

First Gulf Bank PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017 (UNAUDITED)



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF FIRST GULF BANK PJSC

Introduction

We have reviewed the accompanying interim consolidated balance sheet of First Gulf Bank PJSC and its Subsidiaries (the “Bank”) as at 31 March 2017 and the related interim consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review


We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

As disclosed in Notes 1 and 24 to the interim condensed consolidated financial statements, the merger of the Bank and National Bank of Abu Dhabi PJSC (NBAD) was completed subsequent to 31 March 2017 and NBAD became the legal successor of the Bank in all its rights and obligations on the effective date of the merger. Our conclusion is not modified in respect of this matter.



Signed by
Andre Kasparian
Partner
Ernst & Young
Registration No. 365

19 April 2017
Abu Dhabi

INTERIM CONSOLIDATED BALANCE SHEET

At 31 March 2017 (Unaudited)

	Notes	<i>Unaudited</i> 31 March 2017 <i>AED 000</i>	<i>Audited</i> 31 December 2016 <i>AED 000</i>
Assets			
Cash and balances with Central Banks	3	21,529,027	24,777,953
Due from banks and financial institutions	4	11,805,910	17,415,706
Loans and advances	5	157,625,716	156,748,325
Investments	6	34,147,933	29,272,993
Investment in associates	7	40,119	40,030
Other assets		9,457,979	8,902,500
Investment properties	8	6,578,424	6,422,502
Property and equipment		<u>1,358,995</u>	<u>1,528,255</u>
Total assets		<u>242,544,103</u>	<u>245,108,264</u>
Liabilities			
Due to banks		31,068,610	22,163,763
Customers' deposits	9	142,756,921	149,233,883
Euro Commercial Paper	10	9,671,806	10,016,916
Term loans	11	16,777,527	16,666,304
Sukuk financing instruments	12	-	1,836,500
Other liabilities		<u>7,929,945</u>	<u>7,533,926</u>
Total liabilities		<u>208,204,809</u>	<u>207,451,292</u>
Equity			
Equity attributable to equity holders of the Bank			
Share capital	13	4,500,000	4,500,000
Capital notes	14	4,000,000	4,000,000
Legal reserve		8,780,110	8,780,110
Special reserve		2,250,000	2,250,000
General reserve		120,000	120,000
Revaluation reserve		280,601	280,601
Proposed cash dividends		-	4,500,000
Retained earnings		13,534,971	12,469,016
Cumulative changes in fair values		521,502	412,790
Foreign currency translation reserve		<u>(84,070)</u>	<u>(88,327)</u>
Non-controlling interests		<u>33,903,114</u>	<u>37,224,190</u>
		<u>436,180</u>	<u>432,782</u>
Total equity		<u>34,339,294</u>	<u>37,656,972</u>
Total equity and liabilities		<u>242,544,103</u>	<u>245,108,264</u>

		
Chairman	Group Chief Executive Officer	Group Chief Financial Officer

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2017 (Unaudited)

		<i>Three-month ended</i>	
		<i>31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>AED 000</i>	<i>AED 000</i>
	<i>Notes</i>		
Interest income and income from Islamic financing		2,108,653	2,139,693
Interest expense and Islamic financing expense		<u>(558,501)</u>	<u>(554,087)</u>
NET INTEREST INCOME AND INCOME FROM ISLAMIC FINANCING		1,550,152	1,585,606
Fee and commission income, net	15	313,463	365,471
Other operating income	16	171,473	195,335
Share of profit of associates		<u>89</u>	<u>72</u>
OPERATING INCOME		2,035,177	2,146,484
General and administrative expenses		<u>(537,122)</u>	<u>(436,304)</u>
PROFIT FROM OPERATIONS BEFORE IMPAIRED ASSETS CHARGE		1,498,055	1,710,180
Provision for impairment of loans and advances		(346,496)	(375,997)
Impairment of available for sale investments		<u>(837)</u>	<u>-</u>
PROFIT FOR THE PERIOD BEFORE TAXATION		1,150,722	1,334,183
Income taxes		<u>(6,676)</u>	<u>(1,182)</u>
PROFIT FOR THE PERIOD		<u>1,144,046</u>	<u>1,333,001</u>
Profit attributable to:			
Equity holders of the Bank		1,143,173	1,332,314
Non-controlling interests		<u>873</u>	<u>687</u>
		<u>1,144,046</u>	<u>1,333,001</u>
Basic and diluted earnings per share (AED)	17	<u>0.25</u>	<u>0.29</u>

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2017 (Unaudited)

	<i>Three-month ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED 000</i>	<i>AED 000</i>
PROFIT FOR THE PERIOD	1,144,046	1,333,001
OTHER COMPREHENSIVE INCOME:		
Items that may be reclassified subsequently to the consolidated statement of income		
Gain on available for sale investments, net	108,330	92,731
Net unrealised gain on cash flow hedges	383	328
Foreign exchange translation	<u>6,781</u>	<u>11,353</u>
Other comprehensive income for the period	<u>115,494</u>	<u>104,412</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>1,259,540</u>	<u>1,437,413</u>
Total comprehensive income attributable to:		
Equity holders of the Bank	1,256,142	1,432,006
Non-controlling interests	<u>3,398</u>	<u>5,407</u>
	<u>1,259,540</u>	<u>1,437,413</u>

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2017 (Unaudited)

	Notes	Three-month ended 31 March	
		2017 AED 000	2016 AED 000
OPERATING ACTIVITIES			
Profit for the period before tax		1,150,722	1,334,183
Adjustments for:			
Depreciation		33,210	24,611
Amortisation of intangible assets		5,180	5,480
Provision for impairment of loans and advances		346,496	375,997
Gain on sale of investment properties		(11,510)	(22,302)
(Gain) loss on sale of property and equipment		(166)	30
Gain from investments		(77,752)	(48,406)
Provision for impairment of available for sale investments		837	-
Share of profit of associates		(89)	(72)
Operating profit before changes in operating assets and liabilities		<u>1,446,928</u>	1,669,521
Deposits with banks		938,975	(91,825)
Loans and advances		(1,231,735)	(3,131,362)
Mandatory cash reserve with Central Banks		(1,726,035)	(25,679)
Other assets		106,956	11,181
Due to banks		8,904,847	4,484,056
Customers' deposits		(7,738,103)	(4,198,828)
Other liabilities		(144,752)	32,276
Net cash from (used in) from operating activities		<u>557,081</u>	<u>(1,250,660)</u>
INVESTING ACTIVITIES			
Purchase of investments		(11,046,015)	(4,003,844)
Proceeds from redemption and sale of investments		6,266,876	3,368,650
Purchase of property and equipment		(33,576)	(116,418)
Proceeds from sale of property and equipment		1,622	2
Deposits with Central Banks		3,500,000	(391,938)
Additions to investment properties	8	(103,612)	(34,393)
Proceeds from sale of investment properties		<u>111,131</u>	<u>92,346</u>
Net cash used in investing activities		<u>(1,303,574)</u>	<u>(1,085,595)</u>
FINANCING ACTIVITIES			
Dividends paid	19	(3,238,859)	(1,891,662)
Interest on capital notes	14	(77,218)	(66,064)
Movement in Euro Commercial Paper	10	(345,110)	543,898
Repayment of Sukuk	12	(1,836,500)	-
Movement in term loans		<u>91,617</u>	<u>(435,470)</u>
Net cash used in financing activities		<u>(5,406,070)</u>	<u>(1,849,298)</u>
DECREASE IN CASH AND CASH EQUIVALENTS			
		(6,152,563)	(4,185,553)
Cash and cash equivalents at the beginning of the period		22,170,993	17,356,182
Net changes in foreign currency translation reserve		<u>6,781</u>	<u>11,353</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>16,025,211</u>	<u>13,181,982</u>
Operating cash flows from interest and Islamic financing			
Interest and Islamic financing income received		2,139,547	2,079,550
Interest and Islamic financing expense paid		565,138	502,064
Non-cash transactions excluded from the cash flows statement include:			
Transfers from property and equipment to investment properties	8	151,931	90,152

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2017 (Unaudited)

	Attributable to equity holders of the Bank												
	Share capital AED 000	Capital notes AED 000	Legal reserve AED 000	Special reserve AED 000	General reserve AED 000	Revaluation reserve AED 000	Proposed cash dividends AED 000	Retained earnings AED 000	Cumulative changes in fair values AED 000	Foreign currency translation reserve AED 000	Total AED 000	Non-controlling interests AED 000	Total equity AED 000
At 1 January 2016	4,500,000	4,000,000	8,780,110	2,250,000	120,000	280,601	4,500,000	11,132,046	410,638	(69,763)	35,903,632	400,439	36,304,071
Total comprehensive income for the period	-	-	-	-	-	-	-	1,332,314	93,059	6,633	1,432,006	5,407	1,437,413
Transfer to dividends payable	-	-	-	-	-	-	(4,500,000)	-	-	-	(4,500,000)	-	(4,500,000)
Interest on capital notes (note 14)	-	-	-	-	-	-	-	(66,064)	-	-	(66,064)	-	(66,064)
As of 31 March 2016	<u>4,500,000</u>	<u>4,000,000</u>	<u>8,780,110</u>	<u>2,250,000</u>	<u>120,000</u>	<u>280,601</u>	<u>-</u>	<u>12,398,296</u>	<u>503,697</u>	<u>(63,130)</u>	<u>32,769,574</u>	<u>405,846</u>	<u>33,175,420</u>
At 1 January 2017	4,500,000	4,000,000	8,780,110	2,250,000	120,000	280,601	4,500,000	12,469,016	412,790	(88,327)	37,224,190	432,782	37,656,972
Total comprehensive income for the period	-	-	-	-	-	-	-	1,143,173	108,712	4,257	1,256,142	3,398	1,259,540
Transfer to dividends payable)	-	-	-	-	-	-	(4,500,000)	-	-	-	(4,500,000)	-	(4,500,000)
Interest on capital notes (note 14))	-	-	-	-	-	-	-	(77,218)	-	-	(77,218)	-	(77,218)
As of 31 March 2017	<u>4,500,000</u>	<u>4,000,000</u>	<u>8,780,110</u>	<u>2,250,000</u>	<u>120,000</u>	<u>280,601</u>	<u>-</u>	<u>13,534,971</u>	<u>521,502</u>	<u>(84,070)</u>	<u>33,903,114</u>	<u>436,180</u>	<u>34,339,294</u>

The attached explanatory notes 1 to 24 form part of the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)**1 ACTIVITIES**

First Gulf Bank PJSC is a public joint stock company with limited liability incorporated in Abu Dhabi in accordance with UAE Federal Law No. (8) of 1984 (as amended). The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. First Gulf Bank PJSC, its branches and subsidiaries (the “Bank”) carry on commercial and retail banking, investment and real estate activities in Abu Dhabi, Dubai, Ajman, Sharjah, Fujairah, Al Ain and Ras Al Khaimah.

The representative office of the Bank in Singapore has commenced operations from September 2007 and was upgraded to a wholesale bank in August 2009. The Bank has established a representative office in India in September 2009 and in Qatar in November 2009. The representative office in Qatar was upgraded to a branch in May 2011. In December 2012, the Bank established a representative office in Hong Kong. In April and June 2014, the Bank established representative offices in South Korea and United Kingdom, respectively.

The registered head office of the Bank is at PO Box 6316, Abu Dhabi, United Arab Emirates (U.A.E.). The principal activities of the Bank are described in note 21.

On 3 July 2016, the Bank and National Bank of Abu Dhabi PJSC (“NBAD”) announced that their Boards of Directors unanimously voted to recommend to their shareholders to merge both banks pursuant to Article 283 (1) of UAE Federal Law no. 2 of 2015 through a share swap, with the Bank’s shareholders receiving 1.254 NBAD shares for each of the Bank’s shares they hold. Additional disclosures relating to the merger are set out in note 24.

The interim condensed consolidated financial statements of First Gulf Bank PJSC (the “Bank”) were authorised for issue by the Board of Directors on 19 April 2017.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

The interim condensed consolidated financial statements of the Bank are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Bank’s annual consolidated financial statements as at 31 December 2016. In addition, results for the three-month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016, except for the adoption of the following amendments to standards and new standards as of 1 January 2017.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

Annual Improvements Cycle - 2014-2016:

- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The new standards and amendments to standards listed above had no significant impact on the Bank’s financial position or performance or disclosures.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation

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

	Activity	Country of incorporation	Percentage of holding	
			2017	2016
Mismak Properties Co. LLC (Mismak)	Real estate investments	United Arab Emirates	100%	100%
First Merchant International LLC	Real estate investments	United Arab Emirates	100%	100%
FGB Sukuk Company Limited	Special purpose vehicle	Cayman Islands	100%	100%
FGB Sukuk Company II Limited	Special purpose vehicle	Cayman Islands	100%	100%
FGB Global Markets Cayman Limited	Special purpose vehicle	Cayman Islands	100%	100%
First Gulf Libyan Bank *	Banking services	Libya	50%	50%
First Gulf Properties LLC	Management and brokerage of real estate properties	United Arab Emirates	100%	100%
Aseel Finance PJSC	Islamic finance	United Arab Emirates	100%	100%
Dubai First PJSC	Credit card finance	United Arab Emirates	100%	100%
First Gulf Information Technology LLC	Information Technology Services	United Arab Emirates	100%	100%

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. The Bank exercises control over all of the subsidiaries listed above. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Bank's voting rights and potential voting rights.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

3 CASH AND BALANCES WITH CENTRAL BANKS

	<i>Unaudited</i> <i>31 March</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Cash on hand	453,076	448,305
Balances with Central Banks	<u>21,075,951</u>	<u>24,329,648</u>
	<u>21,529,027</u>	<u>24,777,953</u>

Balances with UAE Central Bank include AED 6,792,374 thousand (31 December 2016: AED 5,892,907 thousand) representing mandatory cash reserve deposits and AED 9,606,933 thousand (31 December 2016: AED 12,280,365 thousand) representing certificates of deposit. These are not available for use in the Bank's day-to-day operations.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	<i>Unaudited</i> <i>31 March</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Cash and balances with Central Banks	21,529,027	24,777,953
Due from banks and financial institutions	<u>11,805,910</u>	<u>17,415,706</u>
	33,334,937	42,193,659
Less: Balances with Central Banks maturing after three months of placement	(9,606,933)	(12,280,365)
Less: Mandatory cash reserve with Central Banks	(6,792,374)	(5,892,907)
Less: Due from banks and financial institutions maturing after three months of placement	<u>(910,419)</u>	<u>(1,849,394)</u>
Cash and cash equivalents	<u>16,025,211</u>	<u>22,170,993</u>

Geographic analysis of cash and balances with Central Banks and due from banks and financial institutions is as follows:

	<i>Unaudited</i> <i>31 March</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
UAE	19,860,524	26,460,989
Other Arab Countries	5,371,710	3,765,403
Asia	3,064,774	3,399,129
Europe	3,027,363	5,801,848
USA	667,425	1,950,666
Rest of the world	<u>1,343,141</u>	<u>815,624</u>
	<u>33,334,937</u>	<u>42,193,659</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

5 LOANS AND ADVANCES

The composition of loans and advances portfolio is as follows:

	<i>Unaudited</i> 31 March 2017 <i>AED'000</i>	<i>Audited</i> 31 December 2016 <i>AED'000</i>
Economic Sector		
Agriculture	413,164	686,922
Energy	4,139,324	2,166,613
Trading	11,624,223	11,427,934
Construction	6,424,955	6,858,217
Transport	1,390,545	1,655,162
Personal – Retail loans and credit cards	34,230,272	34,418,040
Personal – Retail mortgages	3,692,622	3,702,051
Personal – Retail mortgages - National Housing Loans	21,805,320	21,128,324
Personal – Others	3,372,742	2,798,640
Government	182,496	268,002
Share financing	341,290	755,330
Real estate	14,241,764	15,883,627
Financial services	12,279,384	8,353,259
Other services	26,667,502	29,936,098
Public sector	14,278,238	14,287,604
Manufacturing	<u>6,798,209</u>	<u>6,890,562</u>
Total	161,882,050	161,216,385
Less provision for impaired loans and advances	<u>(4,256,334)</u>	<u>(4,468,060)</u>
Total	<u>157,625,716</u>	<u>156,748,325</u>
Representing:		
Conventional loans and advances	144,322,679	143,241,468
Islamic financing	<u>13,303,037</u>	<u>13,506,857</u>
Total	<u>157,625,716</u>	<u>156,748,325</u>
Loans and advances to customers are stated net of provision for impairment. The movements in the provision during the period were as follows:		
At 1 January	4,468,060	4,419,577
Charge for the period/year	402,736	1,579,306
Amounts written-off	(553,821)	(1,323,240)
Recoveries	(56,240)	(127,144)
Notional interest on impaired loans and advances	<u>(4,401)</u>	<u>(80,439)</u>
Closing balance	<u>4,256,334</u>	<u>4,468,060</u>
Analysis of the provision for impairment is as follows:		
Specific provision	1,659,562	1,870,123
Collective provision	<u>2,596,772</u>	<u>2,597,937</u>
Total provision	<u>4,256,334</u>	<u>4,468,060</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

6 INVESTMENTS

	<i>Unaudited</i> <i>31 March</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
<i>Carried at fair value through income statement</i>		
Investments in managed funds	49,716	50,990
Investments in equities - Quoted	15,052	13,593
- Unquoted	7,383	7,383
Debt securities	<u>1,721,109</u>	<u>827,558</u>
	<u>1,793,260</u>	<u>899,524</u>
<i>Available for sale investments</i>		
Investments in equities - Quoted	263,979	140,368
- Unquoted	150,481	149,353
Investments in private equity funds	1,543,536	1,526,984
Debt securities - Quoted	27,013,326	22,762,028
- Unquoted	<u>1,253,115</u>	<u>1,363,431</u>
	<u>30,224,437</u>	<u>25,942,164</u>
<i>Held to maturity investments</i>		
Debt securities - Quoted	1,363,756	1,519,124
- Unquoted	<u>766,480</u>	<u>912,181</u>
	<u>2,130,236</u>	<u>2,431,305</u>
Total	<u>34,147,933</u>	<u>29,272,993</u>
Geographic analysis of investments is as follows:		
UAE	14,037,961	7,301,213
Other Arab Countries	4,363,049	3,050,227
Asia	7,462,232	6,036,074
Europe	2,636,770	2,344,460
USA	3,097,903	8,788,574
Rest of the world	<u>2,550,018</u>	<u>1,752,445</u>
	<u>34,147,933</u>	<u>29,272,993</u>

Debt securities represent bonds with maturities ranging up to 10 years from the balance sheet date. Of the debt securities at 31 March 2017, 30% comprise bonds which are either guaranteed by governments or issued by entities owned by governments (31 December 2016: 46%).

The fair value of held to maturity investments at 31 March 2017 amounted to AED 2,182,526 thousand (31 December 2016: AED 2,486,070 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

7 INVESTMENT IN ASSOCIATES

The Bank has the following investments in associates:

	<i>Unaudited</i> 31 March 2017 <i>AED'000</i>	<i>Audited</i> <i>31 December</i> 2016 <i>AED'000</i>
Green Emirates Properties PJSC	40%	40%
Midmak Properties LLC	16%	16%

Green Emirates Properties PJSC (“GEP”) is a private joint stock company incorporated in the Emirate of Abu Dhabi and engaged mainly in the management and brokerage of real estate properties in United Arab Emirates and overseas.

Midmak Properties LLC (“Midmak”) is a limited liability company incorporated in the Emirate of Abu Dhabi. Midmak is involved in real estate activities. Although the Bank owns 16% of the outstanding shares of Midmak, the investment has been classified as an associate as the Bank exercises significant influence due to representation of the Board of Directors.

8 INVESTMENT PROPERTIES

	<i>Unaudited</i> 31 March 2017 <i>AED'000</i>	<i>Audited</i> <i>31 December</i> 2016 <i>AED'000</i>
Opening balance at 1 January	6,422,502	8,242,190
Additions	103,612	798,856
Disposals	(99,621)	(2,703,045)
Loss from fair value adjustment	-	(5,651)
Transfers from property and equipment, net	<u>151,931</u>	<u>90,152</u>
Closing balance	<u>6,578,424</u>	<u>6,422,502</u>

Investment properties are stated at fair value, which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm’s length transaction at the date of valuation.

All investment properties are located in the UAE.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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9 CUSTOMERS' DEPOSITS

	<i>Unaudited</i> 31 March 2017 <i>AED'000</i>	<i>Audited</i> 31 December 2016 <i>AED'000</i>
Current accounts	33,963,643	30,866,639
Saving accounts	2,559,028	2,455,543
Time deposits	71,752,205	81,965,885
Call and other deposits	<u>34,482,045</u>	<u>33,945,816</u>
Total	<u>142,756,921</u>	<u>149,233,883</u>

As of 31 March 2017, time deposits include a deposit of AED 6,578 thousand (2016: AED 2,322,761 thousand) from overseas financial institutions held against the sale of debt securities with a carrying value of AED 6,526 thousand (2016: 2,326,704 thousand), with arrangements to repurchase them at a fixed future date.

In December 2006, the Bank received an amount of AED 5 billion from the Government of Abu Dhabi (the "Government") to fund an interest-free housing loans scheme for U.A.E. Nationals which is recorded in call and other deposits. The scheme is being administered by the Bank based on various terms and conditions agreed with the Government. As of 31 March 2017, the Government time deposit amounted to AED 22,005 million (31 December 2016: AED 21,197 million) and housing loans (note 5) amounting to AED 21,805 million (31 December 2016: AED 21,128 million) were disbursed by the Bank. Interest is payable on this Government deposit at market rates based on the principal amount net of loan disbursements made.

10 EURO COMMERCIAL PAPER

In June 2015, the Bank established a Euro Commercial Paper Programme (the "Programme") of US\$ 3 billion. The notes issued under the Programme are denominated in various currencies and have maturities of less than 12 months.

As at 31 March 2017, the notes outstanding amounted to AED 9,671,806 thousand (2016: AED 10,016,916 thousand) and bear interest at market rates.

11 TERM LOANS

	<i>Unaudited</i> 31 March 2017 <i>AED'000</i>	<i>Audited</i> 31 December 2016 <i>AED'000</i>
Syndicated loan	3,673,000	3,673,000
Bank loan	1,101,900	1,101,900
Euro Medium Term Notes	11,101,089	11,026,801
Medium term bonds	693,279	656,344
Repurchase agreements	<u>208,259</u>	<u>208,259</u>
	<u>16,777,527</u>	<u>16,666,304</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)**11 TERM LOANS** continued**Syndicated Loan:**

On 14 September 2015, the Bank obtained a loan of US\$ one billion (equivalent to AED 3,673 million) from a syndicate comprising of several banks. The loan is repayable in full in September 2018. The loan accrues interest at the rate of 3 months USD LIBOR plus a margin of 0.70% per annum.

Bank Loan:

Bank loan comprises of a US\$ 300 million (equivalent to AED 1,102 million) loan obtained from a commercial bank which matures in June 2019 and accrues interest at the rate of USD Libor plus a margin of 1.20% per annum.

Euro Medium Term Notes:

During 2007, the Bank established a US\$ 3.5 billion, Euro Medium Term Notes Programme (the "Programme"). In April 2015, the same Programme was upgraded to US\$ 5.0 billion. The Bank issued the following notes under the Programme:

- (i) On 9 October 2012, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 650 million (equivalent to AED 2,387 million). The notes are due in October 2017 and carry a coupon rate of 2.862% per annum payable semi-annually in arrears.
- (ii) On 8 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 190 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.
- (iii) On 15 August 2013, the Bank issued a Euro Medium Term Note (EMTN) of HKD 400 million (equivalent to AED 190 million). The notes are due in August 2023 and carry a coupon rate of 4.18% per annum payable annually in arrears.
- (iv) On 14 November 2013, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 500 million (equivalent to AED 1,837 million). The notes are due in January 2019 and carry a coupon rate of 3.250% per annum payable semi-annually in arrears.
- (v) On 1 July 2014, the Bank issued a Euro Medium Term Note (EMTN) of EUR 100 million (equivalent to AED 418 million). The notes are due in July 2025 and carry a coupon rate of 3.00% per annum payable annually in arrears.
- (vi) On 2 July 2014, the Bank issued a Euro Medium Term Note (EMTN) of JPY 10 billion (equivalent to AED 328 million). The notes are due in July 2019 and carry a coupon rate of 0.863% per annum payable semi-annually in arrears.
- (vii) On 22 July 2014, the Bank issued a Euro Medium Term Note (EMTN) of AUD 20 million (equivalent to AED 56 million). The notes are due in July 2019 and carry a coupon at the rate of 3 months AUD BBSW plus a margin of 1.42% per annum payable quarterly in arrears.
- (viii) On 2 October 2014, the Bank issued a Euro Medium Term Note (EMTN) of USD 30 million (equivalent to AED 110 million). The notes are due in October 2019 and carry a coupon of 3 months USD LIBOR plus a margin of 0.80% per annum payable quarterly in arrears.
- (ix) On 17 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of HKD 160 million (equivalent to AED 76 million). The notes are due in February 2020 and carry a coupon rate of 2.43% per annum payable annually in arrears.
- (x) On 24 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 750 million (equivalent to AED 2,754 million). The notes are due in February 2020 and carry a coupon rate of 2.625% per annum payable semi-annually in arrears.

11 TERM LOANS continued**Euro Medium Term Notes:** continued

- (xi) On 26 February 2015, the Bank issued a Euro Medium Term Note (EMTN) of EUR 15 million (equivalent to AED 63 million). The notes are due in February 2018 and carry a coupon at the rate of 3 months EURIBOR plus a margin of 0.36% per annum payable quarterly in arrears.
- (xii) On 9 April 2015, the Bank issued a Euro Medium Term Note (EMTN) of CNY 400 million (equivalent to AED 228 million). The notes are due in April 2018 and carry a coupon rate of 5.00% per annum payable annually in arrears.
- (xiii) On 11 May 2015, the Bank issued a Euro Medium Term Note (EMTN) of HKD 160 million (equivalent to AED 76 million). The notes are due in May 2020 and carry a coupon rate of 2.37% per annum payable annually in arrears.
- (xiv) On 27 May 2015, the Bank issued a Euro Medium Term Note (EMTN) of CHF 200 million (equivalent to AED 768 million). The notes are due in May 2022 and carry a coupon rate of 0.625% per annum payable annually in arrears.
- (xv) On 15 June 2015, the Bank issued a Euro Medium Term Note (EMTN) of SGD 11 million (equivalent to AED 30 million). The notes are due in June 2018 and carry a coupon rate of 2.10% per annum payable semi-annually in arrears.
- (xvi) On 7 July 2015, the Bank issued Euro Medium Term Note (EMTN) of USD 25 million (equivalent to AED 92 million). The notes are due in July 2045 and are multi-callable, zero-coupon, with a yield of 5.30% per annum.
- (xvii) On 18 August 2015, the Bank issued a Euro Medium Term Note (EMTN) of CNY 230 million (equivalent to AED 131 million). The notes are due in August 2018 and carry a coupon rate of 4.50% per annum payable annually in arrears.
- (xviii) On 30 December 2015, the Bank issued a Euro Medium Term Note (EMTN) of USD 20 million (equivalent to AED 73 million). The notes are due in December 2045 and are multi callable, and carry a fixed coupon rate of 4.70% per annum payable annually in arrears.
- (xix) On 18 March 2016, the Bank issued a Euro Medium Term Note (EMTN) of US\$ 150 million (equivalent to AED 551 million). The notes are due in February 2020 and carry a coupon rate of 2.625% per annum payable semi-annually in arrears.
- (xx) On 31 March 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 50 million (equivalent to AED 184 million). The notes are due in March 2046 and are multi callable, and carry a fixed coupon rate of 5.08% per annum payable annually in arrears.
- (xxi) On 11 April 2016, the Bank issued a Euro Medium Term Note (EMTN) of AED 50 million. The notes are due in April 2019 and carry a coupon of 3 months EIBOR plus a margin of 0.80% per annum payable quarterly in arrears.
- (xxii) On 12 May 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 50 million (equivalent to AED 184 million). The notes are due in May 2046 and are multi-callable, zero-coupon, with a yield of 5.00% per annum.
- (xxiii) On 12 May 2016, the Bank issued a Euro Medium Term Note (EMTN) of CNY 65 million (equivalent to AED 35 million). The notes are due in May 2019 and carry a fixed coupon rate of 4.60% payable annually.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

11 TERM LOANS continued

Euro Medium Term Notes: continued

- (xxiv) On 3 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of CNY 516 million (equivalent to AED 275 million). The notes are due in June 2019 and carry a fixed coupon rate of 4.55% payable annually in arrears.
- (xxv) On 13 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.
- (xxvi) On 15 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.
- (xxvii) On 21 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.
- (xxviii) On 23 June 2016, the Bank issued a Euro Medium Term Note (EMTN) of USD 10 million (equivalent to AED 37 million). The notes are due in June 2021 and carry a coupon of 3 Month USD Libor + 1.40% payable quarterly in arrears.

Medium Term Bonds:

On 1 April 2014, the Bank issued AUD 250 million bonds (equivalent of AED 700 million). The bonds are due in April 2019 and carry a coupon at the rate of 5.0% per annum payable semi-annually in arrears.

Repurchase Agreements:

During 2010, the Bank entered into several transactions with a foreign bank to obtain financing against the sale of debt securities with arrangements to repurchase them at a fixed future date. As at 31 March 2017, the carrying value of debt securities sold under these arrangements amounted to AED 217,029 thousand (2016: AED 219,235 thousand). The amount and maturity of outstanding transactions are as follows:

No.	<i>Unaudited</i> 31 March 2017		<i>Audited</i> 31 December 2016		Maturity
	<i>Amount</i> US\$ 000	<i>Amount</i> AED 000	<i>Amount</i> US\$ 000	<i>Amount</i> AED 000	
1	40,500	148,756	40,500	148,756	25-October-2017
2	7,200	26,446	7,200	26,446	1-August-2018
3	9,000	33,057	9,000	33,057	8-April-2019
	<u>56,700</u>	<u>208,259</u>	<u>56,700</u>	<u>208,259</u>	

The Bank has not had any defaults of principal, interest or other breaches with regard to all borrowings during the three-month period ended 31 March 2017 and year-ended 31 December 2016.

12 SUKUK FINANCING INSTRUMENTS

On 18 January 2012, the Bank issued its second tranche of trust certificates amounting to US\$ 500 million (equivalent to AED 1,836 million) due in January 2017 under the same trust certificate issuance program. The Sukuk carries a fixed profit rate of 4.046 percent per annum payable semi-annually and is listed on the London Stock Exchange. Upon maturity in January 2017, the Sukuk was fully repaid.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

13 SHARE CAPITAL

	<i>Unaudited</i> 31 March 2017 <i>AED'000</i>	<i>Audited</i> 31 December 2016 <i>AED'000</i>
Ordinary shares of AED 1 each	<u>4,500,000</u>	<u>4,500,000</u>

14 CAPITAL NOTES

Following approval of the Extraordinary General Assembly meeting held on 25 February 2009, the Board of Directors resolved on 26 February 2009 to issue capital notes (the "Notes") to the Department of Finance, Government of Abu Dhabi amounting to AED 4 billion. The Notes are subject amongst other terms, to the following:

- The Notes have a par value of AED 10 million each;
- The Notes are perpetual securities in respect of which there is no fixed redemption date;
- The Notes constitute direct, unsecured and subordinated obligations of the Bank;
- The Notes holder is entitled to a semi-annual fixed interest coupon at the rate of 6% per annum until February 2014 and floating interest rate of EIBOR plus 2.3% per annum thereafter. The Bank may at its sole discretion elect not to make an interest coupon payment. Any interest payment made will be reflected in the statement of changes in equity. During the period, interest payments amounted to AED 77 million (period ended 31 March 2016: AED 66 million).

15 FEES AND COMMISSION INCOME, NET

	<i>Three-month ended</i> 31 March	
	2017 <i>AED 000</i>	2016 <i>AED 000</i>
Fees and commission income		
Commission income	84,759	111,354
Fee income	145,561	157,593
Fees and commissions on credit cards	<u>162,012</u>	<u>164,178</u>
Total fees and commission income	392,332	433,125
Fees and commission expenses	<u>(78,869)</u>	<u>(67,654)</u>
Fees and commission income, net	<u>313,463</u>	<u>365,471</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

16 OTHER OPERATING INCOME

	<i>Three-month ended</i> <i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>AED 000</i>	<i>AED 000</i>
Investment income:		
Gains on disposal of available for sale investments	63,419	38,187
(Loss) gain on disposal of investments carried at fair value through income statement	(389)	2,686
Changes in fair value of investments carried at fair value through income statement	14,722	7,533
Dividend income	<u>4,092</u>	<u>560</u>
Total investment gain	81,844	48,966
Foreign exchange	41,078	58,676
Derivative income	3,897	16,871
Gain on sale of investment properties	11,510	22,302
Rental income	986	30,848
Gain (loss) on sale of property and equipment	166	(30)
Management fees on leasing properties	14,551	14,920
Other income	<u>17,441</u>	<u>2,782</u>
Total	<u>171,473</u>	<u>195,335</u>

17 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for the effects of dilutive instruments.

The following reflects the income and shares data used in the earnings per share computations:

	<i>Three-month ended</i> <i>31 March</i>	
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>2017</i>	<i>2016</i>
Profit for the period attributable to ordinary equity holders (AED 000)	1,143,173	1,332,314
Deduct: Interest on capital notes (AED 000)	<u>(23,791)</u>	<u>(34,162)</u>
Profit attributable to ordinary equity holders (AED 000)	<u>1,119,382</u>	<u>1,298,152</u>
Weighted average number of ordinary shares in issue (000's)	<u>4,500,000</u>	<u>4,500,000</u>
Basic and diluted earnings per share (AED)	<u>0.25</u>	<u>0.29</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2017 (Unaudited)

18 SEASONALITY OF RESULTS

Income of a seasonal nature comprises dividend income amounting to AED 4,092 thousand (31 March 2016: AED 560 thousand) recorded in the consolidated statement of income for the three-month period ended 31 March 2017.

19 DIVIDENDS

	<i>31 March</i>	
	<i>Unaudited 2017 AED 000</i>	<i>Unaudited 2016 AED 000</i>
Dividends on ordinary shares declared during the three-month period: Final cash dividend for 2016: AED 1 (2015: Declared AED 1)	<u>4,500,000</u>	<u>4,500,000</u>
Dividends on ordinary shares paid during the three-month period: Final cash dividend	<u>3,238,859</u>	<u>1,891,662</u>

20 OFF-BALANCE SHEET ITEMS

Commitments and contingent liabilities

The Bank has the following commitments and contingent liabilities:

	<i>Unaudited 31 March 2017 AED'000</i>	<i>Audited 31 December 2016 AED'000</i>
<i>Contingent liabilities:</i>		
Letters of credit	13,573,512	14,769,639
Guarantees	<u>46,485,433</u>	<u>45,385,877</u>
	<u>60,058,945</u>	<u>60,155,516</u>
<i>Commitments:</i>		
Commitments to extend credit maturing within one year	4,198,490	4,941,392
Commitments for future capital expenditure	846,410	492,827
Commitments for future private equity investments	<u>1,086,507</u>	<u>1,049,799</u>
	<u>6,131,407</u>	<u>6,484,018</u>
Total commitments and contingent liabilities	<u>66,190,352</u>	<u>66,639,534</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

20 OFF-BALANCE SHEET ITEMS continued

Derivatives

The notional amounts of the Bank's outstanding derivative financial instruments are as follows:

	<i>Unaudited</i> 31 March 2017 <i>AED'000</i>	<i>Audited</i> 31 December 2016 <i>AED'000</i>
<i>Derivatives held for trading:</i>		
Forward foreign exchange contracts	54,686,492	58,718,836
Interest rate swaps, caps and collars	63,358,276	60,084,446
Credit default swaps	172,688	182,955
Equity swaps	29,825	10,641
Swaptions	7,050,173	3,637,956
Options	30,662,738	22,210,641
Futures	<u>4,050,188</u>	<u>887,986</u>
	<u>160,010,380</u>	<u>145,733,461</u>
<i>Derivatives held for hedging:</i>		
Interest rate swaps	17,105,035	8,492,525
Cross currency swaps	<u>4,942,654</u>	<u>4,923,280</u>
	<u>22,047,689</u>	<u>13,415,805</u>
Total	<u>182,058,069</u>	<u>159,149,266</u>

The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are neither indicative of the market risk nor credit risk.

21 SEGMENTAL INFORMATION

A segment represents a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Operating segment information

For management purposes the Bank is organised into five major business segments:

Wholesale Banking Group ("WBG") – covering corporate and institutional clients, as well as high net worth individuals through dedicated client segments. WBG offers credit facilities, Global Transaction Services, Debt Markets (loan, bond and structured finance), Islamic Finance, Treasury and Global Markets products to both UAE and international clients.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

21 SEGMENTAL INFORMATION continued

Operating segment information continued

Treasury and Global Markets (“T&GM”), including investment operations – principally providing money market, trading and treasury services, as well as the management of the Bank’s funding operations by use of government securities and placements and deposits with other banks.

Consumer Banking Group (“CBG”) – principally handling individual customers’ deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities.

Real Estate Activities – principally covering the acquisition, leasing, brokerage, management and resale of properties carried out through its subsidiaries and associate companies.

Other operations, comprising mainly of the Head Office, include unallocated costs, subsidiaries and associates other than the above categories.

As of and for the three-month period ended 31 March 2017:

	<i>Wholesale Banking Group</i>						<i>Total</i>
	<i>UAE Operations</i>	<i>International Banking</i>	<i>Treasury & Global Markets</i>	<i>Consumer Banking Group</i>	<i>Real Estate</i>	<i>Other Operations</i>	
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	
Assets	<u>82,705,351</u>	<u>27,424,325</u>	<u>58,281,025</u>	<u>55,529,154</u>	<u>7,880,082</u>	<u>10,724,166</u>	<u>242,544,103</u>
Liabilities	<u>95,952,934</u>	<u>14,622,480</u>	<u>52,851,621</u>	<u>37,615,324</u>	<u>455,224</u>	<u>6,707,226</u>	<u>208,204,809</u>
Operating income excluding associates	<u>634,804</u>	<u>121,938</u>	<u>247,186</u>	<u>721,329</u>	<u>43,567</u>	<u>266,264</u>	<u>2,035,088</u>
Net interest income and income from Islamic financing	<u>539,736</u>	<u>81,537</u>	<u>142,765</u>	<u>550,683</u>	<u>-</u>	<u>235,431</u>	<u>1,550,152</u>
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89</u>	<u>-</u>	<u>89</u>
Provision for impairment of loans and advances and available for sale investments	<u>(16,364)</u>	<u>-</u>	<u>(837)</u>	<u>(254,552)</u>	<u>-</u>	<u>(75,580)</u>	<u>(347,333)</u>
Profit attributable to equity holders of the Bank	<u>502,618</u>	<u>87,452</u>	<u>213,346</u>	<u>259,763</u>	<u>32,531</u>	<u>47,463</u>	<u>1,143,173</u>
Other segment information							
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,119</u>	<u>-</u>	<u>40,119</u>
Capital expenditure	<u>-</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>103,833</u>	<u>33,725</u>	<u>137,188</u>
Depreciation	<u>-</u>	<u>22,519</u>	<u>-</u>	<u>-</u>	<u>9,843</u>	<u>848</u>	<u>33,210</u>
As of 31 December 2016:							
Assets	<u>82,858,640</u>	<u>27,817,019</u>	<u>63,779,991</u>	<u>55,012,446</u>	<u>7,730,714</u>	<u>7,909,454</u>	<u>245,108,264</u>
Liabilities	<u>99,838,392</u>	<u>15,828,628</u>	<u>47,594,297</u>	<u>37,327,707</u>	<u>447,305</u>	<u>6,414,963</u>	<u>207,451,292</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

21 SEGMENTAL INFORMATION continued

As of and for the three-month period ended 31 March 2016:

	<i>Wholesale Banking Group</i>					<i>Real Estate</i>	<i>Other Operations</i>	<i>Total</i>
	<i>UAE Operations</i>	<i>International Banking</i>	<i>Treasury & Global Markets</i>	<i>Consumer Banking Group</i>				
	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	<i>AED 000</i>	
Assets	<u>76,223,532</u>	<u>22,084,312</u>	<u>50,007,817</u>	<u>55,256,843</u>	<u>6,755,213</u>	<u>17,092,831</u>	<u>227,420,548</u>	
Liabilities	<u>97,030,765</u>	<u>13,343,101</u>	<u>40,357,736</u>	<u>37,340,073</u>	<u>764,153</u>	<u>5,409,300</u>	<u>194,245,128</u>	
Operating income excluding associates	<u>673,321</u>	<u>112,436</u>	<u>241,154</u>	<u>810,206</u>	<u>70,511</u>	<u>238,784</u>	<u>2,146,412</u>	
Net interest income and income from Islamic financing	<u>477,358</u>	<u>77,643</u>	<u>119,471</u>	<u>667,384</u>	<u>-</u>	<u>243,750</u>	<u>1,585,606</u>	
Share of profit from associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72</u>	<u>-</u>	<u>72</u>	
Provision for impairment of loans and advances and available for sale investments	<u>-</u>	<u>(6,970)</u>	<u>(18,000)</u>	<u>(284,997)</u>	<u>-</u>	<u>(66,030)</u>	<u>(375,997)</u>	
Profit attributable to equity holders of the Bank	<u>570,107</u>	<u>81,621</u>	<u>184,565</u>	<u>336,031</u>	<u>59,977</u>	<u>100,013</u>	<u>1,332,314</u>	
Other segment information								
Investment in associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,692</u>	<u>(16,069)</u>	<u>39,623</u>	
Capital expenditure	<u>-</u>	<u>133</u>	<u>-</u>	<u>-</u>	<u>34,415</u>	<u>116,263</u>	<u>150,811</u>	
Depreciation	<u>-</u>	<u>857</u>	<u>-</u>	<u>-</u>	<u>237</u>	<u>23,517</u>	<u>24,611</u>	
As of 31 December 2015:								
Assets	<u>74,909,302</u>	<u>22,084,187</u>	<u>53,971,584</u>	<u>55,056,298</u>	<u>8,981,474</u>	<u>12,493,528</u>	<u>227,496,373</u>	
Liabilities	<u>99,035,200</u>	<u>9,730,621</u>	<u>37,386,421</u>	<u>37,111,929</u>	<u>772,833</u>	<u>7,155,298</u>	<u>191,192,302</u>	

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

While the Bank prepares its interim condensed consolidated financial statements under the historical cost convention modified for measurement to fair value of investment securities (other than held to maturity investments and certain unquoted investments), investment properties and derivative financial instruments, in the opinion of management, the estimated carrying values and fair values of those financial assets and liabilities, other than the Government deposit referred to in note 9, that are not carried at fair value in the interim condensed consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits and performing loans and advances, frequently re-priced. For impaired loans and advances, expected cash flows, including anticipated realisation of collateral, were discounted using the original interest rates, considering the time of collection and a provision for the uncertainty of the cash flows.

The carrying value of unquoted investments stated at cost and fair value of held to maturity investments are disclosed in note 6. The fair value of the Government deposit cannot be reliably estimated as this is dependent on the amounts and timing of future loan disbursement under the housing loans scheme. Details of the Government deposit are disclosed in note 9.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

22 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 March 2017:

	<i>Level 1</i> <i>AED 000</i>	<i>Level 2</i> <i>AED 000</i>	<i>Level 3</i> <i>AED 000</i>	<i>Total</i> <i>AED 000</i>
FINANCIAL ASSETS				
<i>INVESTMENTS</i>				
<i>Carried at fair value through income statement</i>				
Investments in managed funds	-	49,716	-	49,716
Investments in equities- Quoted	15,052	-	-	15,052
- Unquoted	-	-	7,383	7,383
Debt securities	1,721,109	-	-	1,721,109
<i>Available for sale investments</i>				
Investments in equities – Quoted	263,979	-	-	263,979
–Unquoted	-	-	150,481	150,481
Investments in private equity funds	-	-	1,543,536	1,543,536
Debt securities - Quoted	27,013,326	-	-	27,013,326
- Unquoted	-	1,253,115	-	1,253,115
<i>For disclosure purposes - Held to maturity investments</i>				
Debt securities - Quoted	1,415,770	-	-	1,415,770
- Unquoted	-	766,756	-	766,756
	<u>30,429,236</u>	<u>2,069,587</u>	<u>1,701,400</u>	<u>34,200,223</u>
<i>DERIVATIVES – Positive fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	484,236	-	484,236
Interest rate swaps, caps and collars	-	904,178	-	904,178
Swaptions	-	40,427	-	40,427
Credit default swaps	-	406	-	406
Options	-	408,417	-	408,417
Futures	1,592	-	-	1,592
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	50,352	-	50,352
Cross currency swaps	-	29,574	-	29,574
	<u>1,592</u>	<u>1,917,590</u>	<u>-</u>	<u>1,919,182</u>
<i>DERIVATIVES – Negative fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	630,000	-	630,000
Interest rate swaps, caps and collars	-	846,800	-	846,800
Swaptions	-	34,070	-	34,070
Credit default swaps	-	3,451	-	3,451
Options	-	523,093	-	523,093
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	805,250	-	805,250
Cross currency swaps	-	398,593	-	398,593
	<u>-</u>	<u>3,241,257</u>	<u>-</u>	<u>3,241,257</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 March 2016 (Unaudited)

22 FAIR VALUE OF FINANCIAL INSTRUMENTS continued

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2016:

	<i>Level 1</i> <i>AED 000</i>	<i>Level 2</i> <i>AED 000</i>	<i>Level 3</i> <i>AED 000</i>	<i>Total</i> <i>AED 000</i>
FINANCIAL ASSETS				
<i>INVESTMENTS</i>				
<i>Carried at fair value through income statement</i>				
Investments in managed funds	-	50,990	-	50,990
Investments in equities - Quoted	13,593	-	-	13,593
- Unquoted	-	-	7,383	7,383
Debt securities	827,558	-	-	827,558
<i>Available for sale investments</i>				
Investments in equities – Quoted	140,368	-	-	140,368
– Unquoted	-	-	149,353	149,353
Investments in private equity funds	-	-	1,526,984	1,526,984
Debt securities - Quoted	22,762,028	-	-	22,762,028
- Unquoted	-	1,363,431	-	1,363,431
<i>For disclosure purposes - Held to maturity investments</i>				
Debt securities - Quoted	1,573,521	-	-	1,573,521
- Unquoted	-	912,549	-	912,549
	<u>25,317,068</u>	<u>2,326,970</u>	<u>1,683,720</u>	<u>29,327,758</u>
<i>DERIVATIVES – Positive fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	565,366	-	565,366
Interest rate swaps, caps and collars	-	689,050	-	689,050
Swaptions	-	32,852	-	32,852
Credit default swaps	-	563	-	563
Options	-	589,245	-	589,245
Futures	674	-	-	674
Equity swaps	-	5	-	5
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	48,064	-	48,064
Cross currency swaps	-	27,184	-	27,184
	<u>674</u>	<u>1,952,329</u>	<u>-</u>	<u>1,953,003</u>
<i>DERIVATIVES – Negative fair value</i>				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	-	810,433	-	810,433
Interest rate swaps, caps and collars	-	627,500	-	627,500
Swaptions	-	36,777	-	36,777
Credit default swaps	-	3,513	-	3,513
Options	-	703,105	-	703,105
Equity swaps	-	5	-	5
<i>Derivatives held for hedging</i>				
Interest rate swaps	-	119,443	-	119,443
Cross currency swaps	-	534,232	-	534,232
	<u>-</u>	<u>2,835,008</u>	<u>-</u>	<u>2,835,008</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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23 CAPITAL MANAGEMENT

The table below shows the regulatory capital and capital charge calculated in accordance with the guidelines of the Central Bank of the UAE under Basel II.

Capital Base:

	<i>Unaudited</i> <i>31 March</i> <i>2017</i> <i>AED'000</i>	<i>Audited</i> <i>31 December</i> <i>2016</i> <i>AED'000</i>
Tier I Capital		
Equity attributable to equity holders of the Bank	33,903,114	37,224,190
Less: Positive cumulative changes in fair values	(521,502)	(412,790)
Less: Revaluation reserve	(280,601)	(280,601)
Less: Proposed cash dividends	-	(4,500,000)
Total	<u>33,101,011</u>	<u>32,030,799</u>
Non-controlling interests	436,180	432,782
Less: Goodwill and intangible assets	(167,433)	(170,399)
Total (a)	<u>33,369,758</u>	<u>32,293,182</u>
Tier II Capital		
Collective impairment provision on loans and advances	2,160,513	2,113,568
Cumulative changes in fair values	234,676	185,755
Total	<u>2,395,189</u>	<u>2,299,323</u>
Eligible Tier II Capital (b)	<u>2,395,189</u>	<u>2,299,323</u>
Total capital base (a) + (b)	<u>35,764,947</u>	<u>34,592,505</u>
Risk-weighted assets:		
Credit risk	172,841,026	169,085,422
Market risk	1,520,000	3,077,212
Operational risk	16,567,283	16,567,283
Total risk-weighted assets (c)	<u>190,928,309</u>	<u>188,729,917</u>
Capital adequacy ratio {(a) + (b) / (c) x 100}	<u>18.7%</u>	<u>18.3%</u>

24 MERGER WITH NBAD

On 23 October 2016, The Board of Directors of the Bank invited the shareholders to attend a general assembly meeting on 7 December 2016, to consider the approval of the proposed merger (the “Merger”) between the Bank and NBAD which was jointly announced on 3 July 2016 (note 1), in addition to approving the Merger agreement and other items related to the Merger, including the dissolution of the Bank and for NBAD to become the legal successor of the Bank in all its rights and obligations. The related shareholder circular issued jointly by the two banks on 23 October 2016 stated that FGB was identified as the acquirer from an accounting point of view.

On 24 October 2016, the Bank also issued consent solicitations to certain holders of securities of FGB to modify the conditions on some of the Bank’s outstanding securities to provide that the security holders (i) acknowledge and approve the Merger between the Bank and NBAD and (ii) agree to release and waive all rights, claims or entitlements against the Bank arising from the implementation of the Merger.

On 7 December 2016, the shareholders of the Bank and NBAD approved the merger between both banks and for NBAD to become the legal successor of the Bank in all its rights and obligations on the effective date of the merger.

On close of business of 30 March 2017, the Bank’s shares were delisted from the Abu Dhabi Securities Exchange and NBAD issued 5,643,000,000 new shares to the Bank’s shareholders as of 2 April 2017. Following completion of the merger, the Bank’s shareholders own approximately 52 percent of the combined bank and NBAD shareholders own approximately 48 percent.