FAB Q1'18 Financial Results

- *Pro forma Condensed Consolidated Financial Statements*
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FAB
First Abu Dhabi Bank

Pro forma Condensed Consolidated Financial Statements

March 31, 2018

PRO FORMA CONDENSED
CONSOLIDATED 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 31 March 2018, and its unaudited Pro forma Condensed Consolidated 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 2017.

The purpose of the Pro forma financial statements 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 31 March 2018 and on the historical consolidated statement of profit or loss for the financial period ended 31 March 2018. 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 2017.

The Pro forma financial information has been compiled based on the accounting policies adopted by the Group for the preparation of 31 March 2018 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	31 Mar 2018 AED'000	31 Dec 2017 AED'000
Cash and balances with central banks	**136,572,952**	138,111,054
Investments at fair value through profit or loss	**20,439,765**	19,320,764
Due from banks and financial institutions	**17,175,141**	13,829,490
Reverse repurchase agreements	**17,350,026**	21,346,974
Derivative financial instruments	**14,208,398**	11,399,432
Loans and advances	**338,227,476**	330,465,888
Non-trading investments	**85,904,954**	88,457,710
Investment properties	**6,956,891**	6,927,692
Property and equipment	**3,626,653**	3,535,501
Intangibles	**19,852,294**	19,901,374
Other assets	**17,501,430**	15,672,416
Total assets	**677,815,980**	668,968,295
Liabilities		
Due to banks and financial institutions	**37,008,507**	30,576,336
Repurchase agreements	**30,581,633**	37,674,016
Commercial paper	**22,676,132**	24,124,097
Derivative financial instruments	**17,399,530**	14,941,331
Customer accounts and other deposits	**404,005,698**	395,843,664
Term borrowings	**44,010,501**	42,145,718
Subordinated notes	**440,245**	420,381
Other liabilities	**27,483,752**	21,033,339
Total liabilities	**583,605,998**	566,758,882
Equity		
Share capital	**10,897,545**	10,897,545
Share premium	**53,060,713**	53,026,644
Treasury shares	**(38,445)**	(42,433)
Statutory and special reserves	**7,081,074**	7,081,074
Other reserves	**456,391**	962,736
Tier 1 capital notes	**10,754,750**	10,754,750
Share option scheme	**259,450**	256,265
Convertible notes - equity component	**108,265**	108,265
Retained earnings	**11,121,350**	18,677,552
Total equity attributable to shareholders of the Group	**93,701,093**	101,722,398
Non-controlling interest	**508,889**	487,015
Total Equity	**94,209,982**	102,209,413
Total liabilities and equity	**677,815,980**	668,968,295

Pro forma Condensed consolidated statement of profit or loss

For the three month period ended 31 March

	Note	(Unaudited) 31 Mar 2018 AED'000	(Unaudited) 31 Mar 2017 AED'000
Interest income		**4,918,011**	4,619,384
Interest expense		**(1,649,532)**	(1,363,774)
Net interest income		**3,268,479**	3,255,610
Fee and commission income		**1,267,118**	1,129,980
Fee and commission expense		**(333,373)**	(348,156)
Net fee and commission income		**933,745**	781,824
Net foreign exchange gain		**335,504**	116,175
Net gain on investments and derivatives	*1*	**320,266**	981,209
Other operating income	*2*	**13,034**	53,383
Operating income		**4,871,028**	5,188,201
General, administration and other operating expenses		**(1,326,069)**	(1,515,871)
Profit before net impairment charge and taxation		**3,544,959**	3,672,330
Net impairment charge	*3*	**(439,128)**	(640,549)
Profit before taxation		**3,105,831**	3,031,781
Overseas income tax expense		**(94,260)**	(105,225)
Net profit for the period		**3,011,571**	2,926,556
Profit attributable to:			
Shareholders of the Group		**2,997,920**	2,925,683
Non-controlling interests		**13,651**	873
		3,011,571	2,926,556

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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
For the three month period ended 31 March 2018										
Net Interest income	1,461,269	1,307,539	43,094	456,577	**3,268,479**	2,821,173	133,226	245,045	69,035	**3,268,479**
Net non-interest income	1,009,575	511,461	87,952	(6,439)	**1,602,549**	1,392,971	99,704	34,065	75,809	**1,602,549**
Operating income	2,470,844	1,819,000	131,046	450,138	**4,871,028**	4,214,144	232,930	279,110	144,844	**4,871,028**
General administration and other operating expenses	434,196	660,999	71,218	159,656	**1,326,069**	1,094,629	83,884	77,584	69,972	**1,326,069**
Net impairment charge	238,643	234,609	(31,038)	(3,086)	**439,128**	418,438	(11,046)	(46,054)	77,790	**439,128**
Profit before taxation	1,798,005	923,392	90,866	293,568	**3,105,831**	2,701,077	160,092	247,580	(2,918)	**3,105,831**
Overseas taxation	57,500	27,932	8,670	158	**94,260**	807	26,111	55,946	11,396	**94,260**
Net profit for the period	1,740,505	895,460	82,196	293,410	**3,011,571**	2,700,270	133,981	191,634	(14,314)	**3,011,571**
As at 31 March 2018										
Segment total assets	455,855,776	95,649,219	20,543,943	134,989,560	**707,038,498**	555,737,086	28,710,027	130,170,472	26,187,540	**740,805,125**
Inter segment balances					**(29,222,518)**					**(62,989,145)**
Total assets					**677,815,980**					**677,815,980**
Segment total liabilities	454,007,565	97,759,356	10,406,205	50,655,390	**612,828,516**	476,890,218	20,385,176	126,659,062	22,660,687	**646,595,143**
Inter segment balances					**(29,222,518)**					**(62,989,145)**
Total liabilities					**583,605,998**					**583,605,998**

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 period ended 31 March 2017										
Net Interest income	1,504,298	1,398,013	57,065	296,234	3,255,610	2,868,981	164,711	148,887	73,031	3,255,610
Net non-interest income	997,314	475,890	77,943	381,444	1,932,591	1,689,747	65,860	107,973	69,011	1,932,591
Operating income	2,501,612	1,873,903	135,008	677,678	5,188,201	4,558,728	230,571	256,860	142,042	5,188,201
General administration and other operating expenses	542,862	779,257	81,021	112,731	1,515,871	1,306,408	85,626	77,329	46,508	1,515,871
Net impairment charge	70,074	484,133	64,544	21,798	640,549	631,525	18,901	(6,848)	(3,029)	640,549
Profit before taxation	1,888,676	610,513	(10,557)	543,149	3,031,781	2,620,795	126,044	186,379	98,563	3,031,781
Overseas taxation	54,819	48,885	540	981	105,225	1,401	27,887	67,141	8,796	105,225
Net profit for the period	1,833,857	561,628	(11,097)	542,168	2,926,556	2,619,394	98,157	119,238	89,767	2,926,556
As at 31 December 2017										
Segment total assets	450,430,907	97,980,652	21,782,636	126,431,598	696,625,793	544,299,763	21,240,671	129,441,066	23,406,626	718,388,126
Inter segment balances					(27,657,498)					(49,419,831)
Total assets					668,968,295					668,968,295
Segment total liabilities	438,220,833	95,001,870	11,430,776	49,762,901	594,416,380	456,642,109	13,808,673	126,033,661	19,694,270	616,178,713
Inter segment balances					(27,657,498)					(49,419,831)
Total liabilities					566,758,882					566,758,882

Notes to the condensed consolidated Pro-forma financial statements

1 Net gain on investments and derivatives

	(Unaudited) Three month period ended 31 Mar 2018 AED'000	(Unaudited) Three month period ended 31 Mar 2017 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	**235,190**	340,577
Net gain from sale of non-trading Investments	**71,238**	618,509
Dividend income	**13,838**	22,123
	320,266	981,209

2 Other Operating Income

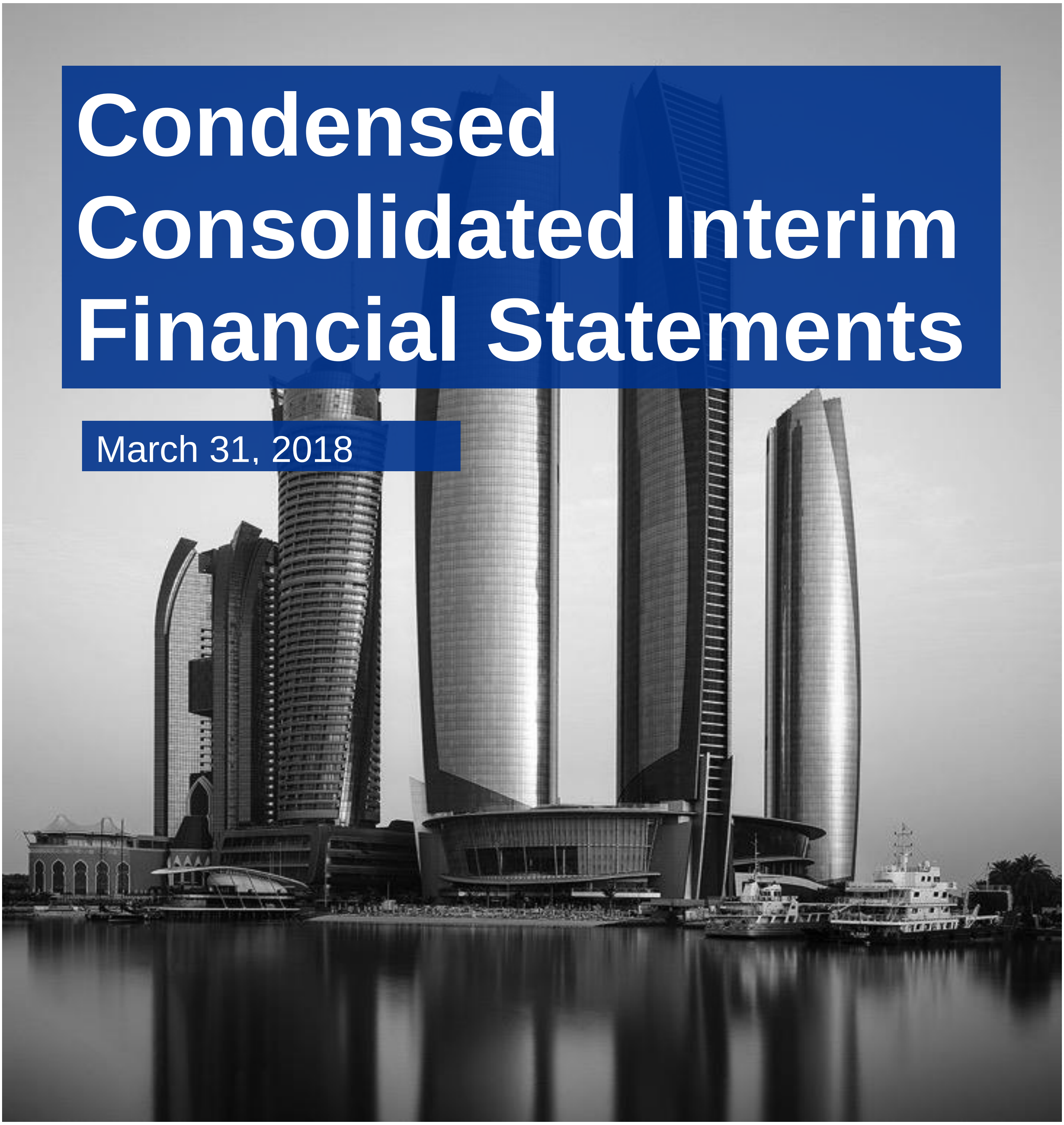
	(Unaudited) Three month period ended 31 Mar 2018 AED'000	(Unaudited) Three month period ended 31 Mar 2017 AED'000
Investment property income	**1,524**	11,510
Leasing related income	**21,800**	23,303
Other income	**(10,290)**	18,570
	13,034	53,383

3 Net impairment charge

	(Unaudited) Three month period ended 31 Mar 2018 AED'000	(Unaudited) Three month period ended 31 Mar 2017 AED'000
Impairment charge on loans and advances	**654,674**	776,211
Impairment charge on other financial assets	**12,447**	951
Impairment charge on unfunded exposures	**(187,459)**	-
Recoveries	**(57,213)**	(148,376)
Write-off of impaired financial assets	**16,679**	11,763
	439,128	640,549

Condensed Consolidated Interim Financial Statements

March 31, 2018



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KPMG Lower Gulf Limited
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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 31 March 2018 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 31 March 2018;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of other comprehensive income for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2018;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2018; 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 31 March 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other matter

The interim financial statements as at and for the period ended 31 March 2017 were reviewed by another auditor who expressed an unqualified conclusion on those interim financial statements on 19 April 2017.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Abu Dhabi, United Arab Emirates
Date: 29 April 2018

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Condensed consolidated interim statement of financial position
As at

Assets	Note	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Cash and balances with central banks	8	136,572,952	138,111,054
Investments at fair value through profit or loss	9	20,439,765	19,320,764
Due from banks and financial institutions		17,175,141	13,829,490
Reverse repurchase agreements		17,350,026	21,346,974
Derivative financial instruments		14,208,398	11,399,432
Loans and advances	10	338,227,476	330,465,888
Non-trading investments	11	85,904,954	88,457,710
Investment properties	12	6,956,891	6,927,692
Property and equipment		3,626,653	3,535,501
Intangibles	13	19,852,294	19,901,374
Other assets		17,501,430	15,672,416
Total assets		677,815,980	668,968,295
Liabilities			
Due to banks and financial institutions	14	37,008,507	30,576,336
Repurchase agreements		30,581,633	37,674,016
Commercial paper	15	22,676,132	24,124,097
Derivative financial instruments		17,399,530	14,941,331
Customer accounts and other deposits	16	404,005,698	395,843,664
Term borrowings	17	44,010,501	42,145,718
Subordinated notes	18	440,245	420,381
Other liabilities		27,483,752	21,033,339
Total liabilities		583,605,998	566,758,882
Equity			
Share capital	19	10,897,545	10,897,545
Share premium		53,060,713	53,026,644
Treasury shares		(38,445)	(42,433)
Statutory and special reserves		7,081,074	7,081,074
Other reserves		456,391	962,736
Tier 1 capital notes	20	10,754,750	10,754,750
Share option scheme	21	259,450	256,265
Convertible notes - equity component		108,265	108,265
Retained earnings		11,121,350	18,677,552
Total equity attributable to shareholders of the Bank		93,701,093	101,722,398
Non-controlling interest		508,889	487,015
Total Equity		94,209,982	102,209,413
Total liabilities and equity		677,815,980	668,968,295

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 three month period ended (Unaudited)

	Note	**(Unaudited) 31 Mar 2018 AED'000**	(Unaudited) 31 Mar 2017 AED'000
Interest income		**4,918,011**	2,104,253
Interest expense		**(1,649,532)**	(558,501)
Net interest income		**3,268,479**	1,545,752
Fee and commission income		**1,267,118**	390,779
Fee and commission expense		**(333,373)**	(72,966)
Net fee and commission income		**933,745**	317,813
Net foreign exchange gain		**335,504**	41,078
Net gain on investments and derivatives	*24*	**320,266**	84,897
Other operating income	*25*	**13,034**	46,132
Operating income		**4,871,028**	2,035,672
General, administration and other operating expenses		**(1,326,069)**	(542,017)
Profit before net impairment charge and taxation		**3,544,959**	1,493,655
Net impairment charge	*26*	**(439,128)**	(342,933)
Profit before taxation		**3,105,831**	1,150,722
Overseas income tax expense		**(94,260)**	(6,676)
Profit for the period		**3,011,571**	1,144,046
Profit attributable to:			
Shareholders of the Bank		**2,997,920**	1,143,173
Non-controlling interests		**13,651**	873
		3,011,571	1,144,046
Basic earnings per share (AED)	*27*	**0.26**	0.19
Diluted earnings per share (AED)	*27*	**0.26**	0.19

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 three month period ended (Unaudited)

	(Unaudited) 31 Mar 2018 AED'000	(Unaudited) 31 Mar 2017 AED'000
Profit for the period	**3,011,571**	1,144,046
Other comprehensive income		
Items that are or may subsequently be reclassified to condensed consolidated interim statement of profit or loss		
Exchange difference on translation of foreign operations	**(54,336)**	6,781
Net change in fair value reserve during the period	**(184,033)**	108,713
Items that will not subsequently be reclassified to condensed consolidated interim statement of profit or loss		
Re-measurement of defined benefit obligations	**(929)**	-
Other comprehensive income for the period	**(239,298)**	115,494
Total comprehensive income for the period	**2,772,273**	1,259,540
Comprehensive income attributable to:		
Shareholders of the Bank	**2,750,399**	1,256,142
Non-controlling interest	**21,874**	3,398
Total comprehensive income for the period	**2,772,273**	1,259,540

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 three month period ended (Unaudited)

	31 Mar 2018 AED'000	31 Mar 2017 AED'000
Cash flows from operating activities		
Profit before taxation	**3,105,831**	1,150,722
Adjustments for:		
Depreciation	**74,886**	38,390
Amortisation	**49,080**	-
Gain on sale of investment property	**(1,524)**	(11,510)
Net impairment charges	**494,726**	347,333
Accreted interest	**36,826**	10,757
Foreign currency translation adjustment	**77,189**	87,642
Share option scheme	**3,185**	-
Change in investments at fair value through profit or loss	**(1,119,001)**	(893,736)
Change in due from central banks, banks and financial institutions	**(2,651,844)**	1,981,930
Change in reverse repurchase agreements	**3,990,676**	2,795,847
Change in loans and advances	**(10,314,631)**	(559,788)
Change in other assets	**(1,877,123)**	575,441
Change in due to banks and financial institutions	**6,432,171**	4,568,828
Change in repurchase agreements	**(7,092,383)**	2,031,007
Change in customer accounts and other deposits	**8,162,658**	(4,861,312)
Change in derivative financial instruments	**(1,208,997)**	(245,257)
Change in other liabilities	**809,287**	(366,400)
Overseas income tax paid, net of recoveries	**(52,410)**	(1,580)
Net cash (used in) / from operating activities	**(1,081,398)**	6,648,314
Cash flows from investing activities		
Net purchase of non-trading investments	**2,369,193**	(3,963,244)
Purchase of investment property	**(37,701)**	(103,612)
Sale proceeds from disposal of investment property	**10,026**	111,131
Purchase of property and equipment, net of disposals	**(166,039)**	(32,120)
Net cash from / (used in) investing activities	**2,175,479**	(3,987,845)
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	**38,057**	-
Dividend paid	**(2,577,189)**	(3,238,859)
Net movement of commercial paper	**(1,447,965)**	(345,110)
Repayment of Sukuk	**-**	(1,836,500)
Issue of term borrowings	**5,738,241**	-
Repayment of term borrowings	**(3,202,896)**	-
Payment on Tier 1 capital notes	**(164,712)**	(77,218)
Net cash used in financing activities	**(1,616,464)**	(5,497,687)
Net decrease in cash and cash equivalents	**(522,383)**	(2,837,218)
Cash and cash equivalents at 1 January	**134,605,917**	23,579,527
Cash and cash equivalents at 31 March (Note 23)	**134,083,534**	20,742,309

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.

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Condensed consolidated statement of changes in equity

For the three month period ended (Unaudited)

	Share capital	Share premium	Treasury shares	Statutory and special reserves	General reserve	Tier 1 capital notes	Share option scheme	Fair value reserve	Foreign currency translation reserve	Reval-uation reserve	Convertible notes - equity component	Retained earnings	Equity attributable to share-holders of the Bank	Non-controllin g interest	Total
	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)	(AED '000)
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
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	1,143,173	1,143,173	873	1,144,046
Other comprehensive income for the period	-	-	-	-	-	-	-	108,712	4,257	-	-	-	112,969	2,525	115,494
Transactions with owners of the Group															
Dividend for the year 2016	-	-	-	-	-	-	-	-	-	-	-	(4,500,000)	(4,500,000)	-	(4,500,000)
Payment on Tier 1 capital notes *(note 20)*	-	-	-	-	-	-	-	-	-	-	-	(77,218)	(77,218)	-	(77,218)
Balance at 31 March 2017	4,500,000	-	-	11,030,110	120,000	4,000,000	-	521,502	(84,070)	280,601	-	13,534,971	33,903,114	436,180	34,339,294
Balance at 1 January 2018	**10,897,545**	**53,026,644**	**(42,433)**	**7,081,074**	**120,000**	**10,754,750**	**256,265**	**625,210**	**(63,075)**	**280,601**	**108,265**	**18,677,552**	**101,722,398**	**487,015**	**102,209,413**
Impact of adopting IFRS 9 at 1 January 2018 *(note 5)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(259,753)**	**-**	**-**	**-**	**(2,766,950)**	**(3,026,703)**	**-**	**(3,026,703)**
Restated balance at 1 January 2018	**10,897,545**	**53,026,644**	**(42,433)**	**7,081,074**	**120,000**	**10,754,750**	**256,265**	**365,457**	**(63,075)**	**280,601**	**108,265**	**15,910,602**	**98,695,695**	**487,015**	**99,182,710**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,997,920**	**2,997,920**	**13,651**	**3,011,571**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(184,033)**	**(62,559)**	**-**	**-**	**(929)**	**(247,521)**	**8,223**	**(239,298)**
Transactions with owners of the Group															
Zakat	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,751**	**6,751**	**-**	**6,751**
Share options exercised *(note 21)*	**-**	**34,069**	**3,988**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**38,057**	**-**	**38,057**
Dividend for the year 2017 (*note 19*)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,628,282)**	**(7,628,282)**	**-**	**(7,628,282)**
Options granted to staff	**-**	**-**	**-**	**-**	**-**	**-**	**3,185**	**-**	**-**	**-**	**-**	**-**	**3,185**	**-**	**3,185**
Payment on Tier 1 capital notes *(note 20)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(164,712)**	**(164,712)**	**-**	**(164,712)**
Balance at 31 March 2018	**10,897,545**	**53,060,713**	**(38,445)**	**7,081,074**	**120,000**	**10,754,750**	**259,450**	**181,424**	**(125,634)**	**280,601**	**108,265**	**11,121,350**	**93,701,093**	**508,889**	**94,209,982**

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 30 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 31 March 2018 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, Brazil, Cayman Islands, China, Egypt, France, Hong Kong, India, Jordan, Kuwait, Lebanon, Libya, Malaysia, Oman, Qatar, Singapore, South Korea, Sudan, Switzerland, the United Kingdom and the United States of America.

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

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 2017 are available upon request from the Bank's registered office or at http://www.bankfab.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 2017.

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 29 April 2018.

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 2017 except for the adoption of the following amendments to standards and new standards as of 1 January 2018.

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

IFRS 9 – Financial Instruments

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of initial application of 1 January 2018. The requirement of IFRS 9 brings a fundamental change from IAS 39 Financial Instrument recognition and measurement. The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below.

3 Significant accounting policies *(continued)*

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is driven by business model in which a financial asset is managed and its contractual cash flow.

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

IFRS 9 removes the requirement contained in IAS 39 relating to bifurcation of an embedded derivative from an asset host contract. However, entities are still required to separate derivatives embedded in financial liabilities where they are not closely related to the host contract.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated under the fair value option were recognized in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Business model assessment

The Bank makes an annual assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3 Significant accounting policies *(continued)*

Business model assessment *(continued)*

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending costs and profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers;

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Banks claim to cash flows from specified assets and
- features that modify consideration of the time value of money

Modifications of financial assets

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

Impairment

The Bank recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:
- balances with central banks;
- due from banks and financial institutions;
- reverse repurchase agreements;
- financial assets that are debt instruments;
- loans and advances;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

3 Significant accounting policies *(continued)*

Measurement of ECL

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SCIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The key inputs into the measurement of ECL are the term structure of the following variables:
- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

ECL is probability weighted estimate of credit losses which are as the present value of all cash shortfall i.e., the difference between the cash flows in accordance with the contract and the cash flow that the group expect to receive.

Assessment of significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information. For retail loan significant increase in credit risk is measure based on days past due.

Definition of Impaired

At each reporting date, the bank assesses whether there is an objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or a group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flow of the assets.

Objective evidence that financial assets are impaired includes, but not limited to:
- Significant financial difficulty of a borrower or issuer
- Decrease in the risk rating
- Non-payment of obligations to other banks
- Default or delinquency by a borrower
- Restructuring of a facility by the group on terms that the bank would not consider otherwise
- Indication that a borrower or issuer would enter bankruptcy
- Disappearance of an active market for a security

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

3 Significant accounting policies *(continued)*

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

In its models, the Bank relies on a broad range of forward looking information as economic inputs, such as: GDP growth, equity index, real estate price, oil prices, etc. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.
- loan commitments and financial guarantee contracts: generally, as a provision under other liability.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
  - For financial liabilities designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
  - If a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

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

3 Significant accounting policies *(continued)*

IFRS 15 - Revenue from contracts with customers

IFRS 15 standard on revenue recognition replaces IAS 11, 'Construction contracts', and IAS 18,'Revenue' and related interpretations.

IFRS 15 is more prescriptive, provides detailed guidance on revenue recognition and reduces the use of judgment in applying revenue recognition policies and practices as compared to the replaced IFRS and related interpretations. Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Amendment to IFRS 15 - Revenue from contracts with customers

The amendments comprise clarifications on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

The Group has assessed that the impact of IFRS 15 is not material on the condensed consolidated interim financial statements of the Group as at the reporting date.

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 period ended 31 March 2018, and have not been applied in preparing these condensed consolidated interim financial information:

IFRS 16 – Leases

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 periods 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.

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 % 2018
NBAD Americas N.V. *(formerly Abu Dhabi International Bank N.V.)*	Curacao	Banking	100%
FAB 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	Banking	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[1]	Libya	Banking services	50%
FGB Global Markets Cayman Limited	Cayman Islands	Financial Institution	100%
FAB 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%

[1] 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.

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.

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 2017 except the following estimates and judgements which are applicable from 1 January 2018.

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.

Changes to judgements made in applying accounting policies that have most significant effects on the amounts recognised in the condensed interim financial statements of the period ended 31 March 2018 pertain to the changes introduced as a result of adoption of IFRS 9 : Financial Instruments which impact

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.

- Calculation of the expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the period ended 31 March 2018 pertain to the changes introduced as a result of the adoption of IFRS 9 - Financial Instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

5 Transitional impact

The impact from the adoption of IFRS 9 as at 1 January 2018 on the retained earnings and fair value reserve is as follows:

	Retained earnings AED'000	Fair value reserve AED'000	Total AED'000
Closing balance under IAS 39 (31 December 2017)	**18,677,552**	**625,210**	**19,302,762**
Impact on reclassification and re measurements:			
Investment securities (debt) from held to maturity to those measured at fair value through other comprehensive income	**-**	**24,138**	**24,138**
Investment securities (debt) from available-for-sale to those measured at fair value through profit or loss	**602**	**(602)**	**-**
Investment securities (equity) from available-for-sale to those measured at fair value through profit or loss	**(47,015)**	**47,015**	**-**
Investment securities (private equity) from available-for-sale to those measured at amortized cost	**379,417**	**(379,417)**	**-**
Impact on recognition of Expected Credit Losses			
Financial assets	**(2,358,495)**	**49,113**	**(2,309,382)**
Unfunded exposures	**(741,459)**	**-**	**(741,459)**
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**15,910,602**	**365,457**	**16,276,059**

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

5 Transitional impact *(continued)*

The following tables reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018

	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount AED'000	Reclassification to other category AED'000	Re-measurements AED'000	Impact of ECL AED'000	IFRS 9 carrying amount AED'000
Financial assets							
Cash and balances with central banks	Loans and receivables	Amortised cost	138,111,054	-	-	(278,979)	**137,832,075**
Investments at fair value through profit or loss	FVTPL	FVTPL	19,320,764	2,393,533	-	-	**21,714,297**
Due from banks and financial institutions	Loans and receivables	Amortised cost	13,829,490	-	-	(27,796)	**13,801,694**
Reverse repurchase agreements	Loans and receivables	Amortised cost	21,346,974	-	-	(5,895)	**21,341,079**
Derivative financial instruments	FVTPL	FVTPL	11,399,432	-	-	-	**11,399,432**
Loans and advances	Loans and receivables	Amortised cost	330,465,888	-	-	(1,883,277)	**328,582,611**
Non-trading investments							
	Held to maturity	Amortised cost	7,075,467	(873,590)	-	(63,937)	**6,137,940**
	Available for sale - debt	FVOCI Debt	78,984,329	580,683	24,138	-	**79,589,150**
	Available for sale - equity	FVOCI Equity	2,328,154	(2,100,626)	-	-	**227,528**
Other assets	Loans and receivables	Amortised cost	15,542,116	-	-	(49,498)	**15,492,618**
Total Financial Assets			**638,403,668**	**-**	**24,138**	**(2,309,382)**	**636,118,424**

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

5 Transitional impact *(continued)*

Financial liability	IAS 39 carrying amount	IAS 39 Classification	IFRS 9 Classification AED'000	Reclassification to other category AED'000	Re-measurements AED'000	Impact of ECL AED'000	IFRS 9 carrying amount AED'000
Due to banks and financial institutions	Amortised cost	Amortised cost	30,576,336	-	-	-	**30,576,336**
Repurchase agreements	Amortised cost	Amortised cost	37,674,016	-	-	-	**37,674,016**
Commercial paper	Amortised cost	Amortised cost	24,124,097	-	-	-	**24,124,097**
Derivative financial instruments	FVTPL	FVTPL	14,941,331	-	-	-	**14,941,331**
Customer accounts and other deposits	Amortised cost	Amortised cost	395,843,664	-	-	-	**395,843,664**
Term borrowings	Amortised cost	Amortised cost	42,145,718	-	-	-	**42,145,718**
Subordinated notes	Amortised cost	Amortised cost	420,381	-	-	-	**420,381**
Other liabilities[1]	Amortised cost	Amortised cost	21,033,339	-	-	741,459	**21,774,798**
Total Financial Liabilities			**566,758,882**	-	-	**741,459**	**567,500,341**

[1]Includes ECL for unfunded exposures

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

6 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)	(Audited)	**(Unaudited)**	(Audited)
	31 Mar 2018	31 Dec 2017	**31 Mar 2018**	31 Dec 2017
	AED'000	AED'000	**AED'000**	AED'000
Government sector	**3,794,975**	4,397,799	**40,678,611**	38,956,577
Supranational	**1,525,008**	915,279	**3,131,802**	3,180,983
Public Sector	**2,241,242**	2,287,703	**22,978,957**	23,521,158
Banking sector	**9,876,283**	11,070,764	**13,941,149**	15,019,621
Corporate / private sector	**3,002,257**	649,219	**5,236,366**	7,779,371
	20,439,765	19,320,764	**85,966,885**	88,457,710
Less: allowance for impairment (expected credit loss)	**-**	-	**(61,931)**	-
	20,439,765	19,320,764	**85,904,954**	88,457,710

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)	(Audited)	**(Unaudited)**	(Audited)
	31 Mar 2018	31 Dec 2017	**31 Mar 2018**	31 Dec 2017
	AED'000	AED'000	**AED'000**	AED'000
AAA	**98,644**	93,281	**14,863,723**	13,736,429
AA to A	**10,826,782**	12,451,229	**55,785,910**	55,568,380
BBB to B	**6,338,202**	5,924,467	**12,647,134**	14,561,101
CCC and below	**27**	27	**26,688**	26,535
Unrated	**3,176,110**	851,760	**2,643,430**	4,565,265
	20,439,765	19,320,764	**85,966,885**	88,457,710

Investments at fair value through profit or loss include investment in equity instruments and private equity funds which do not carry credit risk *(refer Note 9).*

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

6 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.

As of 31 March 2018	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired[4]		Total	
	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision
Balances with central banks	129,117,776	30,215	5,989,663	266,725	-	-	-	-	**135,107,439**	**296,940**
Due from banks and financial institutions	16,790,265	5,788	409,849	19,184	-	-	-	-	**17,200,114**	**24,972**
Reverse repurchase agreements	17,356,297	6,271	-	-	-	-	-	-	**17,356,297**	**6,271**
Loans and advances[1]	319,725,482	1,811,317	20,694,550	4,881,257	7,408,736	4,481,808	5,688,933	2,294,441	**353,517,701**	**13,468,823**
Non-trading investments										
Amortised cost	6,017,982	4,296	112,694	57,635	-	-	-	-	**6,130,676**	**61,931**
FVOCI Debt[2]	79,388,074	47,569	26,688	1,904	-	-	-	-	**79,414,762**	**49,473**
Other assets[3]	12,597,631	44,272	407,599	3,865	-	-	-	-	**13,005,230**	**48,137**
Unfunded exposure	191,477,321	76,578	6,504,437	345,521	453,785	132,960	-	-	**198,435,543**	**555,059**
	772,470,828	**2,026,306**	**34,145,480**	**5,576,091**	**7,862,521**	**4,614,768**	**5,688,933**	**2,294,441**	**820,167,762**	**14,511,606**

[1]The exposure represents gross loans and advances.
[2]The provision against loans classified as FVOCI is netted off against the fair value reserve.
[3]On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.
[4]The Group, from an internal credit quality point of view, considers AED 5,434 million as par to non-performing loans.

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

6 Financial risk management *(continued)*

Credit risk *(continued)*

As of 31 Dec 2017 (restated)	Stage 1		Stage 2		Stage 3		Purchased or originally credit impaired		Total	
	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision	AED'000 Exposure	AED'000 Provision
Balances with central banks	130,830,533	23,757	5,502,359	255,222	-	-	-	-	136,332,892	278,979
Due from banks and financial institutions	13,350,927	6,716	478,563	21,080	-	-	-	-	13,829,490	27,796
Reverse repurchase agreements	21,346,974	5,895	-	-	-	-	-	-	21,346,974	5,895
Loans and advances[1]	310,729,079	1,849,288	21,602,034	5,734,822	7,023,405	4,643,719	5,734,540	2,383,559	345,089,058	14,611,388
Non-trading investments										
Amortised cost	6,086,877	5,123	115,000	58,814	-	-	-	-	6,201,877	63,937
FVOCI Debt[2]	79,562,572	47,067	26,535	2,046	-	-	-	-	79,589,107	49,113
Other assets[3]	10,932,092	49,019	331,545	431	113	48	-	-	11,263,750	49,498
Unfunded exposure	194,025,796	206,352	6,599,105	333,156	368,148	201,951	-	-	200,993,049	741,459
	766,864,850	2,193,217	34,655,141	6,405,571	7,391,666	4,845,718	5,734,540	2,383,559	814,646,197	15,828,065

[1]The exposure represents gross loans and advances.
[2]The provision against loans classified as FVOCI is netted off against the fair value reserve.
[3]On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.

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

6 Financial risk management *(continued)*

Credit risk *(continued)*

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

	(Unaudited) Three month period ended 31 Mar 2018 AED'000	(Unaudited) Three month period ended 31 Mar 2017 AED'000
Beginning of the period	**12,728,111**	4,468,060
Impact due to IFRS 9 adoption	**3,099,954**	-
	15,828,065	4,468,060
Net charge	**479,662**	402,736
Amounts written off and other adjustment	**(1,796,121)**	(614,462)
End of the period	**14,511,606**	4,256,334

7 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 31 March 2018 (Unaudited)				
Fair value through profit and loss	**16,116,167**	**2,474,303**	**1,849,295**	**20,439,765**
Fair value through other comprehensive income				
- with recycle to profit or loss	**75,516,390**	**3,898,344**	**-**	**79,414,734**
- without recycle to profit or loss	**186,994**	**-**	**164,650**	**351,644**
Derivative financial instruments (Assets)	**51,704**	**14,156,694**	**-**	**14,208,398**
	91,871,255	**20,529,341**	**2,013,945**	**114,414,541**
Derivative financial instruments (Liabilities)	**40,982**	**17,358,548**	**-**	**17,399,530**

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

7 Financial assets and liabilities *(continued)*

Financial instruments measured at fair value – hierarchy *(continued)*

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2017 (Audited)				
Financial assets held for trading	17,170,765	2,131,636	7,241	19,309,642
Designated at fair value through profit and loss	11,122	-	-	11,122
Available-for-sale financial assets	76,177,486	3,266,871	1,868,126	81,312,483
Derivative financial instruments (Assets)	32,592	11,366,840	-	11,399,432
	93,391,965	16,765,347	1,875,367	112,032,679
Derivative financial instruments (Liabilities)	133,073	14,808,258	-	14,941,331

There were no transfers between the fair value hierarchies for any financial asset or liability except for seven bonds from level 1 to level 2 amounting to AED 1,640 million. In addition, in investments at fair value through profit or loss three bonds were moved from level 2 to level 1 amounting to AED 550 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 2017.

8 Cash and balances with central banks

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Cash on hand	**1,762,453**	1,778,162
Central Bank of the UAE		
cash reserve deposits	**21,110,260**	20,732,467
certificates of deposits	**14,999,709**	14,987,010
other balances	**3,033,020**	4,505,644
Balances with other central banks		
cash reserve deposits	**1,113,106**	1,031,581
other deposits and balances	**94,851,344**	95,076,190
	136,869,892	138,111,054
Less: allowance for impairment (expected credit losses)	**(296,940)**	-
	136,572,952	138,111,054

Cash reserve deposits are not available for the day to day operations of the Group.

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

9 Investments at fair value through profit or loss

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Investments in managed funds	**33,861**	55,719
Investment in private equity	**1,836,727**	-
Investments in equities	**981,857**	503,769
Debt securities	**17,587,320**	18,761,276
	20,439,765	19,320,764

10 Loans and advances

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Gross loans and advances	**353,517,701**	345,089,058
Less: interest suspended	**(1,821,402)**	(1,895,059)
Less: allowance for impairment (expected credit losses)	**(13,468,823)**	(12,728,111)
Net loans and advances	**338,227,476**	330,465,888

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
By counterparty:		
Government sector	**5,240,197**	5,006,234
Public sector	**58,581,214**	54,586,399
Banking sector	**24,287,233**	21,099,155
Corporate / private sector	**194,006,419**	193,175,957
Personal / retail sector	**71,402,638**	71,221,313
Gross loans and advances	**353,517,701**	345,089,058

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

10 Loans and advances *(continued)*

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
By product:		
Overdrafts	**15,003,237**	15,200,956
Term loans	**272,776,689**	267,487,712
Trade related loans	**27,122,712**	22,970,550
Personal loans	**29,916,710**	30,246,430
Credit cards	**7,620,475**	8,035,270
Vehicle financing loans	**1,077,878**	1,148,140
Gross loans and advances	**353,517,701**	345,089,058

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Concentration by industry sector:		
Agriculture	**485,718**	435,808
Energy	**23,957,971**	24,225,459
Manufacturing	**22,313,643**	20,178,714
Construction	**12,373,265**	12,034,840
Real estate	**89,929,901**	90,530,386
Trading	**23,409,206**	22,877,522
Transport and communication	**24,952,992**	26,421,661
Banks	**24,287,233**	21,099,155
Other financial institutions	**26,572,151**	26,641,128
Services	**28,437,107**	24,228,514
Government	**5,240,197**	5,006,234
Personal - Loans & Credit Cards	**58,380,965**	58,363,714
Personal - Retail Mortgage	**13,021,673**	12,857,601
Others	**155,679**	188,322
	353,517,701	345,089,058

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

11 Non-trading Investments

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Available-for-sale investments	**-**	81,312,483
Fair value through other comprehensive income:		-
- with recycle to profit or loss	**79,414,734**	
- without recycle to profit or loss	**351,644**	
Held-to-maturity investments	**-**	7,075,467
Amortised cost	**6,130,676**	-
Investment in associates and joint venture	**69,831**	69,760
	85,966,885	88,457,710
Less: allowance for impairment (expected credit losses)	**(61,931)**	-
	85,904,954	88,457,710

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

	(Unaudited) 31 Mar 2018 AED'000			(Audited) 31 Dec 2017 AED'000		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Equity investments	**186,994**	**234,481**	**421,475**	450,356	234,364	684,720
Investments in private equity funds	**-**	**-**	**-**	-	1,703,524	1,703,524
Debt investments	**84,144,269**	**1,401,141**	**85,545,410**	84,330,388	1,727,335	86,057,723
Funds	**-**	**-**	**-**	11,743	-	11,743
	84,331,263	**1,635,622**	**85,966,885**	84,792,487	3,665,223	88,457,710
Less: allowance for impairment (expected credit losses)	**-**	**-**	**(61,931)**	-	-	-
			85,904,954			88,457,710

Debt instruments under repurchase agreements included in non-trading investments amounted to AED 22,667 million *(31 December 2017: AED 23,781 million)*.

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

12 Investment Properties

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Beginning of the period	**6,927,692**	6,422,502
Additions	**37,701**	553,203
Business Combination transaction	**-**	45,106
Disposals / transfers	**(8,502)**	(273,035)
Fair value adjustment	**-**	179,916
End of the period	**6,956,891**	6,927,692

13 Intangibles

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Goodwill	**17,370,249**	17,317,445
Customer relationship	**1,774,716**	1,813,517
Core deposits	**593,335**	976,038
License	**368,700**	-
Brand	**22,000**	22,000
	20,129,000	20,129,000
Amortisation	**(276,706)**	(227,626)
	19,852,294	19,901,374

14 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 13,621 million *(31 December 2017: AED 13,695 million)*.

15 Commercial paper

The Bank has established two Euro Commercial Paper Programmes with programme limits totaling up to USD 10.5 billion in aggregate. The Bank has a "US Dollar commercial paper programme" with a programme limit of USD 5 billion.

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

16 Customer accounts and other deposits

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
By account:		
Current accounts	**152,621,937**	137,005,200
Savings accounts	**13,612,681**	13,323,504
Margin accounts	**5,387,181**	5,744,664
Notice and time deposits	**201,141,531**	205,096,675
	372,763,330	361,170,043
Certificates of deposit	**31,242,368**	34,673,621
	404,005,698	395,843,664

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
By counterparty:		
Government sector	**97,334,036**	78,639,783
Public sector	**69,383,173**	74,303,858
Corporate / private sector	**129,615,459**	135,281,622
Personal / retail sector	**76,430,662**	72,944,780
	372,763,330	361,170,043
Certificates of deposit	**31,242,368**	34,673,621
	404,005,698	395,843,664

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

17 Term borrowings

		31 March 2018 (Unaudited)						31 December 2017 (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**	-	96,830	-	-	-	96,830
AED	3 month EIBOR + 180 bps p.a.	**-**	**-**	**49,949**	**-**	**-**	**49,949**	-	-	49,936	-	-	49,936
AUD	Fixed rate of 3.17% to 5% p.a.		**1,145,699**	**799,763**	**83,371**	**-**	**2,028,833**	861,918	-	1,983,239	84,717	-	2,929,874
AUD	3 month AUD BBSW + 110 bps to 142 bps p.a.	**-**	**-**	**56,308**	**70,545**	**-**	**126,853**	-	-	57,268	71,812	-	129,080
CHF	Fixed rate of 0.16% to 0.625% p.a.	**-**	**-**	**-**	**769,436**	**562,790**	**1,332,226**	-	-	-	754,538	556,742	1,311,280
CNH	Fixed rate of 4% to 5% p.a.	**234,020**	**210,462**	**1,048,446**	**40,589**	**-**	**1,533,517**	73,324	355,185	572,242	-	-	1,000,751
EUR	Fixed rate of 0.516% to 3% p.a.	**-**	**-**	**114,028**	**-**	**592,219**	**706,247**	-	-	111,017	-	580,853	691,870
EUR	3 month EURIBOR + (33 bps to 36 bps) p.a.	**-**	**-**	**270,328**	**-**	**-**	**270,328**	66,128	-	263,084	-	-	329,212
HKD	Fixed rate of 2.37% to 4.45% p.a.	**-**	**-**	**299,789**	**233,576**	**550,471**	**1,083,836**	-	-	303,202	238,052	567,182	1,108,436
JPY	Fixed rate of 0.86% to 2.60% p.a.	**-**	**-**	**345,446**	**-**	**370,571**	**716,017**	-	-	325,853	-	347,592	673,445
MXN	Fixed rate of 0.50% p.a.	**-**	**-**	**-**	**-**	**2,576**	**2,576**	-	-	-	-	1,960	1,960
MYR	Fixed rate of 4.90% p.a.	**-**	**-**	**467,938**	**-**	**-**	**467,938**	-	-	453,894	-	-	453,894
SGD	Fixed rate of 2.10% p.a.	**30,827**	**-**	**-**	**-**	**-**	**30,827**	-	30,249	-	-	-	30,249
USD	Fixed rate of till 5.10% p.a.	**-**	**1,834,423**	**8,399,284**	**4,553,430**	**7,963,768**	**22,750,905**	1,830,007	-	10,284,027	2,134,531	8,265,264	22,513,829
USD	1-3 Month LIBOR + (5 bps to 230 bps) p.a.	**661,047**	**1,561,038**	**8,011,756**	**446,720**	**2,131,608**	**12,812,169**	367,098	2,221,999	7,992,009	243,966	-	10,825,072
		925,894	**4,849,902**	**19,863,035**	**6,197,667**	**12,174,003**	**44,010,501**	3,198,475	2,704,263	22,395,771	3,527,616	10,319,593	42,145,718

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

17 Term borrowings *(continued)*

During the period, the Bank has issued various fixed and floating rate notes. The movement of term borrowings during the period is below:

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Beginning of the period	**42,145,718**	18,294,545
Increase due to acquisition	**-**	31,308,591
New issuances	**5,738,241**	3,135,955
Redemptions	**(3,202,896)**	(11,433,020)
Exchange and other adjustments	**(670,562)**	839,647
End of the period	**44,010,501**	42,145,718

18 Subordinated notes

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
10 December 2012 issue *(maturity date: 9 December 2027)*	**440,245**	420,381

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 31 March 2018.

19 Share Capital

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Ordinary shares of AED 1 each	**10,897,545**	10,897,545
Treasury shares of AED 1 each	**38,445**	42,433

At the Annual General Meeting (AGM) held on 25 February 2018, the shareholders of the Bank approved a cash dividend of AED 0.70 per ordinary shares amounting to AED 7,628 million *(31 December 2016: AED 1 per ordinary share amounting to AED 4,500 million)*.

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

20 Tier 1 capital notes

	Currency	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Government of Abu Dhabi Notes (6 month EIBOR plus 2.3 percent per annum)	AED	**8,000,000**	8,000,000
USD 750 million Notes (5% fixed rate until 2020 thereafter 5 year mid swap rate plus 3.35 percent per annum)	USD	**2,754,750**	2,754,750
		10,754,750	10,754,750

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 164,712 thousand *(31 March 2017: AED 77,218 thousand)*.

21 Share option scheme

The Group 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.

During the period, 3,988 thousand options *(31 March 2017: Nil)* had been exercised by the option holders resulting in an increase in the total share capital by AED 3,988 thousand *(31 March 2017: Nil)* and share premium by AED 34,069 thousand *(31 March 2017: Nil)*.

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

22 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) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Letter of credit	**48,698,897**	48,863,532
Letters of guarantees	**105,636,306**	102,810,624
Financial guarantees	**1,237,013**	763,441
Irrevocable Undrawn Commitments	**42,863,327**	48,555,452
	198,435,543	200,993,049

23 Cash and cash equivalents

	(Unaudited) 31 Mar 2018 AED'000	(Audited) 31 Dec 2017 AED'000
Cash and balances with Central Banks	**136,869,893**	138,111,054
Due from banks and financial institutions	**17,200,114**	13,829,490
	154,070,007	151,940,544
Less: Balances with Central Banks maturing after three months of placement	**(14,811,930)**	(10,186,771)
Less: Due from banks and financial institutions maturing after three months of placement	**(5,174,543)**	(7,147,856)
	134,083,534	134,605,917

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

24 Net gain on investments and derivatives

	(Unaudited) Three month period ended 31 Mar 2018 AED'000	(Unaudited) Three month period ended 31 Mar 2017 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	**235,190**	3,800
Net gain from sale of non-trading investments	**71,238**	77,005
Dividend income	**13,838**	4,092
	320,266	84,897

25 Other Operating Income

	(Unaudited) Three month period ended 31 Mar 2018 AED'000	(Unaudited) Three month period ended 31 Mar 2017 AED'000
Investment property income	**1,524**	11,510
Leasing related income	**21,800**	15,537
Other income[1]	**(10,290)**	19,085
	13,034	46,132

[1] Includes negative interest income on bonds amounting to AED 15.69 million.

26 Net impairment charge

	(Unaudited) Three month period ended 31 Mar 2018 AED'000	(Unaudited) Three month period ended 31 Mar 2017 AED'000
Impairment charge on		
loans and advances	**654,674**	404,152
other financial assets	**12,447**	837
unfunded exposures	**(187,459)**	-
Recoveries	**(57,213)**	(62,056)
Write-off of impaired financial assets	**16,679**	-
	439,128	342,933

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

27 Earnings per share

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

	(Unaudited) Three month period ended 31 Mar 2018	(Unaudited) Three month period ended 31 Mar 2017
Basic earnings per share:		
Net profit for the period (AED'000)	**2,997,920**	1,143,173
Less: payment on Tier 1 capital notes (AED'000)	**(164,712)**	(77,218)
Net profit after payment of Tier 1 capital notes (AED'000)	**2,833,208**	1,065,955
Weighted average number of ordinary shares:		
Number of shares issued / deemed to be outstanding from the beginning of the period ('000)	**10,859,100**	5,643,000
Weighted average number of shares exercised under the share options scheme ('000)	**1,521**	-
Weighted average number of ordinary shares ('000)	**10,860,621**	5,643,000
Basic earnings per share (AED)	**0.26**	0.19
Diluted earnings per share:		
Net profit after payment of Tier 1 capital notes (AED'000)	**2,833,208**	1,065,955
Add: Interest on convertible note (AED'000)	**18,801**	
Net profit for the period for calculating diluted earnings per share (AED'000)	**2,852,009**	1,065,955
Weighted average number of ordinary shares ('000)	**10,860,621**	5,643,000
Effect of dilutive potential ordinary shares issued ('000)	**116,013**	-
Weighted average number of dilutive shares under share options scheme ('000)	**5,945**	-
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	**10,982,579**	5,643,000
Diluted earnings per share (AED)	**0.26**	0.19

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

28 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 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, FAB Properties, ADNP, Mismak, FAB 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)*

28 Segmental information *(continued)*

	Business Segment					Geographic Segment				
	Corporate and Investment Banking AED'000	Personal Banking Group 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 three month period ended 31 March 2018 *(Unaudited)*										
Net Interest income	1,461,269	1,307,539	43,094	456,577	3,268,479	2,821,173	133,226	245,045	69,035	3,268,479
Net non-interest income	1,009,575	511,461	87,952	(6,439)	1,602,549	1,392,971	99,704	34,065	75,809	1,602,549
Operating income	2,470,844	1,819,000	131,046	450,138	4,871,028	4,214,144	232,930	279,110	144,844	4,871,028
General administration and other operating expenses	434,196	660,999	71,218	159,656	1,326,069	1,094,629	83,884	77,584	69,972	1,326,069
Net impairment charge	238,643	234,609	(31,038)	(3,086)	439,128	418,438	(11,046)	(46,054)	77,790	439,128
Profit before taxation	1,798,005	923,392	90,866	293,568	3,105,831	2,701,077	160,092	247,580	(2,918)	3,105,831
Overseas taxation	57,500	27,932	8,670	158	94,260	807	26,111	55,946	11,396	94,260
Net profit for the period	1,740,505	895,460	82,196	293,410	3,011,571	2,700,270	133,981	191,634	(14,314)	3,011,571
As at 31 March 2018*(Unaudited)*										
Segment total assets	455,855,776	95,649,219	20,543,943	134,989,560	707,038,498	555,737,086	28,710,027	130,170,472	26,187,540	740,805,125
Inter segment balances					(29,222,518)					(62,989,145)
Total assets					677,815,980					677,815,980
Segment total liabilities	454,007,565	97,759,356	10,406,205	50,655,390	612,828,516	476,890,218	20,385,176	126,659,062	22,660,687	646,595,143
Inter segment balances					(29,222,518)					(62,989,145)
Total liabilities					583,605,998					583,605,998

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

28 Segmental information *(continued)*

	Business Segment					Geographic Segment				
	Corporate and Investment Banking AED'000	Personal Banking Group 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 three month period ended 31 March 2017 (Unaudited)										
Net Interest income	806,569	633,793	4,865	100,525	1,545,752	1,463,501	22,554	6,449	53,248	1,545,752
Net non-interest income	231,035	201,177	57,492	216	489,920	446,137	18,379	2,343	23,061	489,920
Operating income	1,037,604	834,970	62,357	100,741	2,035,672	1,909,638	40,933	8,792	76,309	2,035,672
General administration and other operating expenses	89,091	190,250	27,778	234,898	542,017	513,475	10,501	1,600	16,441	542,017
Net impairment charge	67,043	298,237	46,349	(68,696)	342,933	311,821	17,151	5,119	8,842	342,933
Profit before taxation	881,470	346,483	(11,770)	(65,461)	1,150,722	1,084,342	13,281	2,073	51,026	1,150,722
Overseas taxation	6,136	-	540	-	6,676	-	2,674	-	4,002	6,676
Net profit for the period	875,334	346,483	(12,310)	(65,461)	1,144,046	1,084,342	10,607	2,073	47,024	1,144,046
As at 31 December 2017(Audited)										
Segment total assets	450,430,907	97,980,652	21,782,636	126,431,598	696,625,793	544,299,763	21,240,671	129,441,066	23,406,626	718,388,126
Inter segment balances					(27,657,498)					(49,419,831)
Total assets					668,968,295					668,968,295
Segment total liabilities	438,220,833	95,001,870	11,430,776	49,762,901	594,416,380	456,642,109	13,808,673	126,033,661	19,694,270	616,178,713
Inter segment balances					(27,657,498)					(49,419,831)
Total liabilities					566,758,882					566,758,882

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

29 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.

	31 March 2018 (Unaudited)			31 December 2017 (Audited)
	Senior management and related entities AED'000	**Major shareholders AED'000**	**Total AED'000**	Total AED'000
Balances with related parties at the reporting date are shown below:				
Financial assets	**2,780,331**	**11,757,497**	**14,537,828**	12,875,875
Financial liabilities	**8,132,586**	**9,544,709**	**17,677,295**	16,664,072
Contingent liabilities	**1,599,432**	**10,568,995**	**12,168,427**	13,392,898
Transactions carried out during the three month period with related parties are shown below:				
				31 March 2017 (Unaudited)
Interest income	**30,144**	**70,464**	**100,608**	19,482
Interest expense	**33,166**	**731**	**33,897**	58,191

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

30 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**
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**
Multiplied by: Share price of FGB on transaction date	**12.90**
Total consideration (AED'000)	**53,572,167**

b. Integration related costs

The Group incurred Integration-related costs of AED 70 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)*

30 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	**16,077,659**
Due from banks and financial institutions	**9,356,896**
Reverse repurchase agreements	**17,876,372**
Derivative financial instruments	**9,290,077**
Loans and advances	**207,807,269**
Non-trading investments	**47,105,716**
Other assets	**8,917,134**
Investment properties	**45,106**
Property and equipment	**1,841,308**
Intangible assets – Customer relationships	**1,604,716**
Intangible assets – Core deposits	**583,335**
Intangible assets – License	**368,700**
Total assets	**433,693,907**
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	**31,308,591**
Other liabilities	**14,399,305**
	389,991,074
Subordinated notes	**365,234**
Tier 1 capital notes	**6,754,750**
Share option scheme	**235,798**
Convertible notes - equity component	**108,265**
Total liabilities	**397,455,121**
NBAD net assets as at acquisition date attributable to its common equity holders	**36,238,786**

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

30 Business Combination *(continued)*

d. Goodwill and Intangibles

The Group has completed the exercise of calculating the carrying value of NBAD financial assets and liabilities as at 31 March 2017, which is equal to the fair value for the purpose of calculating goodwill:

	AED'000
Total consideration	**53,572,167**
NBAD net assets value	**(36,238,786)**
Goodwill and intangibles	**17,333,381**

The Group has completed a comprehensive purchase price allocation within twelve months from the acquisition date and following items are covered:

- valuation of intangible assets including core deposits, license 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.

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

e. Impact on Group's results

If the acquisition had occurred on 1 January 2017, management estimate that consolidated operating income and profit would be AED 5,188 million and AED 2,927 million respectively for the period between 1 January 2017 to 31 March 2017.

31 Comparative figures

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