

Condensed consolidated interim financial statements

31 March 2017



بنك أبوظبي الوطني
NBAD

Condensed consolidated interim financial statements

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Review report on condensed consolidated interim financial information to the Shareholders of National Bank of Abu Dhabi P.J.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of National Bank of Abu Dhabi P.J.S.C. ("the Bank") and its subsidiaries (together referred to as "the Group") as at 31 March 2017 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

PricewaterhouseCoopers

19 April 2017

Mohamed ElBorno

Registered Auditor Number 946

Abu Dhabi, United Arab Emirates

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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

Condensed consolidated interim statement of financial position

As at

		(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
Assets	Note		
Cash and balances with central banks	7	112,819,619	98,664,599
Investments at fair value through profit or loss		16,187,659	14,525,506
Due from banks and financial institutions		9,356,896	8,523,107
Reverse repurchase agreements		17,876,372	9,566,579
Derivative financial instruments		10,074,077	12,019,406
Loans and advances	8	210,692,053	200,531,811
Non-trading investments	9	47,114,338	64,441,924
Other assets		8,917,135	9,545,979
Investment properties		45,106	45,604
Property and equipment		2,869,913	2,848,985
Total assets		435,953,168	420,713,500
Liabilities			
Due to banks and financial institutions	10	40,983,859	40,963,741
Repurchase agreements		6,600,187	17,222,136
Commercial paper	11	11,976,634	7,372,911
Derivative financial instruments		11,727,613	13,380,789
Customer accounts and other deposits	12	272,994,885	253,382,492
Term borrowings	13	31,294,591	28,915,650
Other liabilities		14,115,446	12,614,291
		389,693,215	373,852,010
Subordinated notes	14	365,234	355,987
Total liabilities		390,058,449	374,207,997
Equity			
Share capital	15	5,254,546	5,254,546
Share premium		319,642	307,885
Treasury shares		(46,833)	(48,746)
Statutory and special reserves		5,254,546	5,254,546
Other reserves		23,203,779	21,196,859
Tier 1 capital notes	16	6,754,750	6,754,750
Share option scheme	17	235,798	228,349
Convertible notes - equity component		108,265	108,265
Retained earnings		4,810,226	7,449,049
Total equity		45,894,719	46,505,503
Total liabilities and equity		435,953,168	420,713,500

Chairman

Group Chief Executive Officer

Group Chief Financial Officer

The notes 1 to 24 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 page 1.

Condensed consolidated interim statement of profit or loss

For the three month period ended (Unaudited)

	Note	31 March 2017 AED'000	31 March 2016 AED'000
Interest income		2,387,454	2,381,589
Interest expense		(852,058)	(690,499)
Net interest income		1,535,396	1,691,090
Income from Islamic financing contracts		127,677	105,929
Depositors' share of profits		(5,347)	(5,559)
Net income from Islamic financing contracts		122,330	100,370
Net interest and Islamic financing income		1,657,726	1,791,460
Fee and commission income		744,930	827,848
Fee and commission expense		(259,751)	(257,007)
Net fee and commission income		485,179	570,841
Net foreign exchange gain		127,229	319,056
Net gain / (loss) on investments and derivatives	19	896,312	(39,882)
Other operating income		1,523	8,748
		1,025,064	287,922
Operating income		3,167,969	2,650,223
General, administration and other operating expenses		(989,293)	(1,008,166)
Profit before net impairment charge and taxation		2,178,676	1,642,057
Net impairment charge	20	(297,616)	(294,897)
Profit before taxation		1,881,060	1,347,160
Overseas income tax expense		(98,549)	(76,556)
Net profit for the period		1,782,511	1,270,604
Basic earnings per share (AED)	21	0.33	0.23
Diluted earnings per share (AED)	21	0.32	0.23

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

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Condensed consolidated interim statement of comprehensive income

For the three month period ended (Unaudited)

	31 March 2017 AED'000	31 March 2016 AED'000
Net profit for the period	1,782,511	1,270,604
Other comprehensive income		
<i>Items that are or may subsequently be reclassified to condensed consolidated interim statement of profit or loss</i>		
Exchange difference on translation of foreign operations	29,904	(27,373)
Net change in the fair value reserve during the period	(22,984)	(473,393)
<i>Items that will not subsequently be reclassified to condensed consolidated interim statement of profit or loss</i>		
Re-measurement of defined benefit obligations	(210)	331
Other comprehensive income / (loss) for the period	6,710	(500,435)
Total comprehensive income for the period	1,789,221	770,169

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

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Condensed consolidated interim statement of 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	Convertible notes - equity component	Retained earnings	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
Balance at 1 January 2016	5,209,723	265,245	(11,083)	5,209,722	19,093,042	6,754,750	190,232	(331,937)	(132,879)	108,265	6,863,573	43,218,653
Total comprehensive income for the period	-	-	-	-	-	-	-	(473,393)	(27,373)	-	1,270,935	770,169
Transactions with owners of the Group												
Zakat	-	-	-	-	-	-	-	-	-	-	(857)	(857)
Issue of shares	44,823	-	(44,823)	-	-	-	-	-	-	-	-	-
Share options exercised (note 17)	-	7,429	1,260	-	-	-	-	-	-	-	-	8,689
Dividends paid for the year 2015	-	-	-	-	-	-	-	-	-	-	(2,339,949)	(2,339,949)
Transfer to general reserve (note 15)	-	-	-	-	2,000,000	-	-	-	-	-	(2,000,000)	-
Options granted to staff	-	-	-	-	-	-	9,815	-	-	-	-	9,815
Payment on Tier 1 capital notes (note 16)	-	-	-	-	-	-	-	-	-	-	(65,751)	(65,751)
Balance at 31 March 2016	5,254,546	272,674	(54,646)	5,209,722	21,093,042	6,754,750	200,047	(805,330)	(160,252)	108,265	3,727,951	41,600,769
Balance at 1 January 2017	5,254,546	307,885	(48,746)	5,254,546	21,093,042	6,754,750	228,349	281,955	(178,138)	108,265	7,449,049	46,505,503
Total comprehensive income for the period	-	-	-	-	-	-	-	(22,984)	29,904	-	1,782,301	1,789,221
Transactions with owners of the Group												
Zakat	-	-	-	-	-	-	-	-	-	-	(1,011)	(1,011)
Share options exercised (note 17)	-	11,757	1,913	-	-	-	-	-	-	-	-	13,670
Dividends paid for the year 2016	-	-	-	-	-	-	-	-	-	-	(2,343,405)	(2,343,405)
Transfer to general reserve (note 15)	-	-	-	-	2,000,000	-	-	-	-	-	(2,000,000)	-
Options granted to staff	-	-	-	-	-	-	7,449	-	-	-	-	7,449
Payment on Tier 1 capital notes (note 16)	-	-	-	-	-	-	-	-	-	-	(76,708)	(76,708)
Balance at 31 March 2017	5,254,546	319,642	(46,833)	5,254,546	23,093,042	6,754,750	235,798	258,971	(148,234)	108,265	4,810,226	45,894,719

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Condensed consolidated interim statement of cash flows

For the three month period ended (Unaudited)

	31 March 2017 AED'000	31 March 2016 AED'000
Cash flows from operating activities		
Profit before taxation	1,881,060	1,347,160
Adjustments for:		
Depreciation	62,683	55,160
Net impairment charges	383,935	367,250
Accreted interest and foreign currency translation adjustment	74,343	205,901
Share option scheme	7,449	9,815
	<u>2,409,470</u>	<u>1,985,286</u>
Change in investments at fair value through profit or loss	(1,662,153)	(3,300,982)
Change in due from central banks, banks and financial institutions	3,885,052	(2,180,779)
Change in reverse repurchase agreements	(8,309,793)	2,214,015
Change in loans and advances	(10,539,621)	5,927,892
Change in other assets	628,730	(388,365)
Change in due to banks and financial institutions	20,118	5,674,989
Change in repurchase agreements	(10,621,949)	(13,177,435)
Change in customer accounts and other deposits	19,610,011	(469,219)
Change in derivative financial instruments	131,760	1,953,270
Change in other liabilities	1,471,463	(559,267)
	<u>(2,976,912)</u>	<u>(2,320,595)</u>
Overseas income tax paid, net of recoveries	(70,078)	(80,832)
Net cash used in operating activities	<u>(3,046,990)</u>	<u>(2,401,427)</u>
Cash flows from investing activities		
Net proceeds from sale / (purchase) of non-trading investments	17,285,348	(4,930,908)
Purchase of property and equipment, net of disposals	(83,113)	(119,360)
Net cash from / (used in) investing activities	<u>17,202,235</u>	<u>(5,050,268)</u>
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	13,670	8,689
Dividend paid	(2,343,405)	-
Net movement of commercial paper	4,603,723	(4,649,509)
Issue of term borrowings	5,551,560	2,167,785
Repayment of term borrowings	(3,030,225)	-
Redemption of subordinated notes	-	(914,525)
Payment on Tier 1 capital notes	(76,708)	(65,751)
Net cash from / (used in) financing activities	<u>4,718,615</u>	<u>(3,453,311)</u>
Net increase / (decrease) in cash and cash equivalents	<u>18,873,860</u>	<u>(10,905,006)</u>
Cash and cash equivalents at 1 January	97,059,265	74,938,932
Cash and cash equivalents at 31 March	<u>115,933,125</u>	<u>64,033,926</u>
Cash and cash equivalents comprise:		
Contractual maturity within three months:		
Cash and balances with central banks	112,212,570	60,963,672
Due from banks and financial institutions	3,720,555	3,070,254
	<u>115,933,125</u>	<u>64,033,926</u>

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Notes to the condensed consolidated interim financial statements

1 Legal status and principal activities

National Bank of Abu Dhabi PJSC (the “Bank”) was established in Abu Dhabi in 1968 with limited liability and is registered as a Public Joint Stock Company in accordance with the United Arab Emirates Federal Law No. 8 of 1984 (as amended) relating to Commercial Companies.

Its registered office address is P. O. Box 4, Abu Dhabi, United Arab Emirates. These condensed consolidated interim financial statements as at and for the period ended 31 March 2017 comprises the Bank and its subsidiaries (together referred to as the “Group”). The Group is primarily engaged in corporate, retail, private and investment banking activities, management services, Islamic banking activities; and carries out its operations through its local and overseas branches, subsidiaries and representative offices located in the United Arab Emirates, Bahrain, Egypt, France, Oman, Kuwait, Brazil, Cayman Islands, Sudan, Libya, the United Kingdom, Switzerland, Hong Kong, Jordan, Lebanon, Malaysia, India, China 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: NBAD).

The parent company of the Bank is the Abu Dhabi Investment Council, an entity owned by the Government of the Emirate of Abu Dhabi.

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

Merger between National Bank of Abu Dhabi PJSC (“NBAD”) and First Gulf Bank PJSC (“FGB”)

On 3 July 2016, the Boards of Directors of NBAD and FGB have voted unanimously to recommend to shareholders a merger of the two Abu Dhabi-listed banks.

Subsequently, on 7 December 2016, the proposed merger (the Merger) of the NBAD and First Gulf Bank PJSC (FGB) was approved by the Shareholders to be effected by way of a merger pursuant to Article 283(1) of UAE Federal Law No. 2 of 2015 Concerning Commercial Companies (the Law), through the issuance of 1.254 new NBAD shares for every 1 share in FGB subject to the terms and conditions of the Merger.

Subsequent to the period end, the share capital of the combined bank increased from AED 5,254,545,318 to AED 10,897,545,318.

The approved merger has now been successfully completed and, following this, FGB shareholders own approximately 52 percent of the combined bank and NBAD shareholders own approximately 48 percent. These financial statements have been approved by the new Board.

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 full annual consolidated financial statements as required under IFRS. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

On 1 April 2015, a new UAE Federal Law No 2 for Commercial Companies (“UAE Companies Law of 2015”) was issued with effective date 1 July 2015. As per the transitional provisions of the new law, companies are to ensure compliance by 30 June 2017. The Bank is in the process of adopting the new federal law and will be fully compliant before the transitional provisions deadline.

Notes to the condensed consolidated interim financial statements

2 Statement of compliance (continued)

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 19 April 2017.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

4 Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2016.

5 Financial risk management

Credit risk

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

	Investments at fair value through profit or loss		Non-trading investments	
	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
Government sector	4,095,574	2,253,336	22,911,374	22,399,958
Supranational	830,476	1,022,461	498,458	549,922
Public Sector	1,333,237	1,021,748	12,001,065	20,187,676
Banking sector	8,837,651	8,968,252	9,866,694	17,947,298
Corporate / private sector	1,090,721	1,259,709	1,836,747	3,357,070
	<u>16,187,659</u>	<u>14,525,506</u>	<u>47,114,338</u>	<u>64,441,924</u>

Notes to the condensed consolidated interim financial statements

5 Financial risk management (continued)

Credit risk (continued)

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) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
AAA	128,250	13,701	7,105,065	7,379,206
AA to A	12,987,366	12,238,671	30,835,670	46,484,287
BBB to B	1,951,350	1,156,151	7,503,752	8,810,341
Unrated	1,120,693	1,116,983	1,669,851	1,768,090
	<u>16,187,659</u>	<u>14,525,506</u>	<u>47,114,338</u>	<u>64,441,924</u>

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

Notes to the condensed consolidated interim financial statements

5 Financial risk management (continued)

Credit risk (continued)

The Group also measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amount of financial assets represents the maximum credit exposure.

	Due from banks and financial institutions		Loans and advances		Non-trading investments	
	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
Individually impaired						
Substandard	-	-	669,300	723,277	-	-
Doubtful	718	718	3,079,003	2,984,142	-	-
Loss	-	-	3,039,923	3,040,902	-	-
	<u>718</u>	<u>718</u>	<u>6,788,226</u>	<u>6,748,321</u>	<u>-</u>	<u>-</u>
Gross amount	718	718	6,788,226	6,748,321	-	-
Interest suspended	-	-	(1,232,026)	(1,156,681)	-	-
Specific allowance for impairment	(718)	(718)	(2,318,206)	(2,287,034)	-	-
	<u>-</u>	<u>-</u>	<u>3,237,994</u>	<u>3,304,606</u>	<u>-</u>	<u>-</u>
Carrying amount	-	-	3,237,994	3,304,606	-	-
Past due but not impaired						
<i>Past due comprises:</i>						
Less than 30 days	-	-	943,689	1,021,089	-	-
31 – 60 days	-	-	1,029,922	698,980	-	-
61 – 90 days	-	-	429,237	369,466	-	-
More than 90 days	-	-	851,651	870,404	-	-
	<u>-</u>	<u>-</u>	<u>3,254,499</u>	<u>2,959,939</u>	<u>-</u>	<u>-</u>
Carrying amount	-	-	3,254,499	2,959,939	-	-
Neither past due nor impaired	9,356,896	8,523,107	208,318,630	198,389,665	47,114,338	64,441,924
	<u>9,356,896</u>	<u>8,523,107</u>	<u>208,318,630</u>	<u>198,389,665</u>	<u>47,114,338</u>	<u>64,441,924</u>
Collective allowance for impairment	-	-	(4,119,070)	(4,122,399)	-	-
	<u>-</u>	<u>-</u>	<u>(4,119,070)</u>	<u>(4,122,399)</u>	<u>-</u>	<u>-</u>
Carrying amount	9,356,896	8,523,107	210,692,053	200,531,811	47,114,338	64,441,924
	<u>9,356,896</u>	<u>8,523,107</u>	<u>210,692,053</u>	<u>200,531,811</u>	<u>47,114,338</u>	<u>64,441,924</u>

Non-trading investments includes investment in equity instruments amounting to AED 60.2 million (31 December 2016: AED 42.7 million) which does not carry credit risk.

The category of neither past due nor impaired includes renegotiated loans amounting to AED 3,253 million (31 December 2016: AED 3,227 million).

Notes to the condensed consolidated interim financial statements

6 Financial assets and liabilities

Financial instruments measured at fair value - hierarchy

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 March 2017 (Unaudited)				
Financial assets held for trading	11,211,583	4,965,077	-	16,176,660
Designated at fair value through profit and loss	10,999	-	-	10,999
Available-for-sale financial assets	37,376,040	3,518,076	32,911	40,927,027
Derivative financial instruments (Assets)	8,121	10,065,956	-	10,074,077
	<u>48,606,743</u>	<u>18,549,109</u>	<u>32,911</u>	<u>67,188,763</u>
Derivative financial instruments (Liabilities)	<u>(43,913)</u>	<u>(11,683,700)</u>	<u>-</u>	<u>(11,727,613)</u>
As at 31 December 2016 (Audited)				
Financial assets held for trading	9,474,665	5,039,878	-	14,514,543
Designated at fair value through profit and loss	10,963	-	-	10,963
Available-for-sale financial assets	52,546,376	5,850,227	13,705	58,410,308
Derivative financial instruments (Assets)	4,303	12,015,103	-	12,019,406
	<u>62,036,307</u>	<u>22,905,208</u>	<u>13,705</u>	<u>84,955,220</u>
Derivative financial instruments (Liabilities)	<u>(35,229)</u>	<u>(13,345,560)</u>	<u>-</u>	<u>(13,380,789)</u>

There were no transfers between the fair value hierarchies for any financial asset or liability except for two bonds which moved from level 2 to level 1 amounting to AED 1,695 million (31 December 2016: AED 663 million).

The valuation techniques and inputs used in these condensed consolidated interim financial statements are same as those prescribed in Note 6 of the consolidated financial statements of the Group as at and for the year ended 31 December 2016.

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

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

	(Unaudited) Three month period ended 31 Mar '2017 AED'000	(Unaudited) Three month period ended 31 Mar '2016 AED'000
Available-for-sale financial assets		
Balance as at 1 January	13,705	13,806
Purchases	19,190	-
Settlement and other adjustments	16	32
Balance as at 31 March	<u>32,911</u>	<u>13,838</u>

Notes to the condensed consolidated interim financial statements

7 Cash and balances with central banks

Cash and balances with central banks include Certificates of Deposit with the Central Bank of UAE amounting to Nil (31 December 2016: AED 3 million).

8 Loans and advances

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
Gross loans and advances	218,361,355	208,097,925
Less: interest suspended	(1,232,026)	(1,156,681)
Less: allowance for impairment	(6,437,276)	(6,409,433)
Net loans and advances	<u>210,692,053</u>	<u>200,531,811</u>

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
By counterparty:		
Government sector	17,916,424	17,900,011
Public sector	52,244,424	44,542,134
Banking sector	18,812,686	14,950,955
Corporate / private sector	94,263,093	94,373,935
Personal / retail sector	35,124,728	36,330,890
Gross loans and advances	<u>218,361,355</u>	<u>208,097,925</u>

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
By product:		
Overdrafts	12,844,644	8,648,300
Term loans	125,755,928	123,716,285
Trade related loans	20,418,714	16,685,277
Real estate	26,890,016	26,215,367
Mortgage loans	14,506,771	13,932,692
Personal loans	14,794,675	15,206,073
Credit cards	1,665,886	1,782,790
Vehicle financing loans	1,383,939	1,475,780
Others	100,782	435,361
Gross loans and advances	<u>218,361,355</u>	<u>208,097,925</u>

Notes to the condensed consolidated interim financial statements

8 Loans and advances (continued)

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
<i>Concentration by industry sector:</i>		
Agriculture	45,939	60,941
Energy	21,519,963	17,432,780
Manufacturing	13,007,758	14,093,970
Construction	10,639,282	10,436,678
Real estate	43,864,167	41,860,131
Trading	8,380,135	9,224,060
Transport and communication	17,318,114	19,504,913
Banks	18,812,686	14,950,955
Other financial institutions	25,800,151	20,401,184
Services	5,812,672	5,734,609
Government	17,916,424	17,900,011
Personal loans for consumption	28,036,525	28,358,847
Personal loans others	7,088,203	7,972,043
Others	119,336	166,803
	<u>218,361,355</u>	<u>208,097,925</u>

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

	(Unaudited) Three month period ended 31 Mar '2017 AED'000	(Unaudited) Three month period ended 31 Mar '2016 AED'000
Beginning of the period	6,409,433	6,124,973
<i>Charge / (reversal) for the period</i>		
Collective provision	(4,025)	2,761
Specific provision	466,141	427,908
Recoveries	(73,704)	(61,430)
Write-backs during the period	(90,057)	(75,462)
Amounts written off	(270,512)	(57,676)
	<u>6,437,276</u>	<u>6,361,074</u>
End of the period		

Notes to the condensed consolidated interim financial statements

9 Non-trading investments

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
Available-for-sale investments	40,927,027	58,410,308
Held-to-maturity investments	6,187,311	6,031,616
	<u>47,114,338</u>	<u>64,441,924</u>

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

	(Unaudited) 31 March 2017 AED'000			(Audited) 31 December 2016 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	16,856	43,370	60,226	18,565	24,164	42,729
Debt investments	46,631,163	381,039	47,012,202	64,207,111	160,850	64,367,961
Funds	41,899	11	41,910	31,223	11	31,234
	<u>46,689,918</u>	<u>424,420</u>	<u>47,114,338</u>	<u>64,256,899</u>	<u>185,025</u>	<u>64,441,924</u>

Debt instruments under repurchase agreements included in non-trading investments at 31 March 2017 amounted to AED 1,793 million (31 December 2016: AED 11,240 million).

10 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 13,261 million (31 December 2016: AED 13,165 million).

11 Commercial paper

The Bank has established two Commercial Paper Programmes, the "Euro commercial paper programme" and a "US Dollar commercial paper programme" of USD 5 billion each.

These notes have maturity periods of up to 397 days.

Notes to the condensed consolidated interim financial statements

12 Customer accounts and other deposits

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
<i>By account:</i>		
Current accounts	64,604,668	62,766,233
Savings accounts	12,520,845	12,574,483
Margin accounts	2,589,057	2,323,568
Notice and time deposits	164,266,102	150,906,578
	<hr/>	<hr/>
	243,980,672	228,570,862
Certificates of deposit	29,014,213	24,811,630
	<hr/>	<hr/>
	272,994,885	253,382,492
	<hr/>	<hr/>

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
<i>By counterparty:</i>		
Government sector	54,992,864	48,676,196
Public sector	56,467,922	49,396,320
Corporate / private sector	73,969,477	70,037,494
Personal / retail sector	58,550,409	60,460,852
	<hr/>	<hr/>
	243,980,672	228,570,862
Certificates of deposit	29,014,213	24,811,630
	<hr/>	<hr/>
	272,994,885	253,382,492
	<hr/>	<hr/>

Notes to the condensed consolidated interim financial statements

13 Term borrowings

Currency	Interest	31 March 2017 (Unaudited)						31 December 2016 (Audited)					
		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
AUD	Fixed rate of 3.17% to 5.00% p.a.	-	852,899	1,156,689	167,214	-	2,176,802	-	-	1,897,980	156,779	-	2,054,759
AUD	3 month AUD BBSW + 110bps	-	-	-	69,966	-	69,966	-	-	-	-	-	-
CNH	Fixed rate of 4.55% to 4.79 % p.a.	-	69,355	174,061	-	-	243,416	-	-	132,664	100,862	-	233,526
EUR	Fixed rate of 0.516% to 0.566% p.a.	-	-	-	98,699	92,370	191,069	-	-	-	97,848	92,110	189,958
EUR	3 month Euribor + 33bps	-	-	-	230,410	-	230,410	-	-	-	228,171	-	228,171
HKD	Fixed rate of 2.35% to 4.45% p.a.	-	295,004	156,658	82,271	418,841	952,774	-	295,806	155,654	-	409,272	860,732
JPY	Fixed rate of 2.60% p.a.	-	-	-	-	355,682	355,682	-	-	-	-	343,804	343,804
MXN	Fixed rate of 0.50% p.a.	-	-	-	-	34,973	34,973	-	-	-	-	27,719	27,719
MYR	Fixed rate of 4.90% p.a.	-	-	-	396,182	-	396,182	-	-	-	393,862	-	393,862
USD	Fixed rate of 1.00% to 5.12% p.a.	-	1,920,216	5,449,110	2,149,030	7,574,435	17,092,791	2,763,343	110,869	4,531,233	2,730,928	4,622,375	14,758,748
USD	1-3 Month Libor + 0 to 68 bps p.a.	183,636	1,398,805	7,766,653	201,432	-	9,550,526	275,475	1,215,309	8,131,912	201,675	-	9,824,371
		<u>183,636</u>	<u>4,536,279</u>	<u>14,703,171</u>	<u>3,395,204</u>	<u>8,476,301</u>	<u>31,294,591</u>	<u>3,038,818</u>	<u>1,621,984</u>	<u>14,849,443</u>	<u>3,910,125</u>	<u>5,495,280</u>	<u>28,915,650</u>

The Bank has hedged the interest rate and foreign currency exposure on term borrowings. The Group has not had any defaults of principal, interests, or other breaches with respect to its term borrowings during the three month period ended 31 March 2017 (31 March 2016: Nil).

Notes to the condensed consolidated interim financial statements

13 Term borrowings (continued)

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

	(Unaudited) Three month period ended 31 Mar '2017 AED'000	(Unaudited) Three month period ended 31 Mar '2016 AED'000
AUD	70,067	-
CNH	-	147,635
HKD	81,776	-
USD	5,406,656	550,950
	<u>5,558,499</u>	<u>698,585</u>

14 Subordinated notes

	(Unaudited) 31 Mar '2017 AED'000	(Audited) 31 Dec '2016 AED'000
10 December 2012 issue	<u>365,234</u>	<u>355,987</u>

The Bank has hedged the interest rate and foreign currency exposure on certain subordinated notes. The Group 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 2017 (31 March 2016: None).

15 Capital and reserves

Share capital

At the Annual General Meeting (AGM) held on 28 February 2017, the shareholders of the Bank approved a cash dividend of AED 0.45 per ordinary share (31 December 2016: AED 0.45 per ordinary share).

The general reserve is available for distribution to the shareholders at the recommendation of the Board of Directors. On 28 February 2017, the AGM approved the transfer of AED 2 billion (31 December 2016: AED 2 billion) to general reserve.

Notes to the condensed consolidated interim financial statements

16 Tier 1 capital notes

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

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

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

During the period, a coupon payment election was made by the Bank in the amount of AED 76.7 million (31 March 2016: AED 65.8 million).

17 Share option scheme

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

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

As at the reporting date 1,913 thousand options (31 March 2016: 1,260 thousand option) had been exercised by the option holders resulting in an increase in the total share capital by AED 1,913 thousand (31 March 2016: AED 1,260 thousand) and share premium by AED 11,757 thousand (31 March 2016: AED 7,429 thousand).

Notes to the condensed consolidated interim financial statements

18 Commitments and contingencies

The Group, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and undrawn loan commitments.

Undrawn commitments to extend credit amounted to AED 31,999 million (31 December 2016: AED 30,519 million).

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

19 Net gain / (loss) on investments and derivatives

	(Unaudited) Three month period ended 31 Mar '2017 AED'000	(Unaudited) Three month period ended 31 Mar '2016 AED'000
Net realised and unrealised gain / (loss) on investments at fair value through profit or loss and derivatives	336,777	(53,685)
Net gain from sale of non-trading investments	541,504	4,924
Dividend income	18,031	8,879
	<u>896,312</u>	<u>(39,882)</u>

20 Net impairment charge

	(Unaudited) Three month period ended 31 Mar '2017 AED'000	(Unaudited) Three month period ended 31 Mar '2016 AED'000
Collective provision for loans and advances	(4,025)	2,761
Specific provision for loans and advances	466,141	427,908
Write back of provisions for loans and advances	(90,057)	(75,462)
Recovery of loan loss provisions	(73,704)	(61,430)
Recovery of loans previously written off	(12,615)	(10,923)
Write-off of impaired financial assets	11,763	12,043
Impairment of other financial assets	113	-
	<u>297,616</u>	<u>294,897</u>

Notes to the condensed consolidated interim financial statements

21 Earnings per share

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

	(Unaudited) 31 Mar '2017	(Unaudited) 31 Mar '2016
Basic earnings per share:		
Net profit for the period (AED'000)	1,782,511	1,270,604
Less: payment on Tier 1 capital notes (AED'000)	(76,708)	(65,751)
	<u>1,705,803</u>	<u>1,204,853</u>
Net profit after payment of Tier 1 capital notes (AED'000)		
Weighted average number of ordinary shares:		
Ordinary shares as at 1 January ('000)	5,205,800	5,198,640
Weighted average number of shares exercised under the share options scheme ('000)	540	420
	<u>5,206,340</u>	<u>5,199,060</u>
Weighted average number of ordinary shares ('000)		
Basic earnings per share (AED)	<u>0.33</u>	<u>0.23</u>
Diluted earnings per share:		
Net profit after payment of Tier 1 capital notes (AED'000)	1,705,803	1,204,853
Add: interest on convertible notes (AED'000)	11,495	11,373
	<u>1,717,298</u>	<u>1,216,226</u>
Net profit for the period for calculating diluted earnings per share (AED'000)		
Weighted average number of ordinary shares ('000)	5,206,340	5,199,060
Effect of dilutive potential ordinary shares issued ('000)	147,059	117,655
Weighted average number of dilutive shares under share options scheme ('000)	5,140	1,889
	<u>5,358,539</u>	<u>5,318,604</u>
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)		
Diluted earnings per share (AED)	<u>0.32</u>	<u>0.23</u>

Notes to the condensed consolidated interim financial statements

22 Segmental information

	Business Segment					Geographic Segment			
	Global Wholesale AED'000	Global Wealth AED'000	Global Retail and Commercial AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Gulf AED'000	International AED'000	Total AED'000
<i>For the three month period ended 31 March 2017 (Unaudited)</i>									
Net Interest income	630,450	136,462	694,082	196,732	1,657,726	1,405,480	55,384	196,862	1,657,726
Net Non-interest income	816,079	67,127	239,689	387,348	1,510,243	1,259,050	27,075	224,118	1,510,243
Operating income	<u>1,446,529</u>	<u>203,589</u>	<u>933,771</u>	<u>584,080</u>	3,167,969	<u>2,664,530</u>	<u>82,459</u>	<u>420,980</u>	3,167,969
General administration and other operating expenses	340,076	87,898	493,107	68,212	989,293	809,224	39,249	140,820	989,293
Net impairment charge	(405)	8,298	199,229	90,494	297,616	319,705	(528)	(21,561)	297,616
Profit before taxation	<u>1,106,858</u>	<u>107,393</u>	<u>241,435</u>	<u>425,374</u>	1,881,060	<u>1,535,601</u>	<u>43,738</u>	<u>301,721</u>	1,881,060
Overseas taxation	<u>48,684</u>	<u>40,440</u>	<u>8,445</u>	<u>980</u>	98,549	<u>1,400</u>	<u>4,640</u>	<u>92,509</u>	98,549
Net profit for the period	<u>1,058,174</u>	<u>66,953</u>	<u>232,990</u>	<u>424,394</u>	1,782,511	<u>1,534,201</u>	<u>39,098</u>	<u>209,212</u>	1,782,511
<i>As at 31 March 2017 (Unaudited)</i>									
Segment total assets	<u>314,337,588</u>	<u>31,056,323</u>	<u>70,986,292</u>	<u>75,713,821</u>	492,094,024	<u>335,349,473</u>	<u>10,288,193</u>	<u>141,711,697</u>	487,349,363
Inter segment balances					(56,140,856)				(51,396,195)
Total assets					<u>435,953,168</u>				<u>435,953,168</u>
Segment total liabilities	<u>310,210,187</u>	<u>30,327,272</u>	<u>68,457,765</u>	<u>37,204,081</u>	446,199,305	<u>294,950,674</u>	<u>8,729,143</u>	<u>137,774,827</u>	441,454,644
Inter segment balances					(56,140,856)				(51,396,195)
Total liabilities					<u>390,058,449</u>				<u>390,058,449</u>

Notes to the condensed consolidated interim financial statements

22 Segmental information *(continued)*

	Business Segment					Geographic Segment			
	Global Wholesale AED'000	Global Wealth AED'000	Global Retail and Commercial AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Gulf AED'000	International AED'000	Total AED'000
<i>For the three month period ended 31 March 2016 (Unaudited)</i>									
Net Interest income	729,275	163,034	701,940	197,211	1,791,460	1,481,650	58,270	251,540	1,791,460
Net Non-interest income	547,446	53,693	250,133	7,491	858,763	664,089	17,242	177,432	858,763
Operating income	<u>1,276,721</u>	<u>216,727</u>	<u>952,073</u>	<u>204,702</u>	<u>2,650,223</u>	<u>2,145,739</u>	<u>75,512</u>	<u>428,972</u>	<u>2,650,223</u>
General administration and other operating expenses	353,631	91,255	561,313	1,967	1,008,166	809,006	39,007	160,153	1,008,166
Net impairment charge	<u>(51,873)</u>	<u>6,920</u>	<u>289,956</u>	<u>49,894</u>	<u>294,897</u>	<u>323,029</u>	<u>10,920</u>	<u>(39,052)</u>	<u>294,897</u>
Profit before taxation	<u>974,963</u>	<u>118,552</u>	<u>100,804</u>	<u>152,841</u>	<u>1,347,160</u>	<u>1,013,704</u>	<u>25,585</u>	<u>307,871</u>	<u>1,347,160</u>
Overseas taxation	<u>50,045</u>	<u>16,160</u>	<u>10,841</u>	<u>(490)</u>	<u>76,556</u>	<u>-</u>	<u>4,212</u>	<u>72,344</u>	<u>76,556</u>
Net profit for the period	<u>924,918</u>	<u>102,392</u>	<u>89,963</u>	<u>153,331</u>	<u>1,270,604</u>	<u>1,013,704</u>	<u>21,373</u>	<u>235,527</u>	<u>1,270,604</u>
<i>As at 31 December 2016 (Audited)</i>									
Segment total assets	<u>293,410,184</u>	<u>31,077,857</u>	<u>70,699,081</u>	<u>71,714,104</u>	<u>466,901,226</u>	<u>327,431,825</u>	<u>9,452,008</u>	<u>126,226,766</u>	<u>463,110,599</u>
Inter segment balances					<u>(46,187,726)</u>				<u>(42,397,099)</u>
Total assets					<u>420,713,500</u>				<u>420,713,500</u>
Segment total liabilities	<u>287,196,939</u>	<u>30,069,164</u>	<u>68,152,349</u>	<u>34,977,271</u>	<u>420,395,723</u>	<u>286,648,484</u>	<u>7,924,196</u>	<u>122,032,416</u>	<u>416,605,096</u>
Inter segment balances					<u>(46,187,726)</u>				<u>(42,397,099)</u>
Total liabilities					<u>374,207,997</u>				<u>374,207,997</u>

Notes to the condensed consolidated interim financial statements

23 Related parties

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major 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.

Parent and ultimate controlling party

Pursuant to the provisions of Law No. 16 of 2006, Abu Dhabi Investment Council (the "Council") was established which holds 69.17% (31 December 2016: 69.82%) of the issued share capital of the Bank.

Compensation of directors and key management personnel

	(Unaudited) 31 Mar '2017 AED'000	(Unaudited) 31 Mar '2016 AED'000
Key management compensation		
Short term employment benefits	21,287	30,793
Post-employment benefits	86	514
Termination benefits	477	463
Share based payments	1,261	2,869
	<u>2,580</u>	<u>2,668</u>
Directors' remuneration	<u>2,580</u>	<u>2,668</u>

During the period, a coupon payment election of AED 76.7 million (31 March 2016: AED 65.8 million) was made by the Bank in relation to the AED 4 billion (31 December 2016: AED 4 billion) Government of Abu Dhabi Tier 1 capital notes.

Terms and conditions

Financial assets and liabilities are granted and accepted in various currency denominations and for various time periods. Interest rates earned on such financial assets extended to related parties in various currencies during the period range from negative 0.5% to 7.63% per annum (31 March 2016: negative 0.10% to 8.50% per annum) and interest rates incurred on financial liabilities placed by related parties in various currencies during the period range from nil to 10.25% per annum (31 March 2016: nil to 6.00% per annum).

Collaterals against lending to related parties range from being nil to fully secure.

Notes to the condensed consolidated interim financial statements

23 Related parties (continued)

Directors and key management AED'000	Major shareholder AED'000	Others AED'000	(Unaudited) 31 Mar '2017 Total AED'000	(Audited) 31 Dec '2016 Total AED'000
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Balances with related parties at the reporting date are shown below:

Financial assets	880,635	14,877,958	57,735,428	73,494,021	71,257,297
Financial liabilities	437,141	5,712,658	73,845,540	79,995,339	66,257,586
Contingent liabilities	278,540	1,428,464	13,898,894	15,605,898	16,041,447

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

					(Unaudited) 31 Mar '2016
Interest income	8,538	214,596	397,421	620,555	599,002
Interest expense	185	152,465	146,556	299,206	192,224
Fee and commission income	422	705	8,355	9,482	14,751

Others comprise Government of Abu Dhabi entities.

No allowances for impairment have been recognised against loans and advances extended to related parties or contingent liabilities issued in favour of related parties during the period (31 March 2016: AED nil).

24 Comparative figures

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

During the period, the Group revisited the basis of allocation around centrally held profit & losses and other inter-segmental allocations resulting in a restatement of comparative segmental information.