



FAB Q3/9M'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

September 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 September 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 September 2017 and on the historical consolidated statement of profit or loss for the financial period ended 30 September 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 September 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.

Pro forma Condensed consolidated interim statement of financial position

As at

Assets	30 Sep 2017 AED'000	31 Dec 2016 AED'000
Cash and balances with central banks	116,402,880	123,441,316
Investments at fair value through profit or loss	19,669,525	11,381,851
Due from banks and financial institutions	15,835,913	17,308,257
Reverse repurchase agreements	25,371,756	14,278,842
Derivative financial instruments	11,047,469	13,796,739
Loans and advances	328,280,285	334,430,035
Non-trading investments	85,325,949	92,855,423
Other assets	15,924,354	16,261,635
Investment properties	6,659,091	6,468,106
Property and equipment	4,546,015	4,594,230
Intangibles	15,055,398	14,304,189
Total assets	644,118,635	649,120,623
Liabilities		
Due to banks and financial institutions	31,558,307	48,401,950
Repurchase agreements	34,419,580	29,594,535
Commercial paper	21,426,390	13,725,897
Derivative financial instruments	15,128,176	16,040,059
Customer accounts and other deposits	378,869,787	379,165,290
Term borrowings	44,188,657	46,830,945
Other liabilities	18,566,823	17,571,983
Subordinated notes	400,864	355,987
Total liabilities	544,558,584	551,686,646
Equity		
Share capital	10,897,545	10,897,545
Share premium	53,024,907	52,771,684
Treasury shares	(42,731)	(48,746)
Statutory and special reserves	5,254,545	5,254,545
Other reserves	1,030,920	725,067
Tier 1 capital notes	10,754,750	10,754,750
Share option scheme	249,115	228,349
Convertible notes - equity component	108,265	108,265
Retained earnings	17,808,473	16,309,736
Total equity attributable to shareholders of the Group	99,085,789	97,001,195
Non-controlling interest	474,262	432,782
Total Equity	99,560,051	97,433,977
Total liabilities and equity	644,118,635	649,120,623

Pro forma Condensed consolidated interim statement of profit or loss

For the nine month period ended

Note	Nine Month Period Ended		Three Month Period Ended	
	30 September		30 September	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Interest income	13,905,265	13,931,124	4,638,682	4,676,043
Interest expense	(4,340,356)	(3,851,737)	(1,456,806)	(1,326,143)
Net interest income	9,564,909	10,079,387	3,181,876	3,349,900
Fee and commission income	3,474,932	3,963,875	1,134,122	1,324,601
Fee and commission expense	(1,045,513)	(1,045,836)	(346,356)	(345,413)
Net fee and commission income	2,429,419	2,918,039	787,766	979,188
Net foreign exchange gain	964,224	1,042,286	469,823	292,016
Net gain on investments and derivatives	1,335,196	407,495	82,549	288,933
Other operating income	190,542	753,264	88,506	557,582
Operating income	14,484,290	15,200,471	4,610,520	5,467,619
General, administration and other operating expenses	(4,258,960)	(4,369,780)	(1,344,106)	(1,473,417)
Profit before net impairment charge and taxation	10,225,330	10,830,691	3,266,414	3,994,202
Net impairment charge	(1,822,063)	(2,073,712)	(561,741)	(706,831)
Profit before taxation	8,403,267	8,756,979	2,704,673	3,287,371
Overseas income tax expense	(285,955)	(253,963)	(86,456)	(88,579)
Net profit for the period	8,117,312	8,503,016	2,618,217	3,198,792
Profit attributable to:				
Shareholders of the Group	8,092,797	8,468,350	2,605,052	3,183,883
Non-controlling interests	24,515	34,666	13,165	14,909
	8,117,312	8,503,016	2,618,217	3,198,792

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 nine month period ended 30 September 2017</i>										
Net Interest income	4,180,920	3,846,625	426,562	1,110,802	9,564,909	8,547,627	479,058	331,808	206,416	9,564,909
Net non-interest income	2,851,635	1,282,388	494,305	291,053	4,919,381	4,102,774	239,960	433,311	143,336	4,919,381
Operating income	<u>7,032,555</u>	<u>5,129,013</u>	<u>920,867</u>	<u>1,401,855</u>	14,484,290	<u>12,650,401</u>	<u>719,018</u>	<u>765,119</u>	<u>349,752</u>	14,484,290
General administration and other operating expenses	1,519,167	1,995,739	528,808	215,246	4,258,960	3,624,953	265,459	236,649	131,899	4,258,960
Net impairment charge	<u>(57,771)</u>	<u>1,526,332</u>	<u>394,870</u>	<u>(41,368)</u>	1,822,063	<u>1,792,890</u>	<u>64,196</u>	<u>1,290</u>	<u>(36,313)</u>	1,822,063
Profit before taxation	<u>5,571,159</u>	<u>1,606,942</u>	<u>(2,811)</u>	<u>1,227,977</u>	8,403,267	<u>7,232,558</u>	<u>389,363</u>	<u>527,180</u>	<u>254,166</u>	8,403,267
Overseas taxation	<u>177,785</u>	<u>90,906</u>	<u>15,336</u>	<u>1,928</u>	285,955	<u>3,903</u>	<u>85,702</u>	<u>177,139</u>	<u>19,211</u>	285,955
Net profit for the period	<u>5,393,374</u>	<u>1,516,036</u>	<u>(18,147)</u>	<u>1,226,049</u>	8,117,312	<u>7,228,655</u>	<u>303,661</u>	<u>350,041</u>	<u>234,955</u>	8,117,312
<i>As at 30 September 2017</i>										
Segment total assets	<u>420,621,345</u>	<u>99,796,748</u>	<u>21,250,197</u>	<u>130,880,567</u>	672,548,857	<u>524,926,970</u>	<u>21,714,074</u>	<u>106,113,799</u>	<u>22,589,740</u>	675,344,583
Inter segment balances					(28,430,222)					(31,225,948)
Total assets					<u>644,118,635</u>					<u>644,118,635</u>
Segment total liabilities	<u>410,555,954</u>	<u>97,621,810</u>	<u>11,104,502</u>	<u>53,706,540</u>	572,988,806	<u>438,962,016</u>	<u>14,634,129</u>	<u>103,026,647</u>	<u>19,161,740</u>	575,784,532
Inter segment balances					(28,430,222)					(31,225,948)
Total liabilities					<u>544,558,584</u>					<u>544,558,584</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 nine month period ended 30 September 2016										
Net Interest income	4,441,458	4,299,002	376,186	962,741	10,079,387	8,971,847	612,306	319,245	175,989	10,079,387
Net non-interest income	2,763,839	1,273,574	1,091,507	(7,836)	5,121,084	4,271,697	285,493	408,868	155,026	5,121,084
Operating income	<u>7,205,297</u>	<u>5,572,576</u>	<u>1,467,693</u>	<u>954,905</u>	<u>15,200,471</u>	<u>13,243,544</u>	<u>897,799</u>	<u>728,113</u>	<u>331,015</u>	<u>15,200,471</u>
General administration and other operating expenses	1,702,958	2,271,082	437,800	(42,060)	4,369,780	3,695,746	306,356	232,055	135,623	4,369,780
Net impairment charge	<u>157,824</u>	<u>1,570,919</u>	<u>352,714</u>	<u>(7,745)</u>	<u>2,073,712</u>	<u>2,060,658</u>	<u>50,286</u>	<u>86,130</u>	<u>(123,362)</u>	<u>2,073,712</u>
Profit before taxation	<u>5,344,515</u>	<u>1,730,575</u>	<u>677,179</u>	<u>1,004,710</u>	<u>8,756,979</u>	<u>7,487,140</u>	<u>541,157</u>	<u>409,928</u>	<u>318,754</u>	<u>8,756,979</u>
Overseas taxation	<u>143,162</u>	<u>89,696</u>	<u>22,004</u>	<u>(899)</u>	<u>253,963</u>	<u>(3,391)</u>	<u>133,293</u>	<u>125,209</u>	<u>(1,148)</u>	<u>253,963</u>
Net profit for the period	<u>5,201,353</u>	<u>1,640,879</u>	<u>655,175</u>	<u>1,005,609</u>	<u>8,503,016</u>	<u>7,490,531</u>	<u>407,864</u>	<u>284,719</u>	<u>319,902</u>	<u>8,503,016</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>551,686,646</u>					<u>551,686,646</u>

Condensed Consolidated Interim Financial Statements

September 30, 2017

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KPMG Lower Gulf Limited
Level 19, Nation Tower 2
Abu Dhabi Corniche, UAE
Tel. +971 (2) 401 4800, Fax +971 (2) 632 7612

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 September 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 September 2017;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated interim statement of other comprehensive income for the three-month and nine-month periods ended 30 September 2017;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2017;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 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 September 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 September 2016 were reviewed by another auditor who expressed an unqualified conclusion on those interim financial statements on 19 April 2017 and 26 October 2016 respectively.

KPMG Lower Gulf Limited

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

25 OCT 2017


Condensed consolidated interim statement of financial position

As at

Assets	Note	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Cash and balances with central banks	7	116,402,880	24,776,717
Investments at fair value through profit or loss	8	19,669,525	899,524
Due from banks and financial institutions		15,835,913	12,932,570
Reverse repurchase agreements		25,371,756	5,449,019
Derivative financial instruments		11,047,469	1,953,003
Loans and advances	9	328,280,285	134,650,001
Non-trading investments	10	85,325,949	28,413,499
Other assets		15,924,354	6,784,453
Investment properties	11	6,659,091	6,422,502
Property and equipment		4,546,015	1,528,255
Intangibles	12	15,055,398	170,398
Total assets		644,118,635	223,979,941
Liabilities			
Due to banks and financial institutions	13	31,558,307	11,585,628
Repurchase agreements		34,419,580	13,109,155
Commercial paper	14	21,426,390	10,016,916
Derivative financial instruments		15,128,176	2,835,008
Customer accounts and other deposits	15	378,869,787	125,782,798
Term borrowings	16	44,188,657	18,294,545
Other liabilities		18,566,823	4,698,919
Subordinated notes	17	400,864	-
Total liabilities		544,558,584	186,322,969
Equity			
Share capital	18	10,897,545	4,500,000
Share premium		53,024,907	-
Treasury shares		(42,731)	-
Statutory and special reserves		5,254,545	11,030,110
Other reserves		1,030,920	725,064
Tier 1 capital notes	19	10,754,750	4,000,000
Share option scheme	20	249,115	-
Convertible notes - equity component		108,265	-
Retained earnings		17,808,473	16,969,016
Total equity attributable to shareholders of the Group		99,085,789	37,224,190
Non-controlling interest		474,262	432,782
Total Equity		99,560,051	37,656,972
Total liabilities and equity		644,118,635	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 nine month period ended (Unaudited)

	Note	Nine Month Period Ended		Three Month Period Ended	
		30 September		30 September	
		2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Interest income		11,390,134	6,319,240	4,638,682	2,099,351
Interest expense		(3,482,951)	(1,592,453)	(1,456,806)	(514,367)
Net interest income		7,907,183	4,726,787	3,181,876	1,584,984
Fee and commission income		2,735,732	1,535,501	1,134,122	575,115
Fee and commission expense		(770,323)	(229,484)	(346,356)	(83,826)
Net fee and commission income		1,965,409	1,306,017	787,766	491,289
Net foreign exchange gain		836,995	178,078	469,823	71,543
Net gain on investments and derivatives	23	438,883	245,907	82,549	110,175
Other operating income	24	183,287	710,248	88,506	543,281
Operating income		11,331,757	7,167,037	4,610,520	2,801,272
General, administration and other operating expenses		(3,285,107)	(1,413,147)	(1,344,106)	(491,193)
Profit before net impairment charge and taxation		8,046,650	5,753,890	3,266,414	2,310,079
Net impairment charge	25	(1,524,447)	(1,193,788)	(561,741)	(419,702)
Profit before taxation		6,522,203	4,560,102	2,704,673	1,890,377
Overseas income tax expense		(187,406)	(24,248)	(86,456)	(11,898)
Net profit for the period		6,334,797	4,535,854	2,618,217	1,878,479
Profit attributable to:					
Shareholders of the Group		6,310,282	4,501,188	2,605,052	1,863,570
Non-controlling interests		24,515	34,666	13,165	14,909
		6,334,797	4,535,854	2,618,217	1,878,479
Basic earnings per share (AED)	26	0.66	0.77	0.27	0.32
Diluted earnings per share (AED)	26	0.65	0.77	0.27	0.32

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 nine month period ended (Unaudited)

	Nine Month Period Ended		Three Month Period Ended	
	30 September		30 September	
	2017 AED'000	2016 AED'000	2017 AED'000	2016 AED'000
Net profit for the period	6,334,797	4,535,854	2,618,217	1,878,479
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	49,774	7,381	22,427	1,571
Net change in fair value reserve during the period	273,047	248,374	58,881	23,017
<u>Items that will not subsequently be reclassified to condensed consolidated interim statement of profit or loss</u>				
Re-measurement of defined benefit obligations	(1,607)	-	(742)	-
Other comprehensive income for the period	321,214	255,755	80,566	24,588
Total comprehensive income for the period	6,656,011	4,791,609	2,698,783	1,903,067
Comprehensive income attributable to:				
Shareholders of the Group	6,614,531	4,753,731	2,678,110	1,887,445
Non-controlling interest	41,480	37,878	20,673	15,622
Total comprehensive income for the period	6,656,011	4,791,609	2,698,783	1,903,067

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 nine month period ended (Unaudited)

	30 Sep 2017 AED'000	30 Sep 2016 AED'000
Cash flows from operating activities		
Profit before taxation	6,522,208	4,560,101
Adjustments for:		
Depreciation	253,140	101,356
Gain on sale of investment property	(34,481)	(539,876)
Net impairment charges	1,772,064	1,193,788
Accreted interest	77,067	3,652
Foreign currency translation adjustment	392,989	122,048
Share option scheme	13,317	
Change in investments at fair value through profit or loss	(2,861,524)	(518,282)
Change in due from central banks, banks and financial institutions	(1,125,317)	1,156,643
Change in reverse repurchase agreements	(2,046,366)	(1,858,186)
Change in loans and advances	14,605,139	(6,093,598)
Change in other assets	(222,363)	(179,944)
Change in due to banks and financial institutions	(21,011,180)	4,687,559
Change in repurchase agreements	14,710,238	3,085,155
Change in customer accounts and other deposits	(19,907,904)	(2,082,775)
Change in derivative financial instruments	1,888,676	(15,572)
Change in other liabilities	(572,347)	(636,688)
Overseas income tax paid, net of recoveries	(190,017)	(1,530)
Net cash from /(used in) operating activities	(7,736,661)	2,983,851
Cash flows from investing activities		
Net purchase of non-trading investments	(9,538,929)	(1,571,538)
Purchase of investment property	(428,129)	(265,846)
Sale proceeds from disposal of investment property	226,021	3,001,782
Cash and cash equivalents of subsidiary acquired	121,258,636	
Purchase of property and equipment, net of disposals	(122,312)	(308,591)
Net cash from investing activities	111,395,287	855,807
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	31,989	
Dividend paid	(4,489,524)	(4,419,736)
Net movement of commercial paper	(567,159)	1,094,800
Issue of term borrowings	2,325,946	6,211,168
Repayment of term borrowings	(8,164,719)	(7,493,750)
Payment on Tier 1 capital notes	(308,849)	(138,255)
Net cash used in financing activities	(11,172,316)	(4,745,773)
Net increase / (decrease) in cash and cash equivalents	92,486,310	(906,115)
Cash and cash equivalents at 1 January	23,579,527	24,301,960
Cash and cash equivalents at 30 Sep 17 (note 22)	116,065,837	23,395,845

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	-	-	-	-	-	-	-	248,374	4,169	-	-	4,501,188	4,753,731	37,878	4,791,609
<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)	-	-	-	-	-	-	-	-	-	-	-	(138,257)	(138,257)	-	(138,257)
Balance at 30 September 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>659,012</u>	<u>(65,594)</u>	<u>280,601</u>	<u>-</u>	<u>15,494,977</u>	<u>36,019,106</u>	<u>438,317</u>	<u>36,457,423</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	-	-	-	-	-	-	-	273,047	32,809	-	-	6,308,675	6,614,531	41,480	6,656,011
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)	-	-	-	-	-	-	-	-	-	-	-	(659,283)	(659,283)	-	(659,283)
<u>Transactions with owners of the Group</u>															
Zakat	-	-	-	-	-	-	-	-	-	-	-	(1,090)	(1,090)	-	(1,090)
Share options exercised (note 20)	-	27,889	4,101	-	-	-	-	-	-	-	-	-	31,990	-	31,990
Dividend for the year 2016	-	-	-	-	-	-	-	-	-	-	-	(4,500,000)	(4,500,000)	-	(4,500,000)
Options granted to staff	-	-	-	-	-	-	13,317	-	-	-	-	-	13,317	-	13,317
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	-	-	-	-	(308,845)	(308,845)	-	(308,845)
Balance at 30 September 2017	<u>10,897,545</u>	<u>53,024,907</u>	<u>(42,731)</u>	<u>5,254,545</u>	<u>120,000</u>	<u>10,754,750</u>	<u>249,115</u>	<u>685,837</u>	<u>(55,518)</u>	<u>280,601</u>	<u>108,265</u>	<u>17,808,473</u>	<u>99,085,789</u>	<u>474,262</u>	<u>99,560,051</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 September 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 25 Oct 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 lessee will not significantly change, the Group does not foresee any significant accounting impact on its consolidated financial statements. The Group is assessing potential impact of this standard 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. 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.

Implementation status

The Group continues to progress with the Global IFRS 9 implementation project with the documentation of Group accounting policy, assessment of business models, the build and testing of risk modeling methodologies for the calculation of impairment currently ongoing. The implementation overseen by Project Steering Committee which comprises of key stakeholders from Finance, Risk and Technology. The Group continues to assess the impact that adoption will have on its consolidated financial statements and any consequential effects on regulatory capital. The Group will quantify the impact of IFRS 9 when it has robust and reliable estimates.

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%

* Although the Bank owns 50% of the outstanding shares of First Gulf Libyan Bank, the investment has been classified as a subsidiary as the Bank exercises control over the investee because it casts the majority of the votes on the board of directors.

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 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Government sector	4,793,864	58,767	34,496,884	8,822,043
Supranational	1,010,775	7,356	3,391,897	2,762,447
Public Sector	1,912,628	125,627	23,881,349	5,742,681
Banking sector	10,681,869	447,156	15,491,798	5,961,822
Corporate / private sector	1,270,389	260,618	8,064,021	5,124,506
	19,669,525	899,524	85,325,949	28,413,499

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 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
AAA	87,271	7,356	13,562,246	6,062,533
AA to A	13,237,245	549,436	52,318,981	10,371,173
BBB to B	5,032,754	270,766	14,962,731	9,966,687
CCC and below	32	-	70,108	-
Unrated	1,312,223	71,966	4,411,883	2,013,106
	19,669,525	899,524	85,325,949	28,413,499

Non-trading investments include investment in equity instruments and private equity funds which do not carry credit risk (Refer Note 10).

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	
	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Individually impaired						
Substandard	-	-	2,757,067	1,467,173	-	-
Doubtful	-	-	4,814,346	997,208	-	-
Loss	-	-	4,485,482	1,791,115	-	-
	<u>-</u>	<u>-</u>	<u>12,056,895</u>	<u>4,255,496</u>	<u>-</u>	<u>-</u>
Gross amount	-	-	12,056,895	4,255,496	-	-
Interest in Suspense	-	-	(1,824,289)	(567,014)	-	-
Specific allowance for impairment	-	-	(4,104,713)	(1,870,123)	-	-
	<u>-</u>	<u>-</u>	<u>6,127,893</u>	<u>1,818,359</u>	<u>-</u>	<u>-</u>
Carrying amount	-	-	6,127,893	1,818,359	-	-
Past due but not impaired						
Past due comprises:						
Less than 30 days	-	-	1,746,110	2,186,041	-	-
31 – 60 days	-	-	2,124,831	650,345	-	-
61 – 90 days	-	-	1,377,555	571,782	-	-
More than 90 days	-	-	3,975,988	1,085,638	-	-
	<u>-</u>	<u>-</u>	<u>9,224,484</u>	<u>4,493,806</u>	<u>-</u>	<u>-</u>
Carrying amount	-	-	9,224,484	4,493,806	-	-
Neither past due nor impaired	15,835,913	12,932,570	319,976,629	130,935,773	83,136,339	26,556,764
Collective allowance for impairment	-	-	(7,048,721)	(2,597,937)	-	-
	<u>-</u>	<u>-</u>	<u>328,280,285</u>	<u>134,650,001</u>	<u>83,136,339</u>	<u>26,556,764</u>
Carrying amount	15,835,913	12,932,570	328,280,285	134,650,001	83,136,339	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 September 2017 (Unaudited)				
Financial assets held for trading	18,216,156	1,435,024	7,241	19,658,421
Designated at fair value through profit and loss	11,104	-	-	11,104
Available-for-sale financial assets	71,018,130	4,683,719	1,796,349	77,498,198
Derivative financial instruments (Assets)	12,343	11,035,126	-	11,047,469
	<u>89,257,733</u>	<u>17,153,869</u>	<u>1,803,590</u>	<u>108,215,192</u>
Derivative financial instruments (Liabilities)	24,736	15,103,440	-	15,128,176
	<u>23,744,221</u>	<u>3,366,750</u>	<u>1,683,720</u>	<u>28,794,691</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 one bond in available for sale classification which moved from level 2 to level 1 amounting to AED 55 million and six bonds from level 1 to level 2 amounting to AED 365 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 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Cash on hand	1,673,384	447,068
Balances with Central Banks	114,729,496	24,329,649
	<u>116,402,880</u>	<u>24,776,717</u>

Balances with UAE Central Bank include certificate of deposits with Central Bank, UAE amounting to AED 17.06 billion (2016: AED 13.95 billion).

8 Investments at fair value through profit or loss

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Investments in managed funds	105,329	50,990
Investments in equities	922,262	20,976
Debt securities	18,641,934	827,558
	<u>19,669,525</u>	<u>899,524</u>

9 Loans and advances

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Gross loans and advances	341,258,008	139,685,075
Less: interest suspended	(1,824,289)	(567,014)
Less: allowance for impairment	(11,153,434)	(4,468,060)
Net loans and advances	<u>328,280,285</u>	<u>134,650,001</u>

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

9 Loans and advances *(continued)*

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
By counterparty:		
Government sector	4,518,446	268,002
Public sector	58,577,914	14,788,945
Banking sector	23,300,151	4,528,512
Corporate / private sector	183,867,787	82,195,409
Personal / retail sector	70,993,710	37,904,207
	<u>341,258,008</u>	<u>139,685,075</u>
Gross loans and advances	<u>341,258,008</u>	<u>139,685,075</u>
By product:		
Overdrafts	17,007,167	8,458,421
Term loans	205,905,454	92,095,571
Trade related loans	26,841,444	7,616,625
Real estate	32,604,632	3,507,711
Mortgage loans	17,970,861	3,410,319
Personal loans	31,403,383	17,617,376
Credit cards	8,163,820	6,789,481
Vehicle financing loans	1,159,347	14,009
Others	201,900	175,562
	<u>341,258,008</u>	<u>139,685,075</u>
Gross loans and advances	<u>341,258,008</u>	<u>139,685,075</u>

Notes to the condensed consolidated interim financial statements (continued)

9 Loans and advances (continued)

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Concentration by industry sector:		
Agriculture	288,739	258,554
Energy	17,383,039	7,468,852
Manufacturing	20,348,479	6,478,057
Construction	13,651,638	6,521,141
Real estate	82,524,482	30,223,395
Trading	22,958,473	16,863,044
Transport and communication	27,190,847	12,047,948
Banks	23,300,151	4,528,512
Other financial institutions	28,222,413	6,322,747
Services	29,877,591	10,800,616
Government	4,518,446	268,002
Personal - Loans & Credit Cards	70,993,710	37,904,207
	341,258,008	139,685,075

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

	(Unaudited) Nine month period ended 30 Sep 2017 AED'000	(Unaudited) Nine month period ended 30 Sep 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	(188,149)	56,859
Net charge for specific provision	1,941,382	1,198,758
Amounts written off	(2,250,395)	(975,780)
End of the period	11,153,434	4,699,414

Notes to the condensed consolidated interim financial statements (continued)

10 Non-trading Investments

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Available-for-sale investments	77,498,198	25,942,164
Held-to-maturity investments	7,758,069	2,431,305
Investment in associates and joint venture	69,682	40,030
	<u>85,325,949</u>	<u>28,413,499</u>

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

	(Unaudited) 30 Sep 2017 AED'000			(Audited) 31 Dec 2016 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	303,105	234,257	537,362	140,368	189,383	329,751
Investments in private equity funds	-	1,640,954	1,640,954	-	1,526,984	1,526,984
Debt investments	81,413,845	1,722,494	83,136,339	24,281,152	2,275,612	26,556,764
Funds	11,294	-	11,294	-	-	-
	<u>81,728,244</u>	<u>3,597,705</u>	<u>85,325,949</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 September 2017 amounted to AED 17,184 million (31 December 2016: AED 12,601 million).

11 Investment Properties

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Beginning of the period	6,422,504	8,242,190
Additions	428,127	798,856
Disposals	(191,540)	(2,703,045)
Transfer from property and equipment, net	-	90,152
Fair value adjustment	-	(5,651)
End of the period	<u>6,659,091</u>	<u>6,422,502</u>

Notes to the condensed consolidated interim financial statements (continued)

12 Intangibles

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Provisional Goodwill and Intangibles arising from business combination (Note 29)	14,900,539	-
Goodwill arising from acquisition of a subsidiary	36,868	36,868
Other Intangible assets	117,991	133,530
	<u>15,055,398</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 AED 13.36 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 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
By account:		
Current accounts	98,513,180	30,700,398
Savings accounts	13,867,711	2,478,958
Margin accounts	4,643,183	1,226,395
Notice and time deposits	231,074,223	89,381,646
	<u>348,098,297</u>	<u>123,787,397</u>
Certificates of deposit	30,771,490	1,995,401
	<u>378,869,787</u>	<u>125,782,798</u>

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
By counterparty:		
Government sector	64,714,123	7,513,728
Public sector	71,441,907	29,938,237
Corporate / private sector	135,181,683	65,185,805
Personal / retail sector	76,760,584	21,149,627
	<u>348,098,297</u>	<u>123,787,397</u>
Certificates of deposit	30,771,490	1,995,401
	<u>378,869,787</u>	<u>125,782,798</u>

Notes to the condensed consolidated interim financial statements (continued)

16 Term borrowings

		30 September 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			282,200			282,200	-	-	-	-	-	-
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.		871,497	1,994,245	84,670		2,950,412	-	-	656,344	-	-	656,344
AUD	3 month AUD BBSW + (110 bps to 142 bps)			57,342	72,023		129,365	-	-	52,517	-	-	52,517
CHF	Fixed rate of 0.63% p.a.				764,368		764,368	-	-	-	735,396	-	735,396
CNH	Fixed rate of 4.55% to 4.79% p.a.		71,900	182,541			254,441	-	-	-	-	-	-
CNY	Fixed rate of 4.50% to 5.00% p.a.		348,853	318,315			667,168	-	205,060	418,294	-	-	623,354
EUR	Fixed rate of 0.52% to 3.00% p.a.			109,421		571,644	681,065	-	-	-	-	421,379	421,379
EUR	3 month EURIBOR + (33 bps to 36 bps) p.a.		65,115	259,077			324,192	-	58,136	-	-	-	58,136
HKD	Fixed rate of 2.37% to 4.45% p.a.			306,114	241,269	575,325	1,122,708	-	-	149,022	-	376,285	525,307
JPY	Fixed rate of 0.86% to 2.60% p.a.			326,634		349,431	676,065	-	-	315,826	-	-	315,826
MXN	Fixed rate of 0.50% p.a.					4,698	4,698	-	-	-	-	-	-
MYR	Fixed rate of 4.90% p.a.				431,951		431,951	-	-	-	-	-	-
SGD	Fixed rate of 2.10% p.a.		29,906				29,906	-	28,138	-	-	-	28,138
USD	Fixed rate of 1.00% to 5.30% p.a.	2,108,268	1,823,651	7,599,386	2,257,089	7,921,056	21,709,450	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.	734,196	1,340,331	11,793,349	242,939		14,110,815	3,673,000	-	2,853,042	146,887	-	6,672,929
		2,842,464	4,551,253	23,278,477	4,094,309	9,422,154	44,188,657	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 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Beginning of the period	18,294,545	19,873,195
Increase due to acquisition	31,015,409	-
New issuances	2,325,946	2,519,939
Redemptions	(8,164,719)	(3,912,284)
Exchange and other adjustments	717,476	(186,305)
End of the period	<u>44,188,657</u>	<u>18,294,545</u>

17 Subordinated notes

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
10 December 2012 issue (maturity date: 9 December 2027)	<u>400,864</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 September 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 (AED'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 (Net of treasury shares)	<u>5,207,713</u>	<u>47.99</u>
Total shares of FAB post combination (Net of treasury shares)	<u>10,850,713</u>	<u>100.00</u>
Treasury shares	46,832	
Total shares of FAB post combination	<u>10,897,545</u>	
Effect of business combination transaction on share capital	<u>6,397,545</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 Sep 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 capital 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 308,845 thousand (30 September 2016: AED 138,257 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, 4,101 thousand options *(30 September 2016: None)* had been exercised by the option holders resulting in an increase in the total share capital by AED 4,101 thousand *(30 September 2016: Nil)* and share premium by AED 27,889 thousand *(30 September 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.

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Letter of credit	50,218,980	14,769,639
Letters of guarantees	105,649,046	45,385,877
Irrevocable Undrawn Commitments	50,615,660	19,460,113
	206,483,686	79,615,629

22 Cash and cash equivalents

	(Unaudited) 30 Sep 2017 AED'000	(Audited) 31 Dec 2016 AED'000
Cash and balances with Central Banks	116,402,880	24,776,717
Due from banks and financial institutions	15,835,913	12,932,570
	132,238,793	37,709,287
<i>Less: Balances with Central Banks maturing after three months of placement</i>	(11,348,364)	(12,280,365)
<i>Less: Due from banks and financial institutions maturing after three months of placement</i>	(4,824,592)	(1,849,395)
	116,065,837	23,579,527

Notes to the condensed consolidated interim financial statements (continued)

23 Net gain on investments and derivatives

	(Unaudited) Nine month period ended 30 Sep 2017 AED'000	(Unaudited) Nine month period ended 30 Sep 2016 AED'000	(Unaudited) Three month period ended 30 Sep 2017 AED'000	(Unaudited) Three month period ended 30 Sep 2016 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	154,262	47,324	(29,016)	11,794
Net gain from sale of non-trading investments	265,586	194,477	108,846	97,572
Dividend income	19,035	4,106	2,719	809
	438,883	245,907	82,549	110,175

24 Other Operating Income

	(Unaudited) Nine month period ended 30 Sep 2017 AED'000	(Unaudited) Nine month period ended 30 Sep 2016 AED'000	(Unaudited) Three month period ended 30 Sep 2017 AED'000	(Unaudited) Three month period ended 30 Sep 2016 AED'000
Investment property income	34,481	539,876	4,484	473,031
Leasing related income	63,255	134,215	25,316	45,152
Other income	85,551	36,157	58,706	25,098
	183,287	710,248	88,506	543,281

25 Net impairment charge

	(Unaudited) Nine month period ended 30 Sep 2017 AED'000	(Unaudited) Nine month period ended 30 Sep 2016 AED'000	(Unaudited) Three month period ended 30 Sep 2017 AED'000	(Unaudited) Three month period ended 30 Sep 2016 AED'000
Collective provision for loans and advances	(188,149)	56,859	(35,348)	(605)
Specific provision for loans and advances	1,941,382	1,198,759	643,470	433,804
Recoveries	(247,619)	(63,667)	(56,489)	(15,334)
Write-off of impaired financial assets	18,037	-	10,108	-
Provisions for investment and others	796	1,837	-	1,837
	1,524,447	1,193,788	561,741	419,702

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:

	Nine Month Period Ended		Three Month Period Ended	
	(Unaudited) 30 Sep 2017	(Unaudited) 30 Sep 2016	(Unaudited) 30 Sep 2017	(Unaudited) 30 Sep 2016
Basic earnings per share:				
Net profit for the period (AED'000)	6,310,282	4,501,188	2,605,052	1,863,570
Less: payment on Tier 1 capital notes (AED'000)	(308,845)	(138,257)	(159,316)	(72,191)
Net profit after payment of Tier 1 capital notes (AED'000)	<u>6,001,437</u>	<u>4,362,931</u>	<u>2,445,736</u>	<u>1,791,379</u>
Weighted average number of ordinary shares:				
Number of shares issued / deemed to be outstanding from the beginning of the period (AED'000)	5,643,000	5,643,000	5,643,000	5,643,000
Weighted average number of shares deemed to be issued on reverse acquisition (AED'000)	3,490,885	-	3,490,885	-
Weighted average number of shares exercised under the share options scheme (AED'000)	3,099	-	3,099	-
Weighted average number of ordinary shares ('000)	<u>9,136,984</u>	<u>5,643,000</u>	<u>9,136,984</u>	<u>5,643,000</u>
Basic earnings per share (AED)	<u>0.66</u>	<u>0.77</u>	<u>0.27</u>	<u>0.32</u>
Diluted earnings per share:				
Net profit after payment of Tier 1 capital notes (AED'000)	6,001,433	4,362,932	2,445,732	1,791,380
Add: Interest on convertible note (AED'000)	23,320	-	11,686	-
Net profit for the period for calculating diluted earnings per share (AED'000)	<u>6,024,753</u>	<u>4,362,932</u>	<u>2,457,418</u>	<u>1,791,380</u>
Weighted average number of ordinary shares (AED'000)	9,136,984	5,643,000	9,136,984	5,643,000
Effect of dilutive potential ordinary shares issued (AED'000)	98,578	-	98,578	-
Weighted average number of dilutive shares under share options scheme (AED'000)	5,472	-	5,472	-
Weighted average number of ordinary shares in issue for diluted earnings per share (AED'000)	<u>9,241,034</u>	<u>5,643,000</u>	<u>9,241,034</u>	<u>5,643,000</u>
Diluted earnings per share (AED)	<u>0.65</u>	<u>0.77</u>	<u>0.27</u>	<u>0.32</u>

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.

Personal Banking ("PB")

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 nine month period ended 30 September 2017 (Unaudited)</i>										
Net Interest income	3,535,323	3,082,405	374,362	915,093	7,907,183	7,034,068	336,901	241,501	294,713	7,907,183
Net non-interest income	2,033,222	1,007,674	473,854	(90,176)	3,424,574	2,824,659	192,479	275,549	131,887	3,424,574
Operating income	<u>5,568,545</u>	<u>4,090,079</u>	<u>848,216</u>	<u>824,917</u>	<u>11,331,757</u>	<u>9,858,727</u>	<u>529,380</u>	<u>517,050</u>	<u>426,600</u>	<u>11,331,757</u>
General administration and other operating expenses	1,071,397	1,416,180	470,062	327,468	3,285,107	2,830,851	190,334	160,920	103,002	3,285,107
Net impairment charge	(60,802)	1,340,436	376,675	(131,862)	1,524,447	1,490,978	62,446	13,258	(42,235)	1,524,447
Profit before taxation	<u>4,557,950</u>	<u>1,333,463</u>	<u>1,479</u>	<u>629,311</u>	<u>6,522,203</u>	<u>5,536,898</u>	<u>276,600</u>	<u>342,872</u>	<u>365,833</u>	<u>6,522,203</u>
Overseas taxation	129,102	42,021	15,336	947	187,406	(10,928)	60,491	109,998	27,845	187,406
Net profit for the period	<u>4,428,848</u>	<u>1,291,442</u>	<u>(13,857)</u>	<u>628,364</u>	<u>6,334,797</u>	<u>5,547,826</u>	<u>216,109</u>	<u>232,874</u>	<u>337,988</u>	<u>6,334,797</u>
<i>As at 30 September 2017 (Unaudited)</i>										
Segment total assets	<u>420,621,345</u>	<u>99,796,748</u>	<u>21,250,197</u>	<u>130,880,567</u>	<u>672,548,857</u>	<u>524,926,970</u>	<u>21,714,074</u>	<u>106,113,799</u>	<u>22,589,740</u>	<u>675,344,583</u>
Inter segment balances					(28,430,222)					(31,225,948)
Total assets					<u>644,118,635</u>					<u>644,118,635</u>
Segment total liabilities	<u>410,555,954</u>	<u>97,621,810</u>	<u>11,104,502</u>	<u>53,706,540</u>	<u>572,988,806</u>	<u>438,962,016</u>	<u>14,634,129</u>	<u>103,026,647</u>	<u>19,161,740</u>	<u>575,784,532</u>
Inter segment balances					(28,430,222)					(31,225,948)
Total liabilities					<u>544,558,584</u>					<u>544,558,584</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 nine month period ended 30 Sep 2016 (Unaudited)</i>										
Net Interest income	2,248,427	1,937,771	199,772	340,817	4,726,787	4,501,644	65,224	15,167	144,752	4,726,787
Net non-interest income	1,060,836	427,925	1,041,432	(89,943)	2,440,250	2,210,751	133,441	6,996	89,062	2,440,250
Operating income	<u>3,309,263</u>	<u>2,365,696</u>	<u>1,241,204</u>	<u>250,874</u>	<u>7,167,037</u>	<u>6,712,395</u>	<u>198,665</u>	<u>22,163</u>	<u>233,814</u>	<u>7,167,037</u>
General administration and other operating expenses	283,191	374,555	278,019	477,382	1,413,147	1,338,546	29,560	2,954	42,087	1,413,147
Net impairment charge	<u>160,512</u>	<u>777,876</u>	<u>267,382</u>	<u>(11,982)</u>	<u>1,193,788</u>	<u>1,251,249</u>	<u>47,405</u>	<u>13,921</u>	<u>(118,787)</u>	<u>1,193,788</u>
Profit before taxation	<u>2,865,560</u>	<u>1,213,265</u>	<u>695,803</u>	<u>(214,526)</u>	<u>4,560,102</u>	<u>4,122,600</u>	<u>121,700</u>	<u>5,288</u>	<u>310,514</u>	<u>4,560,102</u>
Overseas taxation	<u>2,244</u>	<u>-</u>	<u>22,004</u>	<u>-</u>	<u>24,248</u>	<u>(270)</u>	<u>24,518</u>	<u>-</u>	<u>-</u>	<u>24,248</u>
Net profit for the period	<u>2,863,316</u>	<u>1,213,265</u>	<u>673,799</u>	<u>(214,526)</u>	<u>4,535,854</u>	<u>4,122,870</u>	<u>97,182</u>	<u>5,288</u>	<u>310,514</u>	<u>4,535,854</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 September 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	3,778,907	11,791,742	15,570,649	3,740,172
Financial liabilities	8,338,532	1,669,993	10,008,525	7,632,844
Contingent liabilities	5,125,750	8,896,275	14,022,025	1,828,369

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

	30 September 2017 (Unaudited)			30 September 2016 (Unaudited)
Interest income	140,531	124,165	264,696	38,716
Interest expense	99,901	606	100,507	110,437

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

b. Integration related costs

The Group incurred Integration-related costs of AED 268 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 and Intangibles

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 and intangibles	<u>14,900,539</u>

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 recognised 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 Sep 2017, NBAD contributed revenue and operating income of AED 4,781 million and a profit of AED 2,546 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 would be AED 14,484 million and AED 8,093 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 adopted in these condensed consolidated interim financial statements.