

Condensed Consolidated Interim Financial Statements



June 30, 2019



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

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

Introduction

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial information of First Abu Dhabi Bank P.J.S.C. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2019;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated interim statement of other comprehensive income for the three-month and the six-month periods ended 30 June 2019;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2019;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2019; 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 International Accounting Standard ("IAS") 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.



Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Emilio Pera
Registration No: 1146
Abu Dhabi, United Arab Emirates
Date: 17 July 2019

Condensed consolidated interim statement of financial position

As at

Assets	Note	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Cash and balances with central banks	7	164,396,469	182,908,727
Investments at fair value through profit or loss	9	21,095,353	14,620,910
Due from banks and financial institutions		18,344,180	19,176,092
Reverse repurchase agreements		23,816,006	19,033,451
Derivative financial instruments		15,242,887	13,084,192
Loans and advances	8	366,016,250	352,966,420
Non-trading investments	10	113,909,426	90,433,574
Investment properties	11	7,770,575	7,388,493
Property and equipment		4,166,106	3,991,215
Intangibles	12	19,599,526	19,699,711
Other assets		20,602,808	20,583,602
Total assets		774,959,586	743,886,387
Liabilities			
Due to banks and financial institutions	13	47,153,798	40,266,535
Repurchase agreements		51,421,060	34,769,685
Commercial paper	14	20,951,520	18,144,105
Derivative financial instruments		19,553,739	15,219,464
Customer accounts and other deposits	15	462,221,613	465,237,066
Term borrowings	16	48,697,935	42,268,173
Subordinated notes	17	369,101	401,979
Other liabilities		23,475,976	25,606,380
Total liabilities		673,844,742	641,913,387
Equity			
Share capital	18	10,920,000	10,897,545
Share premium		53,404,085	53,188,043
Treasury shares		(22,247)	(25,530)
Statutory and special reserves		9,483,238	9,483,238
Other reserves		886,370	(37,477)
Tier 1 capital notes	19	10,754,750	10,754,750
Share option scheme	20	249,816	266,841
Retained earnings		15,015,808	17,083,868
Total equity attributable to shareholders of the Bank		100,691,820	101,611,278
Non-controlling interest		423,024	361,722
Total Equity		101,114,844	101,973,000
Total liabilities and equity		774,959,586	743,886,387

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 2 and 3.

Condensed consolidated interim statement of profit or loss

For the period ended (Unaudited)

	Note	Six Month Period Ended 30 June		Three Month Period Ended 30 June	
		2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Interest income		12,345,262	10,174,229	6,262,528	5,256,218
Interest expense		(5,930,331)	(3,682,429)	(2,961,739)	(2,032,897)
Net interest income		6,414,931	6,491,800	3,300,789	3,223,321
Fee and commission income		2,312,556	2,504,910	1,122,384	1,234,444
Fee and commission expense		(738,619)	(711,669)	(364,617)	(378,158)
Net fee and commission income		1,573,937	1,793,241	757,767	856,286
Net foreign exchange gain	23	1,363,651	871,305	715,825	542,007
Net gain on investments and derivatives	24	660,866	456,990	337,555	133,629
Other operating income	25	81,294	177,609	40,586	164,812
Operating income		10,094,679	9,790,945	5,152,522	4,920,055
General, administration and other operating expenses	26	(2,679,056)	(2,663,713)	(1,365,165)	(1,337,782)
Profit before net impairment charge and taxation		7,415,623	7,127,232	3,787,357	3,582,273
Net impairment charge	27	(874,499)	(862,608)	(467,038)	(423,480)
Profit before taxation		6,541,124	6,264,624	3,320,319	3,158,793
Overseas income tax expense		(151,723)	(179,928)	(80,274)	(85,668)
Profit for the period		6,389,401	6,084,696	3,240,045	3,073,125
Profit attributable to:					
Shareholders of the Bank		6,327,644	6,057,238	3,220,991	3,059,318
Non-controlling interests		61,757	27,458	19,054	13,807
		6,389,401	6,084,696	3,240,045	3,073,125
Basic earnings per share (AED)	28	0.56	0.54	0.29	0.28
Diluted earnings per share (AED)	28	0.56	0.53	0.29	0.27

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 2 and 3.

Condensed consolidated interim statement of comprehensive income

For the period ended (Unaudited)

	Six Month Period Ended		Three Month Period Ended	
	30 June		30 June	
	2019	2018	2019	2018
	AED'000	AED'000	AED'000	AED'000
Profit for the period	6,389,401	6,084,696	3,240,045	3,073,125
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	679	(209,266)	2,419	(154,930)
Net change in fair value reserve during the period (including ECL)	873,849	(234,602)	(11,918)	(64,214)
Items that will not subsequently be reclassified to condensed consolidated interim statement of profit or loss				
Net change in fair value of investments in equity instruments designated at fair value through other comprehensive income	(1,850)	(2,489)	(28,580)	11,156
Re-measurement of defined benefit obligations	188	569	613	1,498
Other comprehensive income for the period	872,866	(445,788)	(37,466)	(206,490)
Total comprehensive income for the period	7,262,267	5,638,908	3,202,579	2,866,635
Comprehensive income attributable to:				
Shareholders of the Bank	7,200,965	5,615,629	3,183,987	2,865,230
Non-controlling interest	61,302	23,279	18,592	1,405
Total comprehensive income for the period	7,262,267	5,638,908	3,202,579	2,866,635

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

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Condensed consolidated interim statement of cash flows

For the six month period ended (Unaudited)

	Note	30 June 2019 AED'000	30 June 2018 AED'000
Cash flows from operating activities			
Profit before taxation		6,541,124	6,264,624
Adjustments for:			
Depreciation and amortization		294,656	248,629
Gain on sale of investment property		-	(1,938)
Gain on sale of fixed assets		(2,848)	-
Net impairment charges		1,031,339	1,015,451
Accreted interest		36,155	33,120
Foreign currency translation adjustment		10,020	(388,914)
Share option scheme		(17,025)	4,977
Change in investments at fair value through profit or loss		(6,474,443)	1,819,506
Change in due from central banks, banks and financial institutions		(9,091,046)	(3,297,420)
Change in reverse repurchase agreements		(4,767,388)	852,438
Change in loans and advances		(14,030,060)	(17,296,996)
Change in other assets		10,126	(3,475,255)
Change in due to banks and financial institutions		6,887,263	1,536,559
Change in repurchase agreements		16,651,375	(12,516,898)
Change in customer accounts and other deposits		(3,015,453)	35,460,388
Change in derivative financial instruments		3,705,941	(1,954,321)
Change in other liabilities		(2,639,279)	1,353,708
		(4,869,543)	9,657,658
Overseas income tax paid, net of recoveries		(160,032)	(209,426)
Directors' remuneration paid		(54,750)	(51,000)
Net cash (used in) / from operating activities		(5,084,325)	9,397,232
Cash flows from investing activities			
Net proceeds from (purchase) / sale of non-trading investments		(22,792,476)	(2,131,914)
Purchase of investment property		(288,098)	(119,630)
Sale proceeds from disposal of investment property		-	19,883
Purchase of property and equipment, net of disposals		(309,773)	(267,224)
Net cash used in investing activities		(23,390,347)	(2,498,885)
Cash flows from financing activities			
Proceeds from issue of shares under share option scheme		241,780	66,770
Dividend paid		(7,732,540)	(7,618,180)
Net movement of commercial paper		2,807,415	(2,617,193)
Issue of term borrowings		14,592,150	6,598,534
Repayment of term borrowings		(9,661,495)	(4,224,450)
Payment on Tier 1 capital notes		(281,447)	(237,024)
Net cash used in financing activities		(34,137)	(8,031,543)
Net decrease in cash and cash equivalents		(28,508,809)	(1,133,196)
Cash and cash equivalents at 1 January		175,677,376	134,605,917
Cash and cash equivalents at 30 June	22	147,168,567	133,472,721

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 2 and 3.

Condensed consolidated interim statement of changes in equity

For the six month period ended (Unaudited)

	Share capital AED'000	Share premium AED'000	Treasury shares AED'000	Statutory and special reserves AED'000	Other reserves AED'000	Tier 1 capital notes AED'000	Share option scheme AED'000	Convertible notes – equity component AED'000	Retained earnings AED'000	Equity attributable to share-holders of the Group AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 1 January 2019	10,897,545	53,188,043	(25,530)	9,483,238	(37,477)	10,754,750	266,841	-	17,083,868	101,611,278	361,722	101,973,000
Profit for the period	-	-	-	-	-	-	-	-	6,327,644	6,327,644	61,757	6,389,401
Other comprehensive income for the period	-	-	-	-	873,133	-	-	-	188	873,321	(455)	872,866
<u>Transactions with owners of the Group</u>												
Zakat	-	-	-	-	-	-	-	-	(713)	(713)	-	(713)
Share options exercised (note 20)	-	216,042	25,738	-	-	-	-	-	-	241,780	-	241,780
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	-	(8,063,018)	(8,063,018)	-	(8,063,018)
Options utilised by staff	-	-	-	-	-	-	(17,025)	-	-	(17,025)	-	(17,025)
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	-	(281,447)	(281,447)	-	(281,447)
IFRS 9 reserve movement	-	-	-	-	59,888	-	-	-	(59,888)	-	-	-
Realised gain on sale of FVOCI investment	-	-	-	-	(9,174)	-	-	-	9,174	-	-	-
Issuance of share capital	22,455	-	(22,455)	-	-	-	-	-	-	-	-	-
Balance at 30 June 2019	10,920,000	53,404,085	(22,247)	9,483,238	886,370	10,754,750	249,816	-	15,015,808	100,691,820	423,024	101,114,844
Balance at 1 January 2018	10,897,545	53,026,644	(42,433)	7,081,074	962,736	10,754,750	256,265	108,265	18,677,552	101,722,398	487,015	102,209,413
Impact of adopting IFRS 9 at 1 January 2018 (note 4)	-	-	-	-	(184,078)	-	-	-	(2,682,560)	(2,866,638)	(158,701)	(3,025,339)
Restated balance at 1 January 2018	10,897,545	53,026,644	(42,433)	7,081,074	778,658	10,754,750	256,265	108,265	15,994,992	98,855,760	328,314	99,184,074
Profit for the period	-	-	-	-	-	-	-	-	6,057,238	6,057,238	27,458	6,084,696
Other comprehensive income for the period	-	-	-	-	(442,178)	-	-	-	569	(441,609)	(4,179)	(445,788)
<u>Transactions with owners of the Group</u>												
Zakat	-	-	-	-	-	-	-	-	6,372	6,372	-	6,372
Share options exercised (note 20)	-	60,026	6,744	-	-	-	-	-	-	66,770	-	66,770
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	-	(7,628,282)	(7,628,282)	-	(7,628,282)
Options granted to staff	-	-	-	-	-	-	4,977	-	-	4,977	-	4,977
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	-	(237,024)	(237,024)	-	(237,024)
Balance at 30 June 2018	10,897,545	53,086,670	(35,689)	7,081,074	336,480	10,754,750	261,242	108,265	14,193,865	96,684,202	351,593	97,035,795

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 2 and 3.

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.

These condensed consolidated interim financial statements as at and for the period ended 30 June 2019 comprise 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, Jordan¹, Kingdom of Saudi Arabia, Kuwait, Lebanon, Libya, Malaysia, Oman, Qatar, Singapore, South Korea, Sudan, Switzerland, the United Kingdom and the United States of America.

During the period, the Bank has notified the Qatar Financial Centre Regulatory Authority ("QFCRA") that it will relinquish its Qatar Financial Centre ("QFC") branch license and permanently close its QFC branch.

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 2018 are available upon request from the Bank's registered office or at <http://www.bankfab.com/>.

¹ Under closure.

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 2018.

On 1 April 2015, UAE Federal Law No 2 for Commercial Companies ("UAE Companies Law of 2015") was issued with effective date 1 July 2015. The Bank is in compliance with applicable sections of the UAE Companies Law of 2015 as at the date of these financial statements.

These condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 17 July 2019.

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 2018 except for the adoption of the following new standard as of 1 January 2019.

IFRS 16 – Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed below.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

IFRS 16 – Leases (continued)

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically identified asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset when either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy applicable prior to 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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

3 Significant accounting policies (*continued*)

IFRS 16 – Leases (*continued*)

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

a) As a lessee (*continued*)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group right-of-use assets are classified under 'property and equipment' and lease liabilities in 'Other liabilities' in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

b) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

b) As a lessor (continued)

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other income' in the consolidated statement of profit or loss.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. The impact on the condensed consolidated interim financial statements has been disclosed as below:

c) As a lessee

'Property and equipment' comprises the following in owned and leased assets:

	30 June 2019 AED '000	31 Dec 2018 AED '000
Property and equipment owned	4,032,155	3,991,215
Right-of-use assets	133,951	-
	<u>4,166,106</u>	<u>3,991,215</u>

The movement during the period of right-of-use is as follows:

	30 June 2019 AED '000
Balance as at 1 January	130,152
Net increase during the period	20,522
Depreciation during the period	(16,723)
	<u>133,951</u>
Balance as at the end of the period	<u>133,951</u>

The interest for the period amounted to AED 1,722 thousand which has been classified under 'Interest expense' in the consolidated interim statement of profit or loss.

d) Lease liabilities

	30 June 2019 AED '000
Lease liabilities included in the interim statement of financial position	<u>127,783</u>

Basis of consolidation

Subsidiaries are investees that are 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 interim financial statements from the date that control commences until the date that control ceases.

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

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Legal Name	Country of incorporation	Principal activities	Holding % 2018
First Abu Dhabi Bank USA 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 Pvt. JSC	United Arab Emirates	Property Management	100%
FAB Private Bank (Suisse) SA	Switzerland	Banking	100%
First Abu Dhabi Islamic Finance PJSC	United Arab Emirates	Islamic Finance	100%
Abu Dhabi Securities Brokerage Egypt	Egypt	Brokerage	96%
National Bank of Abu Dhabi Malaysia Berhad ¹	Malaysia	Banking	100%
NBAD Employee Share Options Limited	United Arab Emirates	Shares and Securities	100%
SAS 10 Magellan	France	Leasing	100%
National Bank of Abu Dhabi Representações Ltda	Brazil	Representative office	100%
NBAD Financial Markets (Cayman) Limited	Cayman Islands	Financial Institution	100%
Nawat Management Services - One Man Company LLC	United Arab Emirates	Services	100%
Mismak Properties Co. LLC (Mismak)	United Arab Emirates	Real estate investments	100%
Moora Properties Co. LLC (Subsidiary of Mismak)	United Arab Emirates	Real estate investments	67%
First Merchant International LLC (FMI)	United Arab Emirates	Real estate investments	100%
FAB Employment Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%
FAB Resourcing Services LLC (Subsidiary of FMI)	United Arab Emirates	Resourcing services	100%
FAB Sukuk Company Limited	Cayman Islands	Special purpose vehicle	100%
First Gulf Libyan Bank ²	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%
FAB Investment KSA (single Shareholder LLC)	Kingdom of Saudi Arabia	Financial Institution	100%

¹ Under liquidation.

² 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.

Notes to the condensed consolidated interim financial statements (continued)

4 Use of estimates and judgements (continued)

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 2018 except the following estimates and judgements which are applicable from 1 January 2019.

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 30 June 2019 pertain to the changes introduced as a result of adoption of IFRS 16: Leases.

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.

5 Financial risk management

Credit risk

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

	Investments at fair value through profit or loss		Non-trading investments	
	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Government sector	8,413,647	2,680,485	49,401,458	41,637,190
Supranational	1,216,792	810,394	2,213,546	2,504,208
Public Sector	1,047,436	1,251,552	23,030,398	22,515,092
Banking sector	7,878,794	6,790,244	31,772,469	17,552,792
Corporate / private sector	2,538,684	3,088,235	7,494,222	6,227,028
	21,095,353	14,620,910	113,912,093	90,436,310
Less: allowance for impairment (expected credit loss) on amortised cost securities	-	-	(2,667)	(2,736)
	21,095,353	14,620,910	113,909,426	90,433,574

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

	Investments at fair value through profit or loss		Non-trading investments	
	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
AAA	39,148	16,562	14,690,417	14,156,082
AA to A	8,848,802	7,327,891	67,758,353	58,732,451
BBB to B	7,785,534	3,981,306	27,437,723	14,650,910
CCC and below	17	21	16,536	20,780
Unrated	4,421,852	3,295,130	4,009,064	2,876,087
	21,095,353	14,620,910	113,912,093	90,436,310

Investments at fair value through profit or loss includes 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)

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.

As at 30 June 2019	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	158,952,533	32,378	3,813,471	136,017	-	-	-	-	162,766,004	168,395
Due from banks and financial institutions	17,821,062	32,114	587,105	31,873	-	-	-	-	18,408,167	63,987
Reverse repurchase agreements	23,816,195	189	-	-	-	-	-	-	23,816,195	189
Loans and advances ¹	348,071,206	1,921,584	18,055,299	3,953,959	9,647,311	4,514,551	4,692,079	1,540,311	380,465,895	11,930,405
Non-trading investments										
Amortised cost	5,507,858	2,667	-	-	-	-	-	-	5,507,858	2,667
FVOCI Debt ²	107,839,473	123,911	21,014	3,985	-	-	-	-	107,860,487	127,896
Other assets ³	16,415,202	71,348	66,717	4,066	-	-	-	-	16,481,919	75,414
Unfunded exposure	203,365,744	219,441	4,158,375	166,655	371,413	110,617	-	-	207,895,532	496,713
	881,789,273	2,403,632	26,701,981	4,296,555	10,018,724	4,625,168	4,692,079	1,540,311	923,202,057	12,865,666

¹The exposure represents gross loans and advances.

²The provision against financial instruments classified as FVOCI is included in the fair value reserve.

³On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.

⁴The Group, from an internal credit quality point of view, considers AED 4,426 million as par to non-performing loans.

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management (continued)

Credit risk (continued)

As at 31 December 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	176,630,171	26,142	4,838,929	230,651	-	-	-	-	181,469,100	256,793
Due from banks and financial institutions	18,540,275	19,658	685,973	30,498	-	-	-	-	19,226,248	50,156
Reverse repurchase agreements	19,048,807	15,356	-	-	-	-	-	-	19,048,807	15,356
Loans and advances ¹	335,890,867	1,507,539	17,228,374	4,063,427	8,894,605	4,682,146	4,803,837	1,630,136	366,817,683	11,883,248
Non-trading investments										
Amortised cost	5,630,295	2,736	-	-	-	-	-	-	5,630,295	2,736
FVOCI Debt ²	84,319,951	42,586	24,658	1,498	-	-	-	-	84,344,609	44,084
Other assets ³	12,110,664	102,321	425,367	1,568	-	-	-	-	12,536,031	103,889
Unfunded exposure	205,202,317	121,991	5,104,229	153,389	488,030	137,568	-	-	210,794,576	412,948
	<u>857,373,347</u>	<u>1,838,329</u>	<u>28,307,530</u>	<u>4,481,031</u>	<u>9,382,635</u>	<u>4,819,714</u>	<u>4,803,837</u>	<u>1,630,136</u>	<u>899,867,349</u>	<u>12,769,210</u>

¹The exposure represents gross loans and advances.

²The provision against financial instruments classified as FVOCI is included in the fair value reserve.

³On certain assets included as part of other assets, ECL is computed based on simplified approach and reported as part of stage 1.

⁴The Group, from an internal credit quality point of view, considers AED 4,572 million as par to non-performing loans.

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management (continued)

Credit risk (continued)

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

	(Unaudited) Six month period ended 30 June 2019 AED'000	(Unaudited) Six month period ended 30 June 2018 AED'000
Beginning of the period	12,769,210	12,728,111
Impact due to IFRS 9 adoption	-	3,106,013
	12,769,210	15,834,124
Net charge for impairment of financial instruments	880,848	953,214
Amounts written off and other adjustment	(784,392)	(2,881,513)
End of the period	12,865,666	13,905,825

6 Financial assets and liabilities

Financial instruments measured at fair value - hierarchy

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 30 June 2019 (Unaudited)				
Investment at fair value through profit or loss	16,573,510	2,950,909	1,570,934	21,095,353
FVOCI - with recycle to profit or loss	103,752,000	4,108,487	-	107,860,487
FVOCI - without recycle to profit or loss	461,615	-	22,626	484,241
Derivative financial instruments (Assets)	90,951	15,151,936	-	15,242,887
	120,878,076	22,211,332	1,593,560	144,682,968
Term borrowings	-	428,997	-	428,997
Derivative financial instruments (Liabilities)	33,312	19,520,427	-	19,553,739
	33,312	19,949,424	-	19,982,736

Notes to the condensed consolidated interim financial statements (continued)

6 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 2018				
Investment at fair value through profit or loss	11,188,493	1,608,998	1,823,419	14,620,910
FVOCI - with recycle to profit or loss	80,714,588	3,630,021	-	84,344,609
FVOCI - without recycle to profit or loss	373,752	-	22,513	396,265
Derivative financial instruments (Assets)	47,141	13,037,051	-	13,084,192
	<u>92,323,974</u>	<u>18,276,070</u>	<u>1,845,932</u>	<u>112,445,976</u>
Term borrowings	-	352,522	-	352,522
Derivative financial instruments (Liabilities)	10,775	15,208,689	-	15,219,464
	<u>10,775</u>	<u>15,561,211</u>	<u>-</u>	<u>15,571,986</u>

There were no transfers between the fair value hierarchies for any financial asset or liability except for one security in fair value through OCI classification which moved from level 1 to level 2 amounting to AED 109.4 million and two securities were moved from level 2 to 1 amounting to AED 71.8 million. In regards to financial instruments at fair value through profit or loss, two securities were moved from level 2 to level 1 amounting to AED 196.6 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 2018.

7 Cash and balances with central banks

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Cash on hand	1,798,860	1,696,420
Central Bank of the UAE		
cash reserve deposits	23,662,718	22,496,362
certificates of deposits	22,898,469	17,995,385
other balances	5,583,699	4,926,819
Balances with other central banks	110,621,118	136,050,534
	<u>164,564,864</u>	<u>183,165,520</u>
Less: expected credit losses	(168,395)	(256,793)
	<u>164,396,469</u>	<u>182,908,727</u>

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

Notes to the condensed consolidated interim financial statements (continued)

8 Loans and advances

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Gross loans and advances	380,465,895	366,817,683
Less: interest suspended	(2,519,240)	(1,968,015)
Less: expected credit losses	(11,930,405)	(11,883,248)
Net loans and advances	<u>366,016,250</u>	<u>352,966,420</u>
	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
By counterparty:		
Government sector	23,008,657	17,362,994
Public sector	71,111,216	61,790,844
Banking sector	28,877,154	28,472,001
Corporate / private sector	186,048,861	186,352,910
Personal / retail sector	71,420,007	72,838,934
Gross loans and advances	<u>380,465,895</u>	<u>366,817,683</u>
	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
By product:		
Overdrafts	26,672,541	22,237,129
Term loans	284,271,114	278,329,346
Trade related loans	30,843,585	27,927,281
Personal loans	31,535,597	31,261,531
Credit cards	6,026,972	6,137,491
Vehicle financing loans	1,116,086	924,905
Gross loans and advances	<u>380,465,895</u>	<u>366,817,683</u>

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

8 Loans and advances *(continued)*

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Concentration by industry sector:		
Agriculture	655,043	313,175
Energy	34,795,671	35,074,356
Manufacturing	24,032,316	23,947,527
Construction	10,428,327	8,721,546
Real estate	81,534,925	80,261,445
Trading	23,957,963	22,885,471
Transport and communication	26,821,156	25,333,824
Banks	28,877,154	28,472,001
Other financial institutions	32,442,844	28,844,388
Services	22,434,816	22,340,939
Government	23,008,657	17,362,994
Personal - Loans & Credit Cards	53,358,642	55,859,338
Personal - Retail Mortgage	18,061,365	16,979,596
Others	57,016	421,083
	380,465,895	366,817,683

9 Investments at fair value through profit or loss

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Investments in managed funds	4,170	3,917
Investment in private equity	1,570,920	1,823,408
Investments in equities	1,681,831	1,113,625
Debt securities	17,838,432	11,679,960
	21,095,353	14,620,910

Notes to the condensed consolidated interim financial statements (continued)

10 Non-trading Investments

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Fair value through other comprehensive income:		
- with recycle to profit or loss (Debt Investments)	107,860,487	84,344,609
- without recycle to profit or loss (Equity Investments)	484,241	396,265
Amortised cost	5,507,858	5,630,295
Investment in associates and joint venture	59,507	65,141
	113,912,093	90,436,310
Less: expected credit losses	(2,667)	(2,736)
	113,909,426	90,433,574

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

	(Unaudited) 30 June 2019 AED'000			(Audited) 31 Dec 2018 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	427,135	116,613	543,748	373,752	87,654	461,406
Debt investments	112,441,696	926,649	113,368,345	89,060,242	914,662	89,974,904
	112,868,831	1,043,262	113,912,093	89,433,994	1,002,316	90,436,310
Less: expected credit losses	(2,032)	(635)	(2,667)	(2,411)	(325)	(2,736)
	112,866,799	1,042,627	113,909,426	89,431,583	1,001,991	90,433,574

Debt instruments under repurchase agreements included in non-trading investments amounted to AED 33,115 million (31 December 2018: AED 22,971 million).

11 Investment Properties

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Beginning of the period	7,388,493	6,927,692
Additions / transfer from PPE	382,082	576,004
Disposals / transfer to PPE	-	(19,439)
Fair value adjustment	-	(95,764)
End of the period	7,770,575	7,388,493

The fair value of the properties is based on the valuations performed by third party valuers and all are level 3 under fair value hierarchy.

Notes to the condensed consolidated interim financial statements (continued)

12 Intangibles

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Goodwill	17,370,249	17,370,249
Customer relationship	1,774,716	1,774,716
Core deposits	593,335	593,335
License	368,700	368,700
Brand	22,000	22,000
	<u>20,129,000</u>	<u>20,129,000</u>
Accumulated Amortisation	(529,474)	(429,289)
	<u>19,599,526</u>	<u>19,699,711</u>

13 Due to banks and financial institutions

Due to banks and financial institutions include balances due to central banks amounting to AED 25,758 million (31 December 2018: AED 15,033 million).

14 Commercial paper

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

15 Customer accounts and other deposits

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
By account:		
Current accounts	163,008,594	150,416,721
Savings accounts	10,047,283	10,125,980
Margin accounts	2,765,393	2,822,821
Notice and time deposits	255,791,393	271,291,828
	<u>431,612,663</u>	<u>434,657,350</u>
Certificates of deposit	30,608,950	30,579,716
	<u>462,221,613</u>	<u>465,237,066</u>
By counterparty:		
Government sector	135,351,667	141,661,679
Public sector	75,083,240	73,231,345
Corporate / private sector	145,684,175	149,329,566
Personal / retail sector	75,493,581	70,434,760
	<u>431,612,663</u>	<u>434,657,350</u>
Certificates of deposit	30,608,950	30,579,716
	<u>462,221,613</u>	<u>465,237,066</u>

Notes to the condensed consolidated interim financial statements (continued)

16 Term borrowings

		30 June 2019 (Unaudited)						31 December 2018 (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	3 month EIBOR + 2.927% p.a.	-	-	-	-	-	-	-	49,991	-	-	-	49,991
AED	Fixed rate of 4%	-	-	-	-	86,353	86,353	-	-	-	-	-	-
AUD	Fixed rate of 3.17% to 5.00% p.a.	-	78,360	78,604	-	-	156,964	1,039,197	649,250	155,245	-	-	1,843,692
AUD	3 month AUD BBSW + 110 bps to 142 bps p.a.	51,576	-	64,412	-	-	115,988	-	51,792	-	64,504	-	116,296
CHF	Fixed rate of 0.16% to 0.625% p.a.	-	-	760,367	760,057	1,900,321	3,420,745	-	-	-	1,485,350	549,312	2,034,662
CNH	Fixed rate of 4% to 4.8% p.a.	-	108,060	1,549,099	456,648	-	2,113,807	69,571	310,856	1,626,254	36,861	-	2,043,542
EUR	Fixed rate of 0.516% to 3.00% p.a.	-	104,726	-	-	754,119	858,845	-	-	105,495	-	547,502	652,997
EUR	3 month EURIBOR + 0.33% p.a.	-	-	249,552	-	-	249,552	-	-	250,582	-	-	250,582
EGP	Fixed rate till 17.5%	-	20,202	-	-	-	20,202	-	-	-	-	-	-
GBP	Fixed rate of 1.66% to 2.205% p.a.	-	-	117,450	-	94,209	211,659	-	-	117,265	-	-	117,265
GBP	3 Month GBP LIBOR + till 0.822% p.a.	-	1,585,404	116,450	-	-	1,701,854	-	-	-	-	-	-
HKD	Fixed rate of 2.37% to 4.45% p.a.	150,623	244,439	601,129	483,222	234,118	1,713,531	-	151,052	243,099	707,220	182,810	1,284,181
JPY	Fixed rate of 0.86% to 2.60% p.a.	340,432	-	-	-	365,599	706,031	-	333,661	-	-	356,906	690,567
MXN	Fixed rate of 0.50% p.a.	-	-	-	-	2,350	2,350	-	-	-	-	1,425	1,425
MYR	Fixed rate of 4.90% p.a.	-	-	440,486	-	-	440,486	-	-	432,417	-	-	432,417
USD	Fixed rate till 5.207% p.a.	2,732,076	5,803,011	2,353,246	6,844,458	11,740,222	29,473,013	1,836,365	2,709,970	5,744,730	5,061,974	9,608,102	24,961,141
USD	1-3 Month LIBOR + till 2.603% p.a.	483,734	1,664,224	4,828,074	450,523	-	7,426,555	-	6,096,085	1,570,216	123,114	-	7,789,415
		<u>3,758,441</u>	<u>9,608,426</u>	<u>11,158,869</u>	<u>8,994,908</u>	<u>15,177,291</u>	<u>48,697,935</u>	<u>2,945,133</u>	<u>10,352,657</u>	<u>10,245,303</u>	<u>7,479,023</u>	<u>11,246,057</u>	<u>42,268,173</u>

Notes to the condensed consolidated interim financial statements (continued)

16 Term borrowings (continued)

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

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Beginning of the period	42,268,173	42,145,718
New issuances	14,592,150	9,076,645
Redemptions	(9,661,495)	(7,735,417)
Exchange and other adjustments	1,499,107	(1,218,773)
End of the period	<u>48,697,935</u>	<u>42,268,173</u>

17 Subordinated notes

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
10 December 2012 issue (4.75 percent fixed rate maturing on 9 December 2027)	<u>369,101</u>	<u>401,979</u>

The Bank has hedged the interest rate and foreign currency exposure on the subordinated notes. The Bank has not had any defaults of principal, interests, or other breaches with respect to its subordinated notes during the six months period ended 30 June 2019.

18 Capital and reserves

Share Capital

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Ordinary paid up shares of AED 1 each	<u>10,920,000</u>	<u>10,897,545</u>
Treasury shares of AED 1 each	<u>22,247</u>	<u>25,530</u>

At the Annual General Meeting (AGM) held on 25 February 2019, the shareholders of the Bank approved a cash dividend of AED 0.74 per ordinary shares amounting to AED 8,064 million (31 December 2017: AED 0.70 per ordinary share amounting to AED 7,628 million). Further, the AGM also approved to increase the authorized and paid up share capital from 10,898 million to 10,920 million. The new shares were issued to the Bank's subsidiary (NBAD Employee Share Option Limited) in connection with share option scheme.

Notes to the condensed consolidated interim financial statements (continued)

18 Capital and reserves (continued)

Other reserves

	Fair value reserve AED'000	General reserve AED'000	Foreign currency translation reserve AED'000	Revaluati- on reserve AED'000	IFRS 9 reserve - specific AED'000	IFRS 9 reserve – collective AED'000	Total AED'000
As at 1 January 2019	(598,021)	228,265	(310,931)	280,601	297,621	64,988	(37,477)
Other comprehensive income for the period	871,999	-	1,134	-	-	-	873,133
IFRS 9 reserve movement	-	-	-	-	18,287	41,601	59,888
Realised gain on sale of FVOCI investment	(9,174)	-	-	-	-	-	(9,174)
Balance at 30 June 2019	<u>264,804</u>	<u>228,265</u>	<u>(309,797)</u>	<u>280,601</u>	<u>315,908</u>	<u>106,589</u>	<u>886,370</u>
As at 1 January 2018	625,210	120,000	(63,075)	280,601	-	-	962,736
Impact of adopting IFRS 9 at 1 January 2018 (note 4)	(184,078)	-	-	-	-	-	(184,078)
	441,132	120,000	(63,075)	280,601	-	-	778,658
Other comprehensive income for the period	(237,091)	-	(205,087)	-	-	-	(442,178)
Balance at 30 June 2018	<u>204,041</u>	<u>120,000</u>	<u>(268,162)</u>	<u>280,601</u>	<u>-</u>	<u>-</u>	<u>336,480</u>

19 Tier 1 capital notes

	Currency	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 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 (5.25 percent fixed rate until 2020, thereafter 5 year mid swap rate plus 3.35 percent per annum)	USD	2,754,750	2,754,750
		<u>10,754,750</u>	<u>10,754,750</u>

Tier 1 capital notes are perpetual, subordinated, unsecured and carry coupons to be 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 281,447 thousand (30 June 2018: AED 237,024 thousand).

Notes to the condensed consolidated interim financial statements (continued)

20 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.

During the period, 25,738 thousand options (30 June 2018: 6,744 thousand) had been exercised by the option holders resulting in an increase in the share capital by AED 25,738 thousand (30 June 2018: AED 6,744 thousand) and share premium by AED 216,042 thousand (30 June 2018: AED 60,026 thousand).

21 Commitments and contingencies

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

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

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Letter of credit	63,112,896	59,955,337
Letters of guarantees	100,022,992	104,894,326
Financial guarantees	201,165	285,311
Irrevocable Undrawn Commitments	44,558,479	45,659,602
Private Equity	811,857	772,322
	<u>208,707,389</u>	<u>211,566,898</u>

22 Cash and cash equivalents

	(Unaudited) 30 June 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Cash and balances with Central Banks	164,564,864	183,165,520
Due from banks and financial institutions	18,408,167	19,226,248
	<u>182,973,031</u>	<u>202,391,768</u>
Less: Balances with Central Banks maturing after three months of placement	(20,263,602)	(18,726,908)
Less: Due from banks and financial institutions maturing after three months of placement	(15,540,862)	(7,987,484)
	<u>147,168,567</u>	<u>175,677,376</u>

Notes to the condensed consolidated interim financial statements (continued)

23 Net foreign exchange gain

	(Unaudited) Six month period ended 30 June 2019 AED'000	(Unaudited) Six month period ended 30 June 2018 AED'000	(Unaudited) Three month period ended 30 June 2019 AED'000	(Unaudited) Three month period ended 30 June 2018 AED'000
Trading and retranslation gain on foreign exchange and related derivatives ^{1,2}	1,318,678	747,954	681,687	481,795
Dealings with customers	44,973	123,351	34,138	60,212
	<u>1,363,651</u>	<u>871,305</u>	<u>715,825</u>	<u>542,007</u>

¹ Due to effective hedging strategies, the offsetting impact of hedging instruments is reflected in the net gains from sale of non-trading investments.

² Includes negative interest income of AED 171 million (30 June 2018: AED 132 million) arising from placement with ECB.

24 Net gain on investments and derivatives

	(Unaudited) Six month period ended 30 June 2019 AED'000	(Unaudited) Six month period ended 30 June 2018 AED'000	(Unaudited) Three month period ended 30 June 2019 AED'000	(Unaudited) Three month period ended 30 June 2018 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	565,945	522,931	279,605	200,567
Net gain / (loss) from sale of non-trading investments	71,294	(82,055)	45,851	(73,363)
Dividend income	23,627	16,114	12,099	6,425
	<u>660,866</u>	<u>456,990</u>	<u>337,555</u>	<u>133,629</u>

25 Other Operating Income

	(Unaudited) Six month period ended 30 June 2019 AED'000	(Unaudited) Six month period ended 30 June 2018 AED'000	(Unaudited) Three month period ended 30 June 2019 AED'000	(Unaudited) Three month period ended 30 June 2018 AED'000
Investment property income	9,795	3,722	4,398	1,653
Leasing related income	48,016	36,757	25,440	17,026
Other income / (expense)	23,483	137,130	10,748	146,133
	<u>81,294</u>	<u>177,609</u>	<u>40,586</u>	<u>164,812</u>

Notes to the condensed consolidated interim financial statements (continued)

26 General, administration and other operating expenses

	(Unaudited) Six month period ended 30 June 2019 AED'000	(Unaudited) Six month period ended 30 June 2018 AED'000	(Unaudited) Three month period ended 30 June 2019 AED'000	(Unaudited) Three month period ended 30 June 2018 AED'000
Staff costs	1,607,096	1,578,498	806,203	802,773
Other general and administration expenses	761,534	814,685	402,798	402,863
Depreciation	194,471	150,422	97,813	75,536
Intangibles (note 12)	100,185	98,117	50,168	49,037
Sponsorships and donations	15,770	21,991	8,183	7,573
	<u>2,679,056</u>	<u>2,663,713</u>	<u>1,365,165</u>	<u>1,337,782</u>

27 Net impairment charge

	(Unaudited) Six month period ended 30 June 2019 AED'000	(Unaudited) Six month period ended 30 June 2018 AED'000	(Unaudited) Three month period ended 30 June 2019 AED'000	(Unaudited) Three month period ended 30 June 2018 AED'000
Impairment charge / (reversal) on				
loans and advances	829,739	1,133,503	440,955	478,829
other financial assets	(33,137)	(28,334)	8,907	(40,781)
unfunded exposures	84,246	(151,955)	20,348	35,504
other non-financial instruments	438	-	438	-
Recoveries	(156,840)	(152,843)	(106,145)	(95,630)
Write-off of impaired financial assets	150,053	62,237	102,535	45,558
	<u>874,499</u>	<u>862,608</u>	<u>467,038</u>	<u>423,480</u>

Notes to the condensed consolidated interim financial statements (continued)

28 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) Six month period ended 30 June 2019	(Unaudited) Six month period ended 30 June 2018	(Unaudited) Three month period ended 30 June 2019	(Unaudited) Three month period ended 30 June 2018
Basic earnings per share:				
Net profit for the period (AED'000)	6,327,644	6,057,238	3,220,991	3,059,318
Less: payment on Tier 1 capital notes (AED'000)	(281,447)	(237,024)	(72,313)	(72,312)
Net profit after payment of Tier 1 capital notes (AED'000)	6,046,197	5,820,214	3,148,678	2,987,006
Weighted average number of ordinary shares:				
Number of shares issued / deemed to be outstanding from the beginning of the period ('000)	10,872,015	10,855,111	10,896,046	10,859,100
Weighted average number of shares exercised under the share options scheme ('000)	20,117	3,306	(617)	1,082
Weighted average number of ordinary shares ('000)	10,892,132	10,858,417	10,895,429	10,860,182
Basic earnings per share (AED)	0.56	0.54	0.29	0.28
Diluted earnings per share:				
Net profit after payment of Tier 1 capital notes (AED'000)	6,046,197	5,820,214	3,148,678	2,987,006
Add: Interest on convertible note (AED'000)	-	18,801	-	-
Net profit for the period for calculating diluted earnings per share (AED'000)	6,046,197	5,839,015	3,148,678	2,987,006
Weighted average number of ordinary shares ('000)	10,892,132	10,858,417	10,895,429	10,860,182
Effect of dilutive potential ordinary shares issued ('000)	-	58,007	-	58,007
Weighted average number of dilutive shares under share options scheme ('000)	5,116	7,121	5,116	7,121
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	10,897,248	10,923,545	10,900,545	10,925,310
Diluted earnings per share (AED)	0.56	0.53	0.29	0.27

Notes to the condensed consolidated interim financial statements (continued)

29 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")

The business targets retail, affluent, high net-worth customers, Islamic consumer finance and SME customer segments. The products' ranges offered include every day banking products such as current accounts, deposits, credit cards, loans, sophisticated investment solutions, business banking products and services. The business furnishes variety of distribution and sales channels, including mobile and internet banking, branches, direct sales agents and through its banking subsidiaries namely Dubai First, Aseel and First Abu Dhabi Islamic Finance.

Subsidiaries

The business includes a diversified business model supported by complementary offerings provided across real estate, property management, brokerage and conventional banking. This business covers subsidiaries partially or fully owned by the Group, namely FAB Properties, ADNOC, 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 business units.

Geographic segments

The Group is 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 two sub-segments which are Europe, Americas, Middle East and Africa ("EAMEA") and Asia Pacific ("APAC").

- **Europe, Americas, Middle East and Africa (EAMEA)**
FAB network in the EAMEA region is operated through its presence in United States of America, Brazil, United Kingdom, France, Switzerland, Oman, Bahrain, Qatar, Egypt, Sudan, Kuwait, Lebanon, Jordan, and Kingdom of Saudi Arabia.
- **Asia Pacific (APAC)**
FAB's business in the Asia region is run through its presence in Singapore, Hong Kong, Korea, China, Malaysia and India.

Notes to the condensed consolidated interim financial statements (continued)

29 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	Europe, Americas, Middle East and Africa AED'000	Asia - Pacific AED'000	Total AED'000
<i>For the six month period ended 30 June 2019 (Unaudited)</i>									
Net interest income	2,760,518	3,004,641	(42,093)	691,865	6,414,931	5,530,967	695,457	188,507	6,414,931
Net non-interest income	2,883,841	734,892	105,614	(44,599)	3,679,748	3,110,508	408,101	161,139	3,679,748
Operating income	<u>5,644,359</u>	<u>3,739,533</u>	<u>63,521</u>	<u>647,266</u>	<u>10,094,679</u>	<u>8,641,475</u>	<u>1,103,558</u>	<u>349,646</u>	<u>10,094,679</u>
General administration and other operating expenses	985,606	1,444,715	68,934	179,801	2,679,056	2,172,940	396,642	109,474	2,679,056
Net impairment charge	<u>571,866</u>	<u>429,310</u>	<u>(107,744)</u>	<u>(18,933)</u>	<u>874,499</u>	<u>800,680</u>	<u>68,848</u>	<u>4,971</u>	<u>874,499</u>
Profit before taxation	<u>4,086,887</u>	<u>1,865,508</u>	<u>102,331</u>	<u>486,398</u>	<u>6,541,124</u>	<u>5,667,855</u>	<u>638,068</u>	<u>235,201</u>	<u>6,541,124</u>
Overseas taxation	<u>89,016</u>	<u>44,149</u>	<u>4,674</u>	<u>13,884</u>	<u>151,723</u>	<u>1,170</u>	<u>111,717</u>	<u>38,836</u>	<u>151,723</u>
Net profit for the period	<u>3,997,871</u>	<u>1,821,359</u>	<u>97,657</u>	<u>472,514</u>	<u>6,389,401</u>	<u>5,666,685</u>	<u>526,351</u>	<u>196,365</u>	<u>6,389,401</u>
<i>As at 30 June 2019 (Unaudited)</i>									
Segment total assets	<u>717,203,908</u>	<u>105,881,464</u>	<u>12,545,048</u>	<u>112,296,982</u>	<u>947,927,402</u>	<u>631,547,426</u>	<u>186,147,932</u>	<u>42,249,568</u>	<u>859,944,926</u>
Inter segment balances					(172,967,816)				(84,985,340)
Total assets					<u>774,959,586</u>				<u>774,959,586</u>
Segment total liabilities	<u>518,724,489</u>	<u>94,767,868</u>	<u>9,227,108</u>	<u>224,093,093</u>	<u>846,812,558</u>	<u>542,961,592</u>	<u>176,252,833</u>	<u>39,615,657</u>	<u>758,830,082</u>
Inter segment balances					(172,967,816)				(84,985,340)
Total liabilities					<u>673,844,742</u>				<u>673,844,742</u>

Notes to the condensed consolidated interim financial statements (continued)

29 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	Europe, Americas, Middle East and Africa AED'000	Asia - Pacific AED'000	Total AED'000
<i>For the three month period ended 30 June 2018 (Unaudited)</i>									
Net interest income	2,836,130	2,877,374	(15,210)	793,506	6,491,800	5,580,210	774,234	137,356	6,491,800
Net non-interest income	2,084,359	940,909	161,976	111,901	3,299,145	2,808,729	329,770	160,646	3,299,145
Operating income	<u>4,920,489</u>	<u>3,818,283</u>	<u>146,766</u>	<u>905,407</u>	<u>9,790,945</u>	<u>8,388,939</u>	<u>1,104,004</u>	<u>298,002</u>	<u>9,790,945</u>
General administration and other operating expenses	896,716	1,369,126	72,571	325,300	2,663,713	2,218,089	328,708	116,916	2,663,713
Net impairment charge	<u>473,388</u>	<u>350,234</u>	<u>(4,716)</u>	<u>43,702</u>	<u>862,608</u>	<u>865,915</u>	<u>(73,312)</u>	<u>70,005</u>	<u>862,608</u>
Profit before taxation	<u>3,550,385</u>	<u>2,098,923</u>	<u>78,911</u>	<u>536,405</u>	<u>6,264,624</u>	<u>5,304,935</u>	<u>848,608</u>	<u>111,081</u>	<u>6,264,624</u>
Overseas taxation	<u>97,499</u>	<u>63,469</u>	<u>17,791</u>	<u>1,169</u>	<u>179,928</u>	<u>11,165</u>	<u>173,151</u>	<u>(4,388)</u>	<u>179,928</u>
Net profit for the period	<u>3,452,886</u>	<u>2,035,454</u>	<u>61,120</u>	<u>535,236</u>	<u>6,084,696</u>	<u>5,293,770</u>	<u>675,457</u>	<u>115,469</u>	<u>6,084,696</u>
<i>As at 31 December 2018(Audited)</i>									
Segment total assets	<u>723,276,453</u>	<u>108,513,263</u>	<u>13,162,063</u>	<u>105,549,861</u>	<u>950,501,640</u>	<u>612,146,752</u>	<u>211,520,134</u>	<u>39,007,464</u>	<u>862,674,350</u>
Inter segment balances					(206,615,253)				(118,787,963)
Total assets					<u>743,886,387</u>				<u>743,886,387</u>
Segment total liabilities	<u>500,599,188</u>	<u>87,702,880</u>	<u>10,117,659</u>	<u>250,108,913</u>	<u>848,528,640</u>	<u>502,836,407</u>	<u>216,308,524</u>	<u>41,556,419</u>	<u>760,701,350</u>
Inter segment balances					(206,615,253)				(118,787,963)
Total liabilities					<u>641,913,387</u>				<u>641,913,387</u>

Notes to the condensed consolidated interim financial statements (continued)

30 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties comprise major shareholder, directors and key management personnel of the Group. Key management personnel comprise those executive committee members "EXCO" of the Group who are involved in the strategic planning and decision making of the Group. The terms of these transactions are approved by the Group's management and are made on terms agreed by the Board of Directors or management.

	30 June 2019 (Unaudited)			31 December 2018 (Audited)
	Senior management and related entities AED'000	Major shareholders AED'000	Total AED'000	Total AED'000
<i>Balances with related parties at the reporting date are shown below:</i>				
Financial assets	2,615,344	12,152,384	14,767,728	13,057,304
Financial liabilities	15,312,195	12,037,859	27,350,054	16,797,112
Contingent liabilities	2,057,644	13,214,965	15,272,609	21,526,627

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

				30 June 2018 (Unaudited)
Interest income	64,423	240,816	305,239	211,436
Interest expense	81,535	74,271	155,806	204,685

31 Comparative figures

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