	48,044,941
As at 31 December 2012 (Audited)				
Financial assets held for trading	3,121,220	133,042	-	3,254,262
Designated at fair value through profit and loss	-	20,051	-	20,051
Available-for-sale financial assets	24,806,638	3,332,890	20,027	28,159,555
Derivative financial instruments (Assets)	1,540	5,581,540	-	5,583,080
Derivative financial instruments (Liabilities)	812	6,651,696	-	6,652,508
	27,930,210	15,719,219	20,027	43,669,456

Certain available-for-sale investment securities have been disclosed under Level 3 of the fair value hierarchy as management has recorded these at cost in the absence of observable market data. Management has deemed cost to be a close approximation of their fair value.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3:

	2013
	AED'000
Available-for-sale financial assets	
Balance as at 1 January 2013	20,027
Purchases	-
Settlements and other adjustments	(5,160)
Balance as at 31 March 2013	14,867

6 Cash and balances with central banks

Cash and balances with central banks include Certificates of Deposit with the Central Bank of UAE in the amount of AED 5,000 million (31 December 2012: AED 7,000 million).

7 Loans and advances

	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
Gross loans and advances	168,820,266	170,824,154
Less: allowance for impairment	(5,649,849)	(5,517,723)
Less: interest suspended	(721,975)	(707,053)
Net loans and advances	<u>162,448,442</u>	<u>164,599,378</u>

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

	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
Government sector	20,216,350	21,153,974
Public sector	40,388,601	40,649,950
Banking sector	21,443,250	20,177,846
Corporate / private sector	59,908,440	62,038,598
Personal / retail sector	26,863,625	26,803,786
Gross loans and advances	<u>168,820,266</u>	<u>170,824,154</u>

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

	(Unaudited) 31 Mar '13 AED'000	(Unaudited) 31 Mar '12 AED'000
At the beginning of the period	5,517,723	4,800,706
Charge for the period		
- Collective provision	-	(567)
- Specific provision	494,112	434,115
Recoveries	(104,399)	(81,680)
Write-backs during the period	(87,589)	(61,975)
Write-offs during the period	(169,998)	(52,893)
Balance as at 31 March	<u>5,649,849</u>	<u>5,037,706</u>

7 Loans and advances (continued)

Islamic financing

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

	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
Ijara	6,081,340	6,207,987
Murabaha	659,976	583,102
Mudaraba	4,066	3,805
Others	3,750	3,576
Gross Islamic financing contracts	6,749,132	6,798,470
Less: allowance for impairment	(41,183)	(39,580)
Less: suspended profit	(873)	(819)
Net Islamic financing contracts	6,707,076	6,758,071

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

	(Unaudited) 31 Mar '13 AED'000	(Unaudited) 31 Mar '12 AED'000
At the beginning of the period	39,580	63,648
Write-backs during the period	(41)	-
Amounts written-off and other adjustments	1,644	(3,833)
At the reporting date	41,183	59,815

8 Non-trading investments

Non-trading investments include financial instruments of AED 2,889 million (31 December 2012: AED 1,245 million) given under repurchase agreements 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 7,595 million (31 December 2012: AED 8,620 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.

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

11 Customers’ deposits

	(Unaudited) 31 Mar ‘13 AED’000	(Audited) 31 Dec ‘12 AED’000
By account:		
Current accounts	38,980,187	37,798,161
Savings accounts	9,082,581	8,818,334
Notice and time deposits	148,512,115	132,933,772
Certificates of deposit	9,046,081	10,753,306
	205,620,964	190,303,573
By counterparty:		
Government sector	79,827,396	77,558,577
Public sector	24,698,729	21,544,696
Corporate / private sector	54,204,226	50,916,022
Retail sector	46,890,613	40,284,278
	205,620,964	190,303,573

Islamic customers’ deposits

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

	(Unaudited) 31 Mar ‘13 AED’000	(Audited) 31 Dec ‘12 AED’000
Wakala deposits	1,584,498	3,020,855
Mudaraba deposits	194,975	180,655
	1,779,473	3,201,510

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12 Term borrowings

	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
Club loan and other facilities	3,489,350	3,856,650
Other term notes	16,320,455	15,216,980
	19,809,805	19,073,630

The following term notes were outstanding as at reporting dates:

Currency	Interest	Maturity	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
HKD	1.65 per cent (fixed)	Oct 2013	89,003	89,119
USD	4.50 per cent (fixed)	Sep 2014	3,220,526	3,238,546
HKD	3.80 per cent (fixed)	Sep 2014	194,710	195,697
HKD	3.90 per cent (fixed)	Oct 2014	119,373	119,967
USD	4.25 per cent (fixed)	Mar 2015	2,864,696	2,879,242
MYR	4.75 per cent (fixed)	Jun 2015	599,617	595,851
USD	3.25 per cent (fixed)	Mar 2017	2,819,873	2,828,117
HKD	3.40 per cent (fixed)	Sep 2017	155,385	156,286
USD	3.71 per cent (fixed)	Sep 2017	115,763	116,365
HKD	4.32 per cent (fixed)	Sep 2017	156,162	157,450
AUD	5.00 per cent (fixed)	Mar 2018	1,129,297	-
USD	3.00 per cent (fixed)	Aug 2019	2,730,520	2,750,561
HKD	4.45 per cent (fixed)	Sep 2019	166,533	169,434
MYR	4.90 per cent (fixed)	Dec 2020	631,933	569,676
HKD	3.95 per cent (fixed)	Apr 2022	158,867	163,381
JPY	2.60 per cent (fixed)	Jul 2026	395,925	431,052
HKD	3.94 per cent (fixed)	Jul 2027	187,322	194,400
MXN	0.50 per cent (fixed)	Mar 2028	49,778	-
USD	4.37 per cent (fixed)	Aug 2032	269,213	281,668
USD	4.10 per cent (fixed)	Sep 2032	104,784	109,598
USD	4.80 per cent (fixed)	Sep 2036	73,545	77,456
USD	5.01 per cent (fixed)	May 2042	87,630	93,114
			16,320,455	15,216,980

13 Subordinated notes

	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
Subordinated note - Ministry of Finance Tier 2 notes	1,634,415	3,273,621
Other subordinated notes	1,609,479	2,388,740
	<u>3,243,894</u>	<u>5,662,361</u>

Ministry of Finance Tier 2 notes

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 repaid Ministry of Finance Tier 2 notes with nominal value of AED 1.5 billion (31 December 2012: AED 2.6 billion). Subsequent to reporting date the balance outstanding with a nominal value of AED 1.5 billion was repaid.

Other subordinated notes

	(Unaudited) 31 Mar '13 AED'000	(Audited) 31 Dec '12 AED'000
<i>Liability component</i>		
15 March 2006 issue	1,033,352	1,032,824
28 February 2008 issue	-	807,817
10 December 2012 issue	576,127	548,099
	<u>1,609,479</u>	<u>2,388,740</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	(31,564)	(31,564)
Transfer to general reserve	(53,844)	(32,424)
	<u>-</u>	<u>21,420</u>

28 February 2008 issue:

The Bank has exercised its call option and fully redeemed these notes on 28 February 2013 "the first call date"; as a result, the corresponding liability pertaining to the issue has been extinguished. The conversion option held by the note holders expired ten days prior to the first call date. Accordingly, the equity component of AED 21,420 thousand related to this issue was transferred to the general reserve. The Bank had no gain or loss as a result of this repayment.

14 Share capital

At the Annual General Meeting (AGM) held on 12 March 2013, the shareholders of the Bank approved a cash dividend of AED 0.35 per ordinary share (*31 December 2012: AED 0.30 per ordinary share*) and an increase in the share capital through a 10% bonus shares issue of 391,414 thousand ordinary shares of AED 1 each (*31 December 2012: 35% bonus shares issue of 1,004,515 thousand ordinary shares of AED 1 each*) amounting to AED 391,414 thousand (*31 December 2012: AED 1,004,515 thousand*). Accordingly, the issued and paid up share capital as at 31 March 2013 is comprised of 4,305,556 thousand ordinary shares of AED 1 each, including shares under the staff share option scheme (*note 16*) (*31 December 2012: 3,874,558 thousand ordinary shares of AED 1 each*).

Reconciliation of Share capital

	(Unaudited) 31 Mar '13 AED'000	(Unaudited) 31 Mar '12 AED'000
As at 1 January	3,874,558	2,870,043
Shares issued under Share option scheme	39,584	-
	3,914,142	2,870,043
Bonus Shares issued during the period	391,414	1,004,515
	4,305,556	3,874,558
Treasury shares held	(32,829)	-
As at 31 March	4,272,727	3,874,558

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors to the shareholders. On 12 March 2013 the AGM approved the transfer of AED 2.1 billion (*31 December 2012: 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 2012: AED 120 million*).

16 Share option scheme

The Bank had 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 next three years after the vesting period. The key vesting condition is that the option holder is in continued employment with the Bank until the end of vesting period. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

The Group has established a subsidiary to issue shares when the vested option is exercised by the employee. During the period the Bank has issued and transferred 39,584 thousand shares to the subsidiary, which is equivalent to the number of shares that would be required if option holders exercise their options. These shares are treated as treasury shares until exercised by the option holders.

As at the reporting date 9,739 thousand options were exercised at an exercise price of AED 9.6 per share by the option holders resulting in an increase in the total share capital by AED 9,739 thousand and share premium by AED 83,751 thousand (included in special reserve).

Reconciliation of treasury shares held under the Scheme

	(Unaudited) 31 Mar '13 AED'000	(Unaudited) 31 Mar '12 AED'000
As at 1 January	-	-
Shares issued under the Scheme	39,584	-
	39,584	-
Options exercised by staff during the period	(9,739)	-
	29,845	-
Bonus Shares issued during the period	2,984	-
As at 31 March	32,829	-

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17 Fair value reserve

	(Unaudited) 31 Mar 2013 AED'000	(Unaudited) 31 Mar 2012 AED'000
<i>Revaluation reserve – non-trading investment</i>		
At 1 January	699,317	(916,238)
Net change in fair value	61,984	704,126
At 31 March	<u>761,301</u>	<u>(212,112)</u>
<i>Hedging reserve – cash flow hedges</i>		
At 1 January	-	17,224
Net change in fair value	-	(9,953)
At 31 March	<u>-</u>	<u>7,271</u>
Total at 31 March	<u>761,301</u>	<u>(204,841)</u>

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 27,266 million (31 December 2012: AED 25,805 million).

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

19 Net impairment charge

	(Unaudited) 31 Mar '13 AED'000	(Unaudited) 31 Mar '12 AED'000
Collective provision for loans and advances (note 7)	-	(567)
Specific provision for loans and advances (note 7)	494,112	434,115
Write back of provisions for loans and advances (note 7)	(87,589)	(61,975)
Recovery of loan loss provisions (note 7)	(104,399)	(81,680)
Write-off of impaired financial assets	7,389	24,333
Recovery of loans previously written off	(1,720)	(1,427)
Impairment of non financial assets	14,342	-
	<u>322,135</u>	<u>312,799</u>

20 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) 31 Mar '13	(Unaudited) 31 Mar '12
Basic earnings per share:		
Net profit for the period (AED'000)	1,409,493	1,040,580
Less: payment on interest on tier 1 capital note (AED'000)	(120,000)	(120,000)
Net profit after payment of interest on tier 1 capital note (AED'000)	1,289,493	920,580
Weighted average number of ordinary shares:		
Ordinary shares as at the beginning of the period ('000)	3,874,558	2,870,043
Effect of bonus shares issued during 2013 ('000)	388,430	388,430
Effect of bonus shares issued during 2012 ('000)	-	1,004,515
Weighted average numbers of shares exercised under the share options scheme ('000)	1,082	-
Weighted average number of ordinary shares ('000)	4,264,070	4,262,988
Basic earnings per share (AED)	0.30	0.22
Diluted earnings per share:		
Net profit after payment of interest on tier 1 capital note (AED'000)	1,289,493	920,580
Add: Interest on subordinated convertible notes (AED'000)	1,179	5,418
Net profit for the period for calculating diluted earnings per share (AED'000)	1,290,672	925,998
Weighted average number of ordinary shares ('000)	4,264,070	4,262,988
Effect of subordinated convertible note in issue ('000)	34,364	81,221
Number of dilutive shares under share options scheme ('000)	4,565	-
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	4,302,999	4,344,209
Diluted earnings per share (AED)	0.30	0.21

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21 Segmental information

	Domestic Banking AED'000	Int'l Banking AED'000	Global Financial Markets AED'000	Global Banking AED'000	Corporate Banking and Real Estate 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 2013 (unaudited)</i>									
Operating income	516,771	372,140	447,826	350,408	314,358	100,763	67,644	340,393	2,510,303
Net impairment charge	(123,959)	(24,513)	-	(20,704)	(150,191)	(1,977)	41	(832)	(322,135)
Profit before taxation	174,891	235,081	407,128	290,532	141,477	48,281	43,620	119,653	1,460,663
Overseas taxation	-	(48,849)	-	-	-	(2,321)	-	-	(51,170)
Net profit for the period	174,891	186,232	407,128	290,532	141,477	45,960	43,620	119,653	1,409,493
Segment total assets	49,515,114	88,803,390	127,380,516	61,687,902	38,449,121	8,936,475	8,235,686	55,434,780	438,442,984
Inter segment balances									(116,421,025)
Total assets									322,021,959
Segment total liabilities	49,285,608	85,230,098	126,992,662	61,168,165	38,067,457	8,491,253	7,404,511	30,580,053	407,219,807
Inter segment balances									(116,421,025)
Total liabilities									290,798,782

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.

During the period, "Corporate and Investment Banking Division" was split into two separate businesses namely "Global Banking" and "Corporate Banking and Real Estate".

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21 Segmental information (continued)

	Domestic Banking AED'000	Int'l Banking AED'000	Global 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 2012 (unaudited)</i>								
Operating income	466,818	328,595	256,938	689,878	76,643	62,093	148,640	2,029,605
Net impairment charge	(51,113)	(40,927)	-	(218,625)	1	-	(2,135)	(312,799)
Profit / (loss) before taxation	219,243	182,523	222,970	413,285	29,085	40,598	(36,168)	1,071,536
Overseas taxation	-	(29,703)	-	-	(1,253)	-	-	(30,956)
Net profit / (loss) for the period	219,243	152,820	222,970	413,285	27,832	40,598	(36,168)	1,040,580
<i>As at 31 December 2012 (audited)</i>								
Segment total assets	41,884,846	93,119,495	114,288,050	99,660,417	8,441,653	9,154,649	52,172,713	418,721,823
Inter segment balances								(118,122,654)
Total assets								300,599,169
Segment total liabilities	41,046,212	89,896,231	113,009,996	97,251,025	7,916,264	8,388,279	30,080,725	387,588,732
Inter segment balances								(118,122,654)
Total liabilities								269,466,078

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.

During the period, the Group has restructured its internal reportable segment in manner that provides more financial information to the chief operating decision makers. Due to impracticability of restatement of the quarterly comparative segment information, the comparative information is presented as per the previous segmental bifurcations.

22 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 of major shareholders, directors and key management personnel of the Group. The terms of 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 70.31% (31 December 2012: 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 on such loans and advances extended to related parties during the period have ranged from 0.08% to 8.25% per annum (31 March 2012: 0.15% to 7.05% per annum) and interest rates on customers' deposits placed by related parties during the period have ranged from nil (non-interest bearing accounts) to 3.80% per annum (31 March 2012: nil to 4.50% 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 2012: 0.50% to 1.00% per annum).

Collaterals held against lending to related parties range from being unsecured to fully secured.

Balances

Balances with related parties at the reporting date are shown below:

	Directors and key management 31 Mar '13 AED'000	Major shareholders 31 Mar '13 AED'000	Others¹ 31 Mar '13 AED'000	(Unaudited) Total 31 Mar '13 AED'000	(Audited) Total 31 Dec '12 AED'000
Financial assets	882,565	714,925	58,473,630	60,071,120	58,394,683
Financial liabilities	1,636,020	4,109,994	86,386,518	92,132,532	82,580,171
Commitments and contingencies	383,100	201,088	35,933,981	36,518,169	39,780,103

¹Others comprise of Government of Abu Dhabi related entities.

22 Related parties (continued)

Transactions

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

	Directors and key management	Major shareholders	Others	(Unaudited) Total	(Unaudited) Total
	31 Mar '13	31 Mar '13	31 Mar '13	31 Mar '13	31 Mar '12
	AED'000	AED'000	AED'000	AED'000	AED'000
Fee and commission income	2,159	429	6,043	8,631	5,224
Interest income	7,411	5,519	412,520	425,450	311,526
Interest expense	175	674	79,733	80,582	80,761

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 2013 (31 March 2012: AED Nil).

Compensation of key management personnel and director's remuneration.

Key management compensation is as shown below:

	(Unaudited) Three month period ended 31 Mar '13 AED'000	(Unaudited) Three month period ended 31 Mar '12 AED'000
Short term employment benefits	48,149	38,229
Post employment benefits	404	354
Termination benefits	423	412
	48,976	38,995
Directors' remuneration	5,950	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 120 million (31 March 2012: AED 120 million).

23 Comparative figures

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