



FAB Q2/H1'17 Financial Results

- *Pro forma Financial Statements*
- *Reviewed Financial Statements*

**Grow
Stronger**

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

Pro forma Condensed Consolidated Interim Financial Information

June 30, 2017

PRO FORMA CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The following pro forma condensed consolidated financial information (“Pro forma financial information”) illustrates the effects on the statement of financial position and financial performance of the combination (Merger) between National Bank of Abu Dhabi and its subsidiaries (together referred to as “NBAD”) and First Gulf Bank and its subsidiaries (together referred to as “FGB”).

The Pro forma financial information consists of the Unaudited Pro Forma Condensed Consolidated Statement of Financial Position of NBAD and FGB (together referred to as “the Group”) as at 30 June 2017, and its Unaudited Pro forma Condensed Consolidated interim statement of Profit or Loss for the period then ended. These statements are prepared as if the Merger has taken place as at 1 Jan 2016.

The purpose of the Pro forma financial information is to show the material effects that the Merger of NBAD and FGB would have had on the historical consolidated statement of financial position if the Group had already existed in the structure created by the Merger as at 30 June 2017 and on the historical consolidated statement of profit or loss for the financial period ended 30 June 2017. They are not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The presentation of the Pro forma financial information of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the pro forma consolidated statement of financial position and financial performance addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial position and financial performance of the Group. Furthermore, the Pro forma financial information is only meaningful in conjunction with the historical consolidated financial statements of NBAD and FGB as at and for the financial year ended 31 December 2016.

The Pro forma financial information have been compiled based on the accounting policies adopted by the Group for the preparation of 30 June 2017 financial information. Any impact due to change in the accounting policy and adjustment have been reflected in prior comparative periods. The Pro forma financial information does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the Merger. The Pro forma financial information gives no indication of the results and future financial situation of the activities of the Group.

Condensed consolidated interim statement of financial position

As at

Assets	30 Jun 2017	31 Dec 2016
	AED'000	AED'000
Cash and balances with central banks	110,834,699	123,441,316
Investments at fair value through profit or loss	15,823,134	11,381,851
Due from banks and financial institutions	15,706,360	17,308,257
Reverse repurchase agreements	23,018,220	14,278,842
Derivative financial instruments	11,151,047	13,796,739
Loans and advances	321,264,187	334,430,035
Non-trading investments	82,736,565	92,855,423
Other assets	17,946,189	16,261,635
Investment properties	6,551,974	6,468,106
Property and equipment	4,493,565	4,594,230
Intangibles	15,060,400	14,304,189
Total assets	624,586,340	649,120,623
Liabilities		
Due to banks and financial institutions	34,018,195	48,401,950
Repurchase agreements	22,398,654	29,594,535
Commercial paper	13,456,087	13,725,897
Derivative financial instruments	15,560,435	16,040,059
Customer accounts and other deposits	377,268,519	379,165,290
Term borrowings	44,212,389	46,830,945
Other liabilities	20,271,023	17,571,983
Subordinated notes	388,192	355,987
Total liabilities	527,573,494	551,686,646
Equity		
Share capital	10,897,545	10,897,545
Share premium	53,024,060	52,771,684
Treasury shares	(42,875)	(48,746)
Statutory and special reserves	5,254,545	5,254,545
Other reserves	957,120	725,067
Tier 1 capital notes	10,754,750	10,754,750
Share option scheme	241,966	228,349
Convertible notes - equity component	108,265	108,265
Retained earnings	15,363,881	16,309,736
Total equity attributable to shareholders of the Group	96,559,257	97,001,195
Non-controlling interest	453,589	432,782
Total Equity	97,012,846	97,433,977
Total liabilities and equity	624,586,340	649,120,623

Condensed consolidated interim statement of profit or loss

For the six month period ended

	Note	Six Month Period Ended		Three Month Period Ended	
		30 June		30 June	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Interest income		9,370,959	9,223,011	4,742,773	4,608,706
Interest expense		(2,987,927)	(2,493,523)	(1,572,021)	(1,251,849)
Net interest income		6,383,032	6,729,488	3,170,752	3,356,857
Fee and commission income		2,353,596	2,657,457	1,210,831	1,399,711
Fee and commission expense		(722,106)	(704,827)	(365,656)	(358,398)
Net fee and commission income		1,631,490	1,952,630	845,175	1,041,313
Net foreign exchange gain		494,401	750,270	326,094	365,395
Net gain on investments and derivatives	23	1,252,646	118,562	271,438	90,821
Other operating income	24	89,247	177,499	48,650	99,162
Operating income		9,850,816	9,728,449	4,662,109	4,953,548
General, administration and other operating expenses		(2,891,907)	(2,891,959)	(1,384,329)	(1,469,295)
Profit before net impairment charge and taxation		6,958,909	6,836,490	3,277,780	3,484,253
Net impairment charge	25	(1,260,323)	(1,366,881)	(610,971)	(695,987)
Profit before taxation		5,698,586	5,469,609	2,666,809	2,788,266
Overseas income tax expense		(199,499)	(165,384)	(94,274)	(87,646)
Net profit for the period		5,499,087	5,304,225	2,572,535	2,700,620
Profit attributable to:					
Shareholders of the Group		5,487,737	5,284,468	2,562,058	2,681,550
Non-controlling interests		11,350	19,757	10,477	19,070
		5,499,087	5,304,225	2,572,535	2,700,620

Segmental information

	Business Segment				Geographic Segment					
	Corporate and Investment Banking AED'000	Personal Banking AED'000	Subsidiaries AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Middle East And Africa AED'000	Europe and Americas AED'000	Asia - Pacific AED'000	Total AED'000
<i>For the six month period ended 30 June 2017</i>										
Net Interest income	2,738,584	2,577,956	326,556	739,936	6,383,032	5,722,442	329,379	181,859	149,352	6,383,032
Net non-interest income	2,009,308	838,872	290,445	329,159	3,467,784	2,895,145	153,514	312,120	107,005	3,467,784
Operating income	<u>4,747,892</u>	<u>3,416,828</u>	<u>617,001</u>	<u>1,069,095</u>	9,850,816	<u>8,617,587</u>	<u>482,893</u>	<u>493,979</u>	<u>256,357</u>	9,850,816
General administration and other operating expenses	992,809	1,408,763	374,025	116,310	2,891,907	2,475,451	179,149	156,884	80,423	2,891,907
Net impairment charge	(88,083)	978,265	300,306	69,835	1,260,323	1,277,863	21,072	(293)	(38,319)	1,260,323
Profit before taxation	<u>3,843,166</u>	<u>1,029,800</u>	<u>(57,330)</u>	<u>882,950</u>	5,698,586	<u>4,864,273</u>	<u>282,672</u>	<u>337,388</u>	<u>214,253</u>	5,698,586
Overseas taxation	126,734	66,285	7,180	(700)	199,499	2,086	59,480	122,991	14,942	199,499
Net profit for the period	<u>3,716,432</u>	<u>963,515</u>	<u>(64,510)</u>	<u>883,650</u>	5,499,087	<u>4,862,187</u>	<u>223,192</u>	<u>214,397</u>	<u>199,311</u>	5,499,087
<i>As at 30 June 2017</i>										
Segment total assets	<u>397,249,556</u>	<u>98,928,121</u>	<u>24,838,099</u>	<u>133,411,821</u>	654,427,597	<u>509,862,441</u>	<u>21,270,166</u>	<u>94,739,045</u>	<u>20,387,362</u>	646,259,014
Inter segment balances					(29,841,257)					(21,672,674)
Total assets					<u>624,586,340</u>					<u>624,586,340</u>
Segment total liabilities	<u>390,344,183</u>	<u>97,295,483</u>	<u>14,363,590</u>	<u>55,411,495</u>	557,414,751	<u>425,478,521</u>	<u>15,558,928</u>	<u>91,729,600</u>	<u>16,479,119</u>	549,246,168
Inter segment balances					(29,841,257)					(21,672,674)
Total liabilities					<u>527,573,494</u>					<u>527,573,494</u>

Segmental information (continued)

	Business Segment					Geographic Segment				
	Corporate and Investment Banking AED'000	Personal Banking AED'000	Subsidiaries AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Middle East And Africa AED'000	Europe and Americas AED'000	Asia - Pacific AED'000	Total AED'000
For the six month period ended 30 June 2016										
Net Interest income	2,898,269	2,900,984	315,237	614,998	6,729,488	5,990,802	399,123	224,255	115,308	6,729,488
Net non-interest income	1,793,674	833,066	411,293	(39,072)	2,998,961	2,450,721	187,605	261,706	98,929	2,998,961
Operating income	<u>4,691,943</u>	<u>3,734,050</u>	<u>726,530</u>	<u>575,926</u>	<u>9,728,449</u>	<u>8,441,523</u>	<u>586,728</u>	<u>485,961</u>	<u>214,237</u>	<u>9,728,449</u>
General administration and other operating expenses	1,044,064	1,582,737	316,865	(51,707)	2,891,959	2,448,700	204,026	155,959	83,274	2,891,959
Net impairment charge	<u>6,116</u>	<u>1,079,660</u>	<u>274,009</u>	<u>7,096</u>	<u>1,366,881</u>	<u>1,338,960</u>	<u>38,748</u>	<u>86,224</u>	<u>(97,051)</u>	<u>1,366,881</u>
Profit before taxation	<u>3,641,763</u>	<u>1,071,653</u>	<u>135,656</u>	<u>620,537</u>	<u>5,469,609</u>	<u>4,653,863</u>	<u>343,954</u>	<u>243,778</u>	<u>228,014</u>	<u>5,469,609</u>
Overseas taxation	<u>93,486</u>	<u>59,335</u>	<u>12,319</u>	<u>244</u>	<u>165,384</u>	<u>613</u>	<u>86,772</u>	<u>74,715</u>	<u>3,284</u>	<u>165,384</u>
Net profit for the period	<u>3,548,277</u>	<u>1,012,318</u>	<u>123,337</u>	<u>620,293</u>	<u>5,304,225</u>	<u>4,653,250</u>	<u>257,182</u>	<u>169,063</u>	<u>224,730</u>	<u>5,304,225</u>
As at 31 December 2016										
Segment total assets	<u>422,013,912</u>	<u>101,349,880</u>	<u>24,919,474</u>	<u>158,874,736</u>	<u>707,158,002</u>	<u>530,916,692</u>	<u>22,251,895</u>	<u>111,357,266</u>	<u>26,808,386</u>	<u>691,334,239</u>
Inter segment balances					(58,037,379)					(42,213,616)
Total assets					<u>649,120,623</u>					<u>649,120,623</u>
Segment total liabilities	<u>411,167,120</u>	<u>98,520,038</u>	<u>14,310,867</u>	<u>85,726,000</u>	<u>609,724,025</u>	<u>446,830,495</u>	<u>16,160,476</u>	<u>109,214,755</u>	<u>21,694,536</u>	<u>593,900,262</u>
Inter segment balances					(58,037,379)					(42,213,616)
Total liabilities					<u>649,120,623</u>					<u>649,120,623</u>

Condensed Consolidated Interim Financial Statements

June 30, 2017

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To The Shareholders of First Abu Dhabi Bank P.J.S.C.

Introduction

We have reviewed the accompanying 30 June 2017 condensed consolidated interim financial information of First Abu Dhabi Bank P.J.S.C. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2017;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2017;
- the condensed consolidated interim statement of other comprehensive income for the three-month and six-month periods ended 30 June 2017;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2017; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this 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 condensed consolidated 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 30 June 2017 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The financial statements as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on those financial statements on 31 January 2017.
The interim financial statements as at and for the periods ended 31 March 2017 and 30 June 2016 were reviewed by another auditor who expressed an unqualified conclusion on those interim financial statements on 19 April 2017 and 27 July 2016, respectively.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 26 JUL 2017

Condensed consolidated interim statement of financial position

As at

Assets	Note	(Unaudited)	(Audited)
		30 Jun 2017 AED'000	31 Dec 2016 AED'000
Cash and balances with central banks	7	110,834,699	24,776,717
Investments at fair value through profit or loss	8	15,823,134	899,524
Due from banks and financial institutions		15,706,360	12,932,570
Reverse repurchase agreements		23,018,220	5,449,019
Derivative financial instruments		11,151,047	1,953,003
Loans and advances	9	321,264,187	134,650,001
Non-trading investments	10	82,736,565	28,413,499
Other assets		17,946,189	6,784,453
Investment properties	11	6,551,974	6,422,502
Property and equipment		4,493,565	1,528,255
Intangibles	12	15,060,400	170,398
Total assets		624,586,340	223,979,941
Liabilities			
Due to banks and financial institutions	13	34,018,195	11,585,628
Repurchase agreements		22,398,654	13,109,155
Commercial paper	14	13,456,087	10,016,916
Derivative financial instruments		15,560,435	2,835,008
Customer accounts and other deposits	15	377,268,519	125,782,798
Term borrowings	16	44,212,389	18,294,545
Other liabilities		20,271,023	4,698,919
Subordinated notes	17	388,192	-
Total liabilities		527,573,494	186,322,969
Equity			
Share capital	18	10,897,545	4,500,000
Share premium		53,024,060	-
Treasury shares		(42,875)	-
Statutory and special reserves		5,254,545	11,030,110
Other reserves		957,120	725,064
Tier 1 capital notes	19	10,754,750	4,000,000
Share option scheme	20	241,966	-
Convertible notes - equity component		108,265	-
Retained earnings		15,363,881	16,969,016
Total equity attributable to shareholders of the Group		96,559,257	37,224,190
Non-controlling interest		453,589	432,782
Total Equity		97,012,846	37,656,972
Total liabilities and equity		624,586,340	223,979,941

Chairman

Group Chief Executive Officer

Group Chief Financial Officer

The notes 1 to 31 are an integral part of these condensed consolidated interim financial statements.

The independent auditor's report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

Condensed consolidated interim statement of profit or loss

For the six month period ended (Unaudited)

	Note	Six Month Period Ended		Three Month Period Ended	
		30 June		30 June	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Interest income		6,855,828	4,219,890	4,742,773	2,084,632
Interest expense		(2,130,522)	(1,078,086)	(1,572,021)	(523,999)
Net interest income		4,725,306	3,141,804	3,170,752	1,560,633
Fee and commission income		1,601,610	960,386	1,210,831	532,362
Fee and commission expense		(446,915)	(150,063)	(365,656)	(81,588)
Net fee and commission income		1,154,695	810,323	845,175	450,774
Net foreign exchange gain		367,172	106,535	326,094	40,715
Net gain on investments and derivatives	23	356,335	135,733	271,438	68,109
Other operating income	24	94,780	166,967	48,650	95,506
Operating income		6,698,288	4,361,362	4,662,109	2,215,737
General, administration and other operating expenses		(1,918,053)	(917,550)	(1,384,329)	(482,105)
Profit before net impairment charge and taxation		4,780,235	3,443,812	3,277,780	1,733,632
Net impairment charge	25	(962,706)	(774,086)	(610,971)	(398,089)
Profit before taxation		3,817,529	2,669,726	2,666,809	1,335,543
Overseas income tax expense		(100,950)	(12,350)	(94,274)	(11,168)
Net profit for the period		3,716,579	2,657,376	2,572,535	1,324,375
Profit attributable to:					
Shareholders of the Group		3,705,229	2,637,619	2,562,058	1,305,305
Non-controlling interests		11,350	19,757	10,477	19,070
		3,716,579	2,657,376	2,572,535	1,324,375
Basic earnings per share (AED)	26	0.43	0.46	0.23	0.23
Diluted earnings per share (AED)	26	0.43	0.46	0.23	0.23

The notes 1 to 31 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 pages 1 and 2.

Condensed consolidated interim statement of comprehensive income

For the six month period ended (Unaudited)

	Six Month Period Ended		Three Month Period Ended	
	30 June		30 June	
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	3,716,579	2,657,376	2,572,535	1,324,375
Other comprehensive income				
<u>Items that are or may subsequently be reclassified to condensed consolidated interim statement of profit or loss</u>				
Exchange difference on translation of foreign operations	27,347	5,810	20,566	(5,543)
Net change in fair value reserve during the period	214,166	225,357	105,453	132,298
<u>Items that will not subsequently be reclassified to condensed consolidated interim statement of profit or loss</u>				
Re-measurement of defined benefit obligations	(865)	-	(865)	-
Other comprehensive income for the period	240,648	231,167	125,154	126,755
Total comprehensive income for the period	3,957,227	2,888,543	2,697,689	1,451,130
Comprehensive income attributable to:				
Shareholders of the Group	3,936,420	2,866,287	2,680,280	1,434,281
Non-controlling interest	20,807	22,256	17,409	16,849
Total comprehensive income for the period	3,957,227	2,888,543	2,697,689	1,451,130

The notes 1 to 31 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 pages 1 and 2.

Condensed consolidated interim statement of cash flows

For the six month period ended (Unaudited)

	(Unaudited) 30 Jun 2017 AED'000	(Unaudited) 30 Jun 2016 AED'000
Cash flows from operating activities		
Profit before taxation	3,817,529	2,669,724
Adjustments for:		
Depreciation	142,767	61,247
Gain on sale of investment property	(29,997)	(66,829)
Net impairment charges	1,153,835	822,418
Accreted interest	62,799	2,385
Foreign currency translation adjustment	254,138	116,153
Share option scheme	6,168	-
Change in investments at fair value through profit or loss	1,264,050	(49,893)
Change in due from central banks, banks and financial institutions	(1,545,729)	379,013
Change in reverse repurchase agreements	307,170	(1,362,274)
Change in loans and advances	22,239,372	(5,288,365)
Change in other assets	(2,245,397)	1,896,073
Change in due to banks and financial institutions	(18,551,292)	2,403,028
Change in repurchase agreements	2,689,312	1,781,545
Change in customer accounts and other deposits	(21,509,489)	(2,799,959)
Change in derivative financial instruments	2,163,229	145,644
Change in other liabilities	1,134,477	(1,631,114)
Overseas income tax paid, net of recoveries	(104,682)	(5,184)
Net cash used in operating activities	(8,751,740)	(926,388)
Cash flows from investing activities		
Net purchase of non-trading investments	(7,027,216)	(754,627)
Purchase of investment property	(300,248)	(156,016)
Sale proceeds from disposal of investment property	200,773	210,582
Cash and cash equivalents of subsidiary acquired	121,258,636	-
Purchase of property and equipment, net of disposals	35,510	(177,936)
Net cash from / (used in) investing activities	114,167,455	(877,997)
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	30,999	-
Dividend paid	(4,489,524)	(4,355,150)
Net movement of commercial paper	(8,537,463)	(511,470)
Issue of term borrowings	1,575,799	2,534,698
Repayment of term borrowings	(7,477,833)	(1,289,612)
Payment on Tier 1 capital notes	(149,529)	(66,066)
Net cash used in financing activities	(19,047,551)	(3,687,600)
Net increase / (decrease) in cash and cash equivalents	86,368,164	(5,491,985)
Cash and cash equivalents at 1 January	23,579,527	21,170,055
Cash and cash equivalents at 30 June (note 22)	109,947,691	15,678,070

The notes 1 to 31 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 pages 1 and 2.

Condensed consolidated statement of changes in equity

	Share capital (AED '000)	Share Premium (AED '000)	Treasury shares (AED '000)	Statutory and special reserves (AED '000)	General reserve (AED '000)	Tier 1 capital notes (AED '000)	Share option scheme (AED '000)	Fair value reserve (AED '000)	Foreign currency translation reserve (AED '000)	Revaluation reserve (AED '000)	Convertible notes - equity component (AED '000)	Retained earnings (AED '000)	Equity attributable to shareholders of the Group (AED '000)	Non-Controlling interest (AED '000)	Total (AED '000)
Balance at 1 January 2016	4,500,000	-	-	11,030,110	120,000	4,000,000	-	410,638	(69,763)	280,601	-	15,632,046	35,903,632	400,439	36,304,071
Total comprehensive income for the period	-	-	-	-	-	-	-	225,357	3,313	-	-	2,637,617	2,866,287	22,256	2,888,543
<u>Transactions with owners of the Group</u>															
Zakat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issue of shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share options exercised (note 20)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend for the year 2015	-	-	-	-	-	-	-	-	-	-	-	(4,500,000)	(4,500,000)	-	(4,500,000)
Options granted to staff	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	-	-	-	-	(66,066)	(66,066)	-	(66,066)
Balance at 30 June 2016	<u>4,500,000</u>	<u>-</u>	<u>-</u>	<u>11,030,110</u>	<u>120,000</u>	<u>4,000,000</u>	<u>-</u>	<u>635,995</u>	<u>(66,450)</u>	<u>280,601</u>	<u>-</u>	<u>13,703,597</u>	<u>34,203,853</u>	<u>422,695</u>	<u>34,626,548</u>
Balance at 1 January 2017	4,500,000	-	-	11,030,110	120,000	4,000,000	-	412,790	(88,327)	280,601	-	16,969,016	37,224,190	432,782	37,656,972
Total comprehensive income for the period	-	-	-	-	-	-	-	214,166	17,890	-	-	3,704,364	3,936,420	20,807	3,957,227
Business combination transaction (note 29)	6,397,545	52,997,018	(46,832)	(5,775,565)	-	6,754,750	235,798	-	-	-	108,265	-	60,670,979	-	60,670,979
Accounting policy alignment (note 30)	-	-	-	-	-	-	-	-	-	-	-	(659,281)	(659,281)	-	(659,281)
<u>Transactions with owners of the Group</u>															
Zakat	-	-	-	-	-	-	-	-	-	-	-	(689)	(689)	-	(689)
Share options exercised (note 20)	-	27,042	3,957	-	-	-	-	-	-	-	-	-	30,999	-	30,999
Dividend for the year 2016	-	-	-	-	-	-	-	-	-	-	-	(4,500,000)	(4,500,000)	-	(4,500,000)
Options granted to staff	-	-	-	-	-	-	6,168	-	-	-	-	-	6,168	-	6,168
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	-	-	-	-	(149,529)	(149,529)	-	(149,529)
Balance at 30 June 2017	<u>10,897,545</u>	<u>53,024,060</u>	<u>(42,875)</u>	<u>5,254,545</u>	<u>120,000</u>	<u>10,754,750</u>	<u>241,966</u>	<u>626,956</u>	<u>(70,437)</u>	<u>280,601</u>	<u>108,265</u>	<u>15,363,881</u>	<u>96,559,257</u>	<u>453,589</u>	<u>97,012,846</u>

The notes 1 to 31 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 pages 1 and 2.

Notes to the condensed consolidated interim financial statements

1 Legal status and principal activities

On 7 December 2016, Shareholders of National Bank of Abu Dhabi PJSC (“NBAD”) and First Gulf Bank PJSC (“FGB”) approved the merger of the two Banks pursuant to Article 283(1) of UAE Federal Law No. 2 of 2015 Concerning Commercial Companies (the Law). The merger was effected through the issuance of 1.254 new NBAD shares for every 1 share in FGB on close of business 30 March 2017, FGB shares were delisted from Abu Dhabi Securities Exchange. On 25 April 2017, NBAD shareholders approved the proposal to change the name of the combined bank ‘First Abu Dhabi Bank’ (the “Bank”) and have its registered office in FAB Building, Khalifa Business Park 1 Al Qurum P. O Box 6316 Abu Dhabi, United Arab Emirates. This transaction is accounted for as a reverse acquisition as per *IFRS 3- Business Combinations*, (refer to Note 29 for details) and therefore the comparatives in the financial statements are of FGB.

These condensed consolidated interim financial statements as at and for the period ended 30 June 2017 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, Islamic banking activities, real estate activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in the United Arab Emirates, Bahrain, Egypt, France, Oman, Kuwait, Brazil, Cayman Islands, Sudan, Libya, the United Kingdom, Switzerland, Hong Kong, Jordan, Lebanon, Malaysia, India, China, the United States of America, Qatar, Singapore, and South Korea.

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

The Bank is listed on the Abu Dhabi Securities Exchange (Ticker: FAB).

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 are available upon request from the Bank’s registered office or at <http://www.nbad.com/>.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared on an ongoing basis in accordance with IAS 34 Interim Financial Reporting and the requirements of applicable laws in the UAE. They do not include all of the information required for the complete set of annual consolidated financial statements as required under IFRS. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

On 1 April 2015, a new UAE Federal Law No 2 for Commercial Companies (“UAE Companies Law of 2015”) was issued with effective date 1 July 2015. The Bank is compliant with applicable sections of the UAE Companies Law of 2015 as at the date hereof."

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 26 July 2017.

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 2016 except for the effect of accounting policy change as mentioned in note 30 and the adoption of the following amendments to standards and new standards as of 1 January 2017.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued that are applicable to the Group but are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these consolidated financial statements:

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

New standards and interpretations not yet adopted (continued)

IFRS 15 *Revenue from contracts with customer*: issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It replaces existing all revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC Customer loyalty programmes.

IFRS 15 is effective for annual period beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing potential impact of this standard on its consolidated financial statements.

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

IFRS 16 is effective for annual period beginning on or after 1 January 2019, with early adoption permitted. As the accounting for lessors will not significantly change, the Group does not foresee any significant accounting impact on its consolidated financial statements.

IFRS 9 In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

The impact of IFRS 9 will be dependent on the financial instruments that the Group holds, the economic conditions, as well as accounting elections and judgements that the Group will make in its consolidated financial statements when the standard becomes applicable. The Group is currently reviewing its accounting processes and internal controls related to reporting financial instruments which need to be aligned before the effective date. The Group has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its positions and hedging relationships designated at 31 March 2016 under IAS 39. Overall, the Group expects no significant impact except on the loss allowance resulting in an impact on equity. As certain key assumptions relating to loss given defaults are currently under review, the impact of the loss allowance cannot be reliably determined.

Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities that are currently recorded as available for sale financial assets are expected to be measured at fair value through OCI under IFRS 9 as the Group expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Group expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Group were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9. However, the Group will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

Notes to the condensed consolidated interim financial statements *(continued)*

3 Significant accounting policies *(continued)*

New standards and interpretations not yet adopted *(continued)*

Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all receivables. The preliminary results of impact analysis suggest that the Group carries sufficient amount of provisions, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

Hedge accounting

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date.

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (Continued)

Basis of consolidation

Subsidiaries are investees that controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

The interim condensed consolidated financial statements comprise the financial statements of the Group and those of its following subsidiaries:

Legal Name	Country of incorporation	Principal activities	Holding % 2017
NBAD Americas N.V. (formerly Abu Dhabi International Bank N.V.)	Curacao	Banking	100%
NBAD Securities LLC	United Arab Emirates	Brokerage	100%
Abu Dhabi National Leasing LLC	United Arab Emirates	Leasing	100%
Abu Dhabi National Properties PJSC	United Arab Emirates	Property Management	100%
NBAD Private Bank (Suisse) SA	Switzerland	Banking	100%
Abu Dhabi National Islamic Finance Pvt.JSC	United Arab Emirates	Islamic Finance	100%
Ample China Holdings Limited	Hong Kong	Leasing	100%
Abu Dhabi Brokerage Egypt	Egypt	Brokerage	96%
National Bank of Abu Dhabi Malaysia Berhad	Malaysia	Banking	100%
NBAD Employee Share Options Limited	United Arab Emirates	Shares and Securities	100%
SAS 10 Magellan	France	Leasing	100%
NBAD Global Multi-Strategy Fund	Cayman Island	Fund Management	100%
National Bank of Abu Dhabi Representações Ltda	Brazil	Representative office	100%
NBAD Financial Markets (Cayman) Limited	Cayman Islands	Financial Institution	100%
Nawat Management Services	United Arab Emirates	Services	100%
Mismak Properties Co. LLC (Mismak)	United Arab Emirates	Real estate investments	100%
First Merchant International LLC	United Arab Emirates	Real estate investments	100%
FGB Sukuk Company Limited	Cayman Islands	Special purpose vehicle	100%
FGB Sukuk Company II Limited	Cayman Islands	Special purpose vehicle	100%
First Gulf Libyan Bank	Libya	Banking services	50%
FGB Global Markets Cayman Limited	Cayman Islands	Banking	100%
First Gulf Properties LLC	United Arab Emirates	Management and brokerage of real estate properties	100%
Aseel Finance PJSC	United Arab Emirates	Islamic finance	100%
Dubai First PJSC	United Arab Emirates	Credit card finance	100%
First Gulf Information Technology LLC	United Arab Emirates	IT Services	100%

Notes to the condensed consolidated interim financial statements (continued)

4 Use of estimates and judgements

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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. 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 2016.

5 Financial risk management

Credit risk

The Group's credit concentration by counterparty for trading securities and non-trading investments are disclosed below:

	Investments at fair value through profit or loss		Non-trading investments	
	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Government sector	4,666,052	58,767	33,723,713	8,822,043
Supranational	943,062	7,356	3,468,810	2,762,447
Public Sector	1,668,958	125,627	23,500,762	5,742,681
Banking sector	7,194,675	447,156	15,225,403	5,961,822
Corporate / private sector	1,350,387	260,618	6,817,877	5,124,506
	<u>15,823,134</u>	<u>899,524</u>	<u>82,736,565</u>	<u>28,413,499</u>

The external ratings for trading securities and non-trading investments are disclosed below:

	Investments at fair value through profit or loss		Non-trading investments	
	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
AAA	22,572	7,356	12,499,111	6,062,533
AA to A	9,526,513	549,436	49,686,924	10,371,173
BBB to B	4,514,989	270,766	14,471,234	9,966,687
CCC and below	34	-	74,916	-
Unrated	1,759,026	71,966	6,004,380	2,013,106
	<u>15,823,134</u>	<u>899,524</u>	<u>82,736,565</u>	<u>28,413,499</u>

Non-trading investments include investment in equity instruments which do not carry credit risk.

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management (continued)

Credit risk (continued)

The Group also 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 debt investments	
	(Un-audited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Un-audited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Un-audited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Individually impaired						
Substandard	-	-	2,740,856	1,467,173	-	-
Doubtful	-	-	4,607,638	997,208	-	-
Loss	-	-	4,966,405	1,791,115	-	-
Gross amount	-	-	12,314,899	4,255,496	-	-
Interest in Suspense	-	-	(1,817,842)	(567,014)	-	-
Specific allowance for impairment	-	-	(4,629,037)	(1,870,123)	-	-
Carrying amount	-	-	5,868,020	1,818,359	-	-
Past due but not impaired						
Past due comprises:						
Less than 30 days	-	-	3,458,073	2,186,041	-	-
31 – 60 days	-	-	1,339,726	650,345	-	-
61 – 90 days	-	-	1,273,010	571,782	-	-
More than 90 days	-	-	2,853,441	1,085,638	-	-
Carrying amount	-	-	8,924,250	4,493,806	-	-
Neither past due nor impaired	15,706,360	12,932,570	313,556,101	130,935,773	80,509,309	26,556,764
Collective allowance for impairment	-	-	(7,084,184)	(2,597,937)	-	-
Carrying amount	15,706,360	12,932,570	321,264,187	134,650,001	80,509,309	26,556,764

Notes to the condensed consolidated interim financial statements (continued)

6 Financial assets and liabilities

Financial instruments measured at fair value - hierarchy

The table below analyses 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 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 30 June 2017 (Unaudited)				
Financial assets held for trading	13,205,890	2,598,528	7,667	15,812,085
Designated at fair value through profit and loss	11,049	-	-	11,049
Available-for-sale financial assets	68,512,346	4,549,737	1,846,048	74,908,131
Derivative financial instruments (Assets)	7,147	11,143,900	-	11,151,047
	<u>81,736,432</u>	<u>18,292,165</u>	<u>1,853,715</u>	<u>101,882,312</u>
Derivative financial instruments (Liabilities)	40,202	15,520,233	-	15,560,435
	<u>40,202</u>	<u>15,520,233</u>	<u>-</u>	<u>15,560,435</u>
As at 31 December 2016 (Audited)				
Financial assets held for trading	841,151	50,990	7,383	899,524
Designated at fair value through profit and loss	-	-	-	-
Available-for-sale financial assets	22,902,396	1,363,431	1,676,337	25,942,164
Derivative financial instruments (Assets)	674	1,952,329	-	1,953,003
	<u>23,744,221</u>	<u>3,366,750</u>	<u>1,683,720</u>	<u>28,794,691</u>
Derivative financial instruments (Liabilities)	-	2,835,008	-	2,835,008
	<u>-</u>	<u>2,835,008</u>	<u>-</u>	<u>2,835,008</u>

There were no transfers between the fair value hierarchies for any financial asset or liability except for two bonds in available for sale classification which moved from level 2 to level 1 amounting to AED 99 million and two bonds from level 1 to level 2 amounting to AED 97 million. In addition, one bond classified as held for trading was moved from level 1 to level 2 amounting to AED 29 million.

The valuation techniques and inputs used in these condensed consolidated interim financial statements are same as those prescribed in the Group as at and for the year ended 31 December 2016. Except for the fair value adjustments mentioned in Note 30.

Notes to the condensed consolidated interim financial statements (continued)

7 Cash and balances with central banks

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Cash on hand	1,895,258	447,068
Balances with Central Banks	108,939,441	24,329,649
	<u>110,834,699</u>	<u>24,776,717</u>

Balances with UAE Central Bank include certificate of deposits with Central Bank, UAE amounting to AED 11 billion (2016: AED 13.95 billion).

8 Investments at fair value through profit or loss

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Investments in managed funds	149,367	50,990
Investments in equities	1,075,949	20,976
Debt securities	14,597,818	827,558
	<u>15,823,134</u>	<u>899,524</u>

9 Loans and advances

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Gross loans and advances	334,795,249	139,685,075
Less: interest suspended	(1,817,841)	(567,014)
Less: allowance for impairment	(11,713,221)	(4,468,060)
Net loans and advances	<u>321,264,187</u>	<u>134,650,001</u>

Notes to the condensed consolidated interim financial statements (continued)

9 Loans and advances (continued)

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
By counterparty:		
Government sector	18,060,707	268,002
Public sector	57,860,160	14,788,945
Banking sector	17,286,586	4,528,512
Corporate / private sector	170,214,557	82,195,409
Personal / retail sector	71,373,239	37,904,208
	<hr/>	<hr/>
Gross loans and advances	334,795,249	139,685,076
	<hr/> <hr/>	<hr/> <hr/>
	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
By product:		
Overdrafts	16,751,521	8,458,421
Term loans	206,069,439	92,095,571
Trade related loans	20,813,747	7,616,625
Real estate	31,152,732	3,507,711
Mortgage loans	18,014,924	3,410,319
Personal loans	32,207,718	17,617,377
Credit cards	8,337,725	6,789,481
Vehicle financing loans	1,291,995	14,009
Others	155,448	175,562
	<hr/>	<hr/>
Gross loans and advances	334,795,249	139,685,076
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed consolidated interim financial statements (continued)

9 Loans and advances (continued)

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Concentration by industry sector:		
Agriculture	392,657	258,554
Energy	19,745,419	7,468,852
Manufacturing	17,473,871	6,478,057
Construction	12,494,424	6,521,141
Real estate	65,167,443	16,654,545
Trading	23,740,668	16,863,044
Transport and communication	29,494,060	12,047,948
Banks	17,286,586	4,528,512
Other financial institutions	28,107,037	6,322,747
Services	31,459,138	24,369,466
Government	18,060,707	268,002
Personal - Loans & Credit Cards	71,373,239	37,904,208
	<u>334,795,249</u>	<u>139,685,076</u>

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

	(Unaudited) Six month period ended 30 Jun 2017 AED'000	(Unaudited) Six month period ended 30 Jun 2016 AED'000
Beginning of the period	4,468,060	4,419,577
Increase due to acquisition and other adjustment	6,857,276	-
Impact of accounting policy alignment	325,260	-
Reversal of collective provision for the period	(152,801)	(61,562)
Net charge for specific provision	1,297,912	883,980
Amounts written off	(1,082,486)	(687,457)
End of the period	<u>11,713,221</u>	<u>4,554,538</u>

Notes to the condensed consolidated interim financial statements (continued)

10 Non-trading Investments

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Available-for-sale investments	74,908,131	25,942,164
Held-to-maturity investments	7,758,793	2,431,305
Investment in associates and joint venture	69,641	40,030
	<u>82,736,565</u>	<u>28,413,499</u>

An analysis of non-trading investments by type at the reporting date is shown below:

	(Unaudited) 30 Jun 2017 AED'000			(Audited) 31 Dec 2016 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	299,557	234,162	533,719	140,368	189,383	329,751
Investments in private equity funds	-	1,681,534	1,681,534	-	1,526,984	1,526,984
Debt investments	78,819,656	1,689,653	80,509,309	24,281,152	2,275,612	26,556,764
Funds	12,003	-	12,003	-	-	-
	<u>79,131,216</u>	<u>3,605,349</u>	<u>82,736,565</u>	<u>24,421,520</u>	<u>3,991,979</u>	<u>28,413,499</u>

Debt instruments under repurchase agreements included in non-trading investments at 30 June 2017 amounted to AED 9,840 million (31 December 2016: AED 12,601 million).

11 Investment Properties

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Beginning of the period	6,422,502	8,242,190
Additions	300,248	798,856
Disposals	(170,776)	(2,703,045)
Transfer from property and equipment, net	-	90,152
Fair value adjustment	-	(5,651)
End of the period	<u>6,551,974</u>	<u>6,422,502</u>

Notes to the condensed consolidated interim financial statements (continued)

12 Intangibles

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Provisional Intangibles arising from business combination	14,900,539	-
Goodwill arising from acquisition of a subsidiary	36,868	36,868
Other Intangible assets	122,994	133,530
	<u>15,060,401</u>	<u>170,398</u>

13 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED10,719 million (31 December 2016: AED Nil).

14 Commercial paper

The Bank has two "Euro commercial paper programmes" with programme limits totalling up to USD 10.5 billion in aggregate. The legacy FGB "Euro commercial paper programme", with a programme limit of USD 3 billion, is being run down and is expected to have nil outstanding by the end of this year. The bank has a "US Dollar commercial paper programme" with a programme limit of USD 5 billion.

15 Customer accounts and other deposits

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
By account:		
Current accounts	99,129,134	30,700,398
Savings accounts	14,328,711	2,478,958
Margin accounts	4,486,407	1,226,395
Notice and time deposits	228,578,375	89,381,646
	<u>346,522,627</u>	<u>123,787,397</u>
Certificates of deposit	30,745,892	1,995,401
	<u>377,268,519</u>	<u>125,782,798</u>

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
By counterparty:		
Government sector	57,075,184	7,513,728
Public sector	83,199,580	29,938,237
Corporate / private sector	126,730,024	65,185,805
Personal / retail sector	79,517,839	21,149,627
	<u>346,522,627</u>	<u>123,787,397</u>
Certificates of deposit	30,745,892	1,995,401
	<u>377,268,519</u>	<u>125,782,798</u>

Notes to the condensed consolidated interim financial statements (continued)

16 Term borrowings

		30 June 2017 (Unaudited)					31 December 2016 (Audited)						
Currency	Interest	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 Years AED'000	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 3 years AED'000	3 to 5 years AED'000	Over 5 Years AED'000	Total AED'000
AED	Equity linked	-	-	98,280	-	-	98,280	-	-	-	-	-	-
AED	3 month EIBOR + 80 bps p.a.	-	-	49,853	-	-	49,853	-	-	49,853	-	-	49,853
AUD	Fixed rate of 3.17% to 5.00% p.a.	-	857,063	1,957,329	83,132	-	2,897,524	-	-	656,344	-	-	656,344
AUD	3 month AUD BBSW + (110 bps to 142 bps)	-	-	56,180	70,590	-	126,770	-	-	52,517	-	-	52,517
CHF	Fixed rate of 0.63% p.a.	-	-	-	774,115	-	774,115	-	-	-	735,396	-	735,396
CNH	Fixed rate of 4.55% to 4.79% p.a.	-	70,449	178,187	-	-	248,636	-	-	-	-	-	-
CNY	Fixed rate of 4.50% to 5.00% p.a.	-	217,038	434,500	-	-	651,538	-	205,060	418,294	-	-	623,354
EUR	Fixed rate of 0.52% to 3.00% p.a.	-	-	105,531	-	548,605	654,136	-	-	-	-	421,379	421,379
EUR	3 month EURIBOR + (33 bps to 36 bps) p.a.	-	62,916	-	249,916	-	312,832	-	58,136	-	-	-	58,136
HKD	Fixed rate of 2.37% to 4.45% p.a.	279,377	-	307,350	241,946	578,095	1,406,768	-	-	149,022	-	376,285	525,307
JPY	Fixed rate of 0.86% to 2.60% p.a.	-	-	327,360	-	351,355	678,715	-	-	315,826	-	-	315,826
MXN	Fixed rate of 0.50% p.a.	-	-	-	-	8,280	8,280	-	-	-	-	-	-
MYR	Fixed rate of 4.90% p.a.	-	-	-	423,086	-	423,086	-	-	-	-	-	-
SGD	Fixed rate of 2.10% p.a.	-	29,367	-	-	-	29,367	-	28,138	-	-	-	28,138
USD	Fixed rate of 1.00% to 5.30% p.a.	110,342	4,204,109	7,605,769	2,162,344	7,924,181	22,006,745	1,836,500	2,387,450	3,477,479	-	453,937	8,155,366
USD	1-3 Month LIBOR + (5 bps to 185 bps) p.a.	297,513	1,762,318	11,613,702	172,211	-	13,845,744	3,673,000	-	2,853,042	146,887	-	6,672,929
		687,232	7,203,260	22,734,041	4,177,340	9,410,516	44,212,389	5,509,500	2,678,784	7,972,377	882,283	1,251,601	18,294,545

Notes to the condensed consolidated interim financial statements (continued)

16 Term borrowings (continued)

During the period, the Bank has issued various fixed and floating rate notes. The nominal values of the notes issued during the period are stated below:

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Beginning of the period	18,294,545	19,873,195
Increase due to acquisition	31,294,591	-
New issuances	1,575,799	2,519,939
Redemptions	(7,477,833)	(3,912,284)
Exchange and other adjustments	525,287	(186,305)
End of the period	<u>44,212,389</u>	<u>18,294,545</u>

17 Subordinated notes

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
10 December 2012 issue (maturity date: 9 December 2027)	<u>388,192</u>	<u>-</u>

The Bank has hedged the interest rate and foreign currency exposure on the subordinated notes. The Bank has not had any defaults of principal, interests, or other breaches with respect to its subordinated notes during the three month period ended 30 June 2017.

18 Share Capital

The Merger between NBAD and FGB was effected by a capital issuance of 5,643 million shares of AED 1 by NBAD to the shareholders of FGB, in a share swap transaction at the exchange rate of 1.254 shares of NBAD for each share of FGB. Pursuant to the transaction, the shares of FGB were delisted from Abu Dhabi Stock Exchange and replaced with the new issued share capital. The newly issued share capital added to the outstanding shares of NBAD already in issue (being the share capital of the surviving legal entity at the time of merger) to constitute the share capital of the merged Bank (First Abu Dhabi Bank).

The table below represents the effect of the merger transaction on share capital of the Group as of the date of the merger.

	Units in ('000)	%
Outstanding shares of FGB	4,500,000	
Exchange ratio	1.254	
Number of shares issued by NBAD to FGB	<u>5,643,000</u>	<u>52.01</u>
Outstanding shares of NBAD	<u>5,254,545</u>	<u>47.99</u>
Total shares of FAB post combination	<u><u>10,897,545</u></u>	<u><u>100.00</u></u>
Effect of business combination transaction on share capital	<u><u>6,397,545</u></u>	

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors.

Notes to the condensed consolidated interim financial statements (continued)

18 Share Capital (continued)

The following table illustrates the impact of business combination on share premium:

	AED '000
FGB Capital pre combination	4,500,000
Total consideration	53,572,167
Capital post combination	58,072,167
Adjustment to legal reserve	5,775,564
Total paid-in capital	63,847,731

The total paid-in capital comprise:

	AED '000
Share capital of the Bank after merger	10,897,545
Treasury shares on the date of merger	(46,832)
Share premium	52,997,018
Total paid-in capital	63,847,731

19 Tier 1 capital notes

	Currency	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Government of Abu Dhabi Notes (6 month EIBOR plus 2.3 percent per annum)	AED	8,000,000	4,000,000
USD 750 million Notes (5 year mid swap rate plus 3.35 percent per annum)	USD	2,754,750	-
		<u>10,754,750</u>	<u>4,000,000</u>

Tier 1 capitals notes are perpetual, subordinated, unsecured and carry a fixed coupon during the initial period and are paid semi-annually in arrears. The Bank may elect not to pay a coupon at its own discretion. The note holder does 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. In addition, there are certain circumstances under which the Bank is prohibited from making a coupon payment on a relevant coupon payment date.

If the Bank makes a non-payment election or a non-payment event occurs, then the Bank will not (a) declare or pay any distribution or dividend or (b) redeem, purchase, cancel, reduce or otherwise acquire any of the share capital or any securities of the Bank ranking pari passu with or junior to the Notes except securities, the term of which stipulate a mandatory redemption or conversion into equity, in each case unless or until two consecutive coupon payments have been paid in full.

During the period, coupon payment election was made by the Bank in the amount of AED 149,529 thousand (30 June 2016: AED 66,066 thousand).

Notes to the condensed consolidated interim financial statements *(continued)*

20 Share option scheme

NBAD 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 the vesting period. The options lapse six years after their date of grant irrespective of whether they are exercised or not.

The Group established a subsidiary to issue shares when the vested option is exercised by the employee. These shares are treated as treasury shares until exercised by the option holders.

As part of the merger, the bank has continued the scheme with the same terms and conditions. Employees exercising under the NBAD share option scheme shall be granted shares of the new entity.

Post-merger and up to the date of statement of financial position, 3,957 thousand options (*30 June 2016: None*) had been exercised by the option holders resulting in an increase in the total share capital by AED 3,957 thousand (*30 June 2016: Nil*) and share premium by AED 27,042 thousand (*30 June 2016: Nil*).

21 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 undrawn loan commitments.

There were no other significant changes in contingent liabilities and commitments during the period other than those arising out of normal course of business.

22 Cash and cash equivalents

	(Unaudited) 30 Jun 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Cash and balances with Central Banks	110,834,699	24,776,717
Due from banks and financial institutions	15,706,360	12,932,570
	<u>126,541,059</u>	<u>37,709,287</u>
Less: Balances with Central Banks maturing after three months of placement	(14,976,762)	(12,280,365)
Less: Due from banks and financial institutions maturing after three months of placement	(1,616,606)	(1,849,395)
	<u>109,947,691</u>	<u>23,579,527</u>

Notes to the condensed consolidated interim financial statements (continued)

23 Net gain on investments and derivatives

	(Unaudited) Six month period ended 30 Jun 2017 AED'000	(Unaudited) Six month period ended 30 Jun 2016 AED'000	(Unaudited) Three month period ended 30 Jun 2017 AED'000	(Unaudited) Three month period ended 30 Jun 2016 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	183,279	35,530	179,479	5,698
Net gain from sale of non-trading investments	156,740	96,905	79,735	59,704
Dividend income	16,316	3,298	12,224	2,707
	<u>356,335</u>	<u>135,733</u>	<u>271,438</u>	<u>68,109</u>

24 Other Operating Income

	(Unaudited) Six month period ended 30 Jun 2017 AED'000	(Unaudited) Six month period ended 30 Jun 2016 AED'000	(Unaudited) Three month period ended 30 Jun 2017 AED'000	(Unaudited) Three month period ended 30 Jun 2016 AED'000
Investment property income	29,997	66,829	18,487	44,526
Leasing related income	37,938	89,063	22,401	43,296
Other income	26,845	11,075	7,762	7,184
	<u>94,780</u>	<u>166,967</u>	<u>48,650</u>	<u>95,006</u>

25 Net impairment charge

	(Unaudited) Six month period ended 30 Jun 2017 AED'000	(Unaudited) Six month period ended 30 Jun 2016 AED'000	(Unaudited) Three month period ended 30 Jun 2017 AED'000	(Unaudited) Three month period ended 30 Jun 2016 AED'000
Collective provision for loans and advances	(152,801)	(61,562)	(151,635)	(1,950)
Specific provision for loans and advances	1,297,912	883,980	885,208	430,959
Recoveries	(191,129)	(48,332)	(130,489)	(30,920)
Write-off of impaired financial assets	7,928	-	7,928	-
Impairment (reversal) of other financial assets	796	-	(41)	-
	<u>962,706</u>	<u>774,086</u>	<u>610,971</u>	<u>398,089</u>

Notes to the condensed consolidated interim financial statements (continued)

26 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:

	Six Month Period Ended		Three Month Period Ended	
	(Unaudited) 30 Jun 2017	(Unaudited) 30 Jun 2016	(Unaudited) 30 Jun 2017	(Unaudited) 30 Jun 2016
Basic earnings per share:				
Net profit for the period (AED'000)	3,705,229	2,637,619	2,562,058	1,305,305
Less: payment on Tier 1 capital notes (AED'000)	(149,529)	(66,066)	(72,311)	-
Net profit after payment of Tier 1 capital notes (AED'000)	3,555,700	2,571,553	2,489,747	1,305,305
Weighted average number of ordinary shares:				
Number of shares issued / deemed to be outstanding from the beginning of the period ('000)	5,643,000	5,643,000	10,854,670	5,643,000
Weighted average number of shares deemed to be issued on reverse acquisition ('000)	2,620,232	-	-	-
Weighted average number of shares exercised under the share options scheme ('000)	2,194	-	2,194	-
Weighted average number of ordinary shares ('000)	8,265,426	5,643,000	10,856,864	5,643,000
Basic earnings per share (AED)	0.43	0.46	0.23	0.23
Diluted earnings per share:				
Net profit after payment of Tier 1 capital notes (AED'000)	3,555,700	2,571,551	2,489,747	1,305,303
Add: Interest on convertible note (AED'000)	11,635	-	11,635	-
Net profit for the period for calculating diluted earnings per share (AED'000)	3,567,335	2,571,551	2,501,382	1,305,303
Weighted average number of ordinary shares ('000)	8,265,426	5,643,000	10,856,864	5,643,000
Effect of dilutive potential ordinary shares issued ('000)	73,936	-	73,936	-
Weighted average number of dilutive shares under share options scheme ('000)	6,324	-	6,324	-
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	8,345,686	5,643,000	10,937,124	5,643,000
Diluted earnings per share (AED)	0.43	0.46	0.23	0.23

Notes to the condensed consolidated interim financial statements *(continued)*

27 Segmental information

The operating structure consists of four key Business segments across Geographic segments that are driving the business strategy, customer value propositions, products and channel development and customer relationships in addition to supporting the delivery of the Group's financial performance.

Business segments

Corporate & Investment Banking ("CIB")

Covers corporate and institutional clients through dedicated client segments (Corporate Banking, Institutional Banking, Commercial Banking, Privileged Clients Groups and Financial Institutions). CIB offers Credit facilities, Global Transaction Services, Corporate Finance, Islamic Finance and Global Markets products to both UAE and international clients.

Personnel Banking Group ("PBG")

Business targets retail, affluent and high net worth customers. Product offering ranges from every day banking products such as current accounts, deposits, credit cards and loans to sophisticated investments solutions and business banking products and services. Personal Banking Group is structured on the basis of the differing needs of the targeted broad customer base covering Retail, Affluent, Private banking and SME customer segments. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches and direct sales agents.

Subsidiaries

Business include diversified business model supported by complementary offerings provided across real estate and property management, brokerage, conventional and Islamic consumer finance. This business covers subsidiaries partially or fully owned by the bank, it includes Dubai first, Aseel, ADNIF, FGP, ADNP, Mismak, NBAD Securities and First Gulf Libyan Bank.

Head office

The Group provides centralized human resources, information technology, operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal & compliance, internal audit, procurement, treasury operations, integration management office and administrative support to all of its businesses units.

Geographic segments

The Group will be managing its various business segments through a network of branches, subsidiaries and representative offices within the two defined geographic segments which are UAE and International. International business is further sub-divided into three sub-segments which are Middle east and Africa ("MEA"), Asia Pacific ("APAC") and Europe and Americas ("E&A").

- **MEA**
FAB network in the MEA region is operated through its presence in Oman, Bahrain, Qatar, Egypt, Sudan, Kuwait, Lebanon, Jordan and Libya.
- **APAC**
FAB's business in the Asia region is run through its presence in Singapore, Hong Kong, Korea, China, Malaysia and India.
- **E&A**
FAB European and America coverage is carried out via its operational presence in United States of America, Brazil, United Kingdom, France and Switzerland.

Notes to the condensed consolidated interim financial statements (continued)

27 Segmental information (continued)

	Business Segment					Geographic Segment				
	Corporate and Investment Banking AED'000	Personal Banking AED'000	Subsidiaries AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Middle East And Africa AED'000	Europe and Americas AED'000	Asia - Pacific AED'000	Total AED'000
<i>For the six month period ended 30 June 2017 (Unaudited)</i>										
Net Interest income	2,114,453	1,813,736	252,890	544,227	4,725,306	4,316,961	187,222	91,553	129,570	4,725,306
Net non-interest income	1,194,539	564,158	266,355	(52,070)	1,972,982	1,651,537	106,032	154,358	61,055	1,972,982
Operating income	<u>3,308,992</u>	<u>2,377,894</u>	<u>519,245</u>	<u>492,157</u>	<u>6,698,288</u>	<u>5,968,498</u>	<u>293,254</u>	<u>245,911</u>	<u>190,625</u>	<u>6,698,288</u>
General administration and other operating expenses	652,733	896,077	313,354	55,889	1,918,053	1,681,664	101,475	82,313	52,601	1,918,053
Net impairment charge	(87,677)	792,369	278,673	(20,659)	962,706	958,156	19,322	11,675	(26,447)	962,706
Profit before taxation	<u>2,743,936</u>	<u>689,448</u>	<u>(72,782)</u>	<u>456,927</u>	<u>3,817,529</u>	<u>3,328,678</u>	<u>172,457</u>	<u>151,923</u>	<u>164,471</u>	<u>3,817,529</u>
Overseas taxation	<u>78,050</u>	<u>17,400</u>	<u>7,180</u>	<u>(1,680)</u>	<u>100,950</u>	<u>685</u>	<u>34,267</u>	<u>55,850</u>	<u>10,148</u>	<u>100,950</u>
Net profit for the period	<u>2,665,886</u>	<u>672,048</u>	<u>(79,962)</u>	<u>458,607</u>	<u>3,716,579</u>	<u>3,327,993</u>	<u>138,190</u>	<u>96,073</u>	<u>154,323</u>	<u>3,716,579</u>
<i>As at 30 June 2017 (Unaudited)</i>										
Segment total assets	<u>397,249,555</u>	<u>98,928,121</u>	<u>24,838,099</u>	<u>133,411,822</u>	<u>654,427,597</u>	<u>509,862,441</u>	<u>21,270,166</u>	<u>94,739,045</u>	<u>20,387,362</u>	<u>646,259,014</u>
Inter segment balances					(29,841,257)					21,672,674
Total assets					<u>624,586,340</u>					<u>624,586,340</u>
Segment total liabilities	<u>390,344,183</u>	<u>97,295,483</u>	<u>14,363,590</u>	<u>55,411,495</u>	<u>557,414,751</u>	<u>425,478,521</u>	<u>15,558,928</u>	<u>91,729,600</u>	<u>16,479,119</u>	<u>549,246,168</u>
Inter segment balances					(29,841,257)					(21,672,674)
Total liabilities					<u>527,573,494</u>					<u>527,573,494</u>

Notes to the condensed consolidated interim financial statements (continued)

27 Segmental information (continued)

	Business Segment					Geographic Segment				
	Corporate and Investment Banking AED'000	Personal Banking AED'000	Subsidiaries AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Middle East And Africa AED'000	Europe and Americas AED'000	Asia - Pacific AED'000	Total AED'000
<i>For the six month period ended 30 June 2016(Unaudited)</i>										
Net Interest income	1,486,719	1,309,668	130,570	214,847	3,141,804	2,993,213	42,036	10,026	96,529	3,141,804
Net non-interest income	631,427	280,487	373,024	(65,380)	1,219,558	1,082,043	81,304	5,341	50,870	1,219,558
Operating income	<u>2,118,146</u>	<u>1,590,155</u>	<u>503,594</u>	<u>149,467</u>	<u>4,361,362</u>	<u>4,075,256</u>	<u>123,340</u>	<u>15,367</u>	<u>147,399</u>	<u>4,361,362</u>
General administration and other operating expenses	344,789	446,317	193,044	(66,600)	917,550	867,288	20,356	1,812	28,094	917,550
Net impairment charge	<u>60,428</u>	<u>551,229</u>	<u>207,652</u>	<u>(45,223)</u>	<u>774,086</u>	<u>810,897</u>	<u>49,467</u>	<u>2,302</u>	<u>(88,580)</u>	<u>774,086</u>
Profit before taxation	<u>1,712,929</u>	<u>592,609</u>	<u>102,898</u>	<u>261,290</u>	<u>2,669,726</u>	<u>2,397,071</u>	<u>53,517</u>	<u>11,253</u>	<u>207,885</u>	<u>2,669,726</u>
Overseas taxation	<u>31</u>	<u>-</u>	<u>12,319</u>	<u>-</u>	<u>12,350</u>	<u>(270)</u>	<u>12,620</u>	<u>-</u>	<u>-</u>	<u>12,350</u>
Net profit for the period	<u>1,712,898</u>	<u>592,609</u>	<u>90,579</u>	<u>261,290</u>	<u>2,657,376</u>	<u>2,397,341</u>	<u>40,897</u>	<u>11,253</u>	<u>207,885</u>	<u>2,657,376</u>
<i>As at 31 December 2016(Audited)</i>										
Segment total assets	<u>129,074,064</u>	<u>33,887,920</u>	<u>14,133,347</u>	<u>74,231,790</u>	<u>251,327,121</u>	<u>220,535,977</u>	<u>8,522,667</u>	<u>1,049,293</u>	<u>16,328,544</u>	<u>246,436,481</u>
Inter segment balances					(27,347,180)					(22,456,540)
Total assets					<u>223,979,941</u>					<u>223,979,941</u>
Segment total liabilities	<u>124,413,036</u>	<u>32,627,745</u>	<u>5,809,079</u>	<u>50,820,289</u>	<u>213,670,149</u>	<u>191,341,995</u>	<u>4,776,987</u>	<u>743,783</u>	<u>11,916,744</u>	<u>208,779,509</u>
Inter segment balances					(27,347,180)					(22,456,540)
Total liabilities					<u>186,322,969</u>					<u>186,322,969</u>

Notes to the condensed consolidated interim financial statements (continued)

28 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 shareholder, directors and key management personnel of the Group. Key management personnel comprise those executive committee members "EXCO" of the Group who are involved in the strategic planning and decision making of the Group. 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.

	30 June 2017 (Unaudited)			31 December 2016 (Audited)
	Senior management and related entities AED'000	Major shareholders AED'000	Total AED'000	Total AED'000
<i>Balances with related parties at the reporting date are shown below:</i>				
Financial assets	3,834,039	13,972,924	17,806,963	3,740,172
Financial liabilities	8,262,679	8,205,537	16,468,216	7,632,844
Contingent liabilities	5,663,543	1,357,175	7,020,718	1,828,369

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

	30 June 2017 (Unaudited)			30 June 2016 (Unaudited)
Interest income	94,645	62,275	156,920	23,643
Interest expense	65,542	215	65,757	72,810

Notes to the condensed consolidated interim financial statements (continued)

29 Business Combination

On 7 December 2016, the shareholders of First Gulf Bank (“FGB”) and National Bank of Abu Dhabi (“NBAD”) approved the merger of FGB and NBAD. The merger was effected through a share-swap transaction at an exchange ratio of 1.254 NBAD shares for every one share of FGB. The merger is accounted for as a reverse acquisition.

FGB shares were delisted from the Abu Dhabi Securities Exchange and NBAD issued 5,643 million new shares to the shareholders of FGB. Following the completion of the merger, FGB shareholders owned approximately 52 percent of the combined bank and NBAD shareholders owned approximately 48 percent.

The merger transaction is accounted for in accordance with IFRS 3 - Business Combinations. IFRS 3 requires that an acquirer be identified in any business combination and acquisition accounting principles be applied. FGB was identified as the “accounting acquirer” in this transaction. The principles of reverse acquisition were used to reflect the acquisition of NBAD by FGB, effective 1 April 2017.

The merger was effected to create a new Bank with the financial strength, expertise and global network to accelerate growth in the UAE economy and drive the country’s international business relationships.

a. Purchase consideration

The purchase consideration is determined to be AED 53,572 million, calculated on the basis of FGB’s closing share price of AED12.90 per share on Abu Dhabi Securities Exchange on 30 March 2017.

The consideration is computed as follows:

Outstanding shares of FGB (units’000)	4,500,000
Divided by: FGB shareholder’s percentage ownership in the Group	52.01%
Total number of shares of the Group (units’000)	<u>8,652,881</u>
Multiplied by: NBAD shareholder’s percentage ownership in the Group	47.99%
Number of shares issued by FGB to NBAD’s shareholders (units’000)	<u>4,152,881</u>
Multiplied by: Share price of FGB on transaction date	12.90
Total consideration (AED’000)	<u>53,572,167</u>

b. Integration related costs

The Group incurred Integration-related costs of AED 194 million relating to consultant and external legal fees and due diligence costs. These costs have been included in ‘General, administrative and other operating expenses’ in the condensed consolidated statement of profit or loss.

Notes to the condensed consolidated interim financial statements *(continued)*

29 Business Combination *(continued)*

c. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	31 Mar 2017 AED'000
Assets	
Cash and balances with central banks	112,819,619
Investments at fair value through profit or loss	16,187,659
Due from banks and financial institutions	9,356,896
Reverse repurchase agreements	17,876,372
Derivative financial instruments	10,074,077
Loans and advances	210,272,053
Non-trading investments	47,114,338
Other assets	8,917,135
Investment properties	45,106
Property and equipment	3,087,944
Total assets	435,751,199
Liabilities	
Due to banks and financial institutions	40,983,859
Repurchase agreements	6,600,187
Commercial paper	11,976,634
Derivative financial instruments	11,727,613
Customer accounts and other deposits	272,994,885
Term borrowings	31,294,591
Other liabilities	14,037,754
	389,615,523
Subordinated notes	365,234
Tier 1 capital notes	6,754,750
Share option scheme	235,799
Convertible notes - equity component	108,265
Total liabilities	397,079,571
NBAD net assets as at acquisition date attributable to its common equity holders	38,671,628

Notes to the condensed consolidated interim financial statements (continued)

29 Business Combination (continued)

d. Goodwill

The Group has assumed the carrying value of NBAD financial assets and liabilities as at 31 March 2017 equal to the fair value for the purpose of calculating provisional goodwill:

	AED '000
Total consideration	53,572,167
NBAD net assets value	(38,671,628)
	<hr/>
Goodwill	14,900,539
	<hr/> <hr/>

The Group is in the process of undertaking a comprehensive purchase price allocation which is expected to be completed within twelve months from the acquisition date and will focus on, but is not limited to, the following:

- valuation of intangible assets including core deposits and other customer relationships;
- valuation of properties and equipment;
- valuation adjustments on other recognized financial and non-financial assets and liabilities; and
- initial adjustments to fair value of loans and advances have been made, which will be completed in due course.

The goodwill is attributable mainly to the synergies expected to be achieved from integrating NBAD into the Group.

e. Impact on Group's results

From the date of acquisition until 30 June 2017, NBAD contributed revenue and operating income of AED 2,525 million and a profit of AED 1,446 million to the Group's results. If the acquisition had occurred on 1 January 2017, management estimate that consolidated operating income and profit for the period for the period would be AED 9,851 million and AED 5,499 million respectively. In determining these amounts, the Group has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

30 Change in accounting policy

Prior to the merger between FGB and NBAD, both banks maintained accounting records and prepared financial statements in accordance with IFRS and complied with the regulations of the UAE Central Bank ("UAE CB"). In order to facilitate compliance each bank had in place their own set of accounting policies.

Following the merger, FAB's management embarked on a journey to harmonise these accounting policies in order to determine a common set of accounting policies to be adopted by FAB. Following were the three key accounting policies which were harmonised:

- **Harmonisation of the rating scales** - the Customer Risk Rating ('CRR') scales of NBAD and FGB have been harmonised to create one set of CRR scales to be followed by FAB. Key driver for the harmonisation of the policy is to provide the users of the financial statements with more reliable and consistent financial information. No new information was used in determining the revised rating scales and for the adjustment calculated as result of the harmonisation of this policy.

Notes to the condensed consolidated interim financial statements *(continued)*

30 Change in accounting policy *(continued)*

- **Fair valuation adjustments** – accounting policies in relation to fair valuation adjustments, for instance bid-offer reserves, were harmonised for the combined bank. Accounting standards permits entities to use a choice of pricing conventions or practical expedients in order to determine fair value of instruments. The Bank has harmonised fair valuation adjustments to ensure the pricing conventions used by the Bank provide more reliable approximation of the exit price for the securities held.
- **Recognition of fees income** – the bank has harmonised the combined Bank’s accounting policies in order to consistently determine the fees which are recognised upfront or amortised over the life of the Loans and Advances and other financial products provided by the Bank.

Changes in accounting policies have been accounted for retrospectively through an adjustment of opening retained earnings.

31 Comparative figures

In addition to the changes in the accounting policy impact highlighted in Note 30, certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these condensed consolidated interim financial statements.