

Condensed Consolidated Interim Financial Statements



September 30, 2019



Grow
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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 September 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 September 2019;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2019;
- the condensed consolidated interim statement of other comprehensive income for the three-month and the nine-month periods ended 30 September 2019;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2019;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 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 September 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: 24 October 2019

Condensed consolidated interim statement of financial position

As at

Assets	Note	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Cash and balances with central banks	7	154,534,280	182,908,727
Investments at fair value through profit or loss	8	19,492,629	14,620,910
Due from banks and financial institutions		21,124,436	19,176,092
Reverse repurchase agreements		25,606,718	19,033,451
Derivative financial instruments		18,990,610	13,084,192
Loans and advances	9	377,767,407	352,966,420
Non-trading investments	10	119,838,077	90,433,574
Investment properties	11	7,930,166	7,388,493
Property and equipment		4,330,816	3,991,215
Intangibles	12	19,548,806	19,699,711
Other assets		18,999,151	20,583,602
Total assets		788,163,096	743,886,387
Liabilities			
Due to banks and financial institutions	13	39,543,199	40,266,535
Repurchase agreements		52,258,098	34,769,685
Commercial paper	14	18,020,925	18,144,105
Derivative financial instruments		22,602,088	15,219,464
Customer accounts and other deposits	15	476,759,022	465,237,066
Term borrowings	16	51,124,557	42,268,173
Subordinated notes	17	361,667	401,979
Other liabilities		23,413,038	25,606,380
Total liabilities		684,082,594	641,913,387
Equity			
Share capital	18	10,920,000	10,897,545
Share premium		53,417,120	53,188,043
Treasury shares		(20,842)	(25,530)
Statutory and special reserves		9,483,238	9,483,238
Other reserves	18	943,474	(37,477)
Tier 1 capital notes	19	10,754,750	10,754,750
Share option scheme	20	249,816	266,841
Retained earnings		17,909,449	17,083,868
Total equity attributable to shareholders of the Bank		103,657,005	101,611,278
Non-controlling interest		423,497	361,722
Total Equity		104,080,502	101,973,000
Total liabilities and equity		788,163,096	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	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
		2019	2018	2019	2018
		AED'000	AED'000	AED'000	AED'000
Interest income		18,509,943	15,684,932	6,164,681	5,510,703
Interest expense		(8,766,018)	(5,930,070)	(2,835,687)	(2,247,641)
Net interest income		9,743,925	9,754,862	3,328,994	3,263,062
Fee and commission income		3,529,281	3,680,978	1,216,725	1,176,068
Fee and commission expense		(1,142,675)	(1,083,093)	(404,056)	(371,424)
Net fee and commission income		2,386,606	2,597,885	812,669	804,644
Net foreign exchange gain	23	1,976,308	1,335,121	612,657	463,816
Net gain on investments and derivatives	24	934,536	731,375	273,670	274,385
Other operating income	25	126,373	216,790	45,079	39,181
Operating income		15,167,748	14,636,033	5,073,069	4,845,088
General, administration and other operating expenses	26	(4,083,685)	(3,973,146)	(1,404,629)	(1,309,433)
Profit before net impairment charge and taxation		11,084,063	10,662,887	3,668,440	3,535,655
Net impairment charge	27	(1,343,994)	(1,297,633)	(469,495)	(435,025)
Profit before taxation		9,740,069	9,365,254	3,198,945	3,100,630
Overseas income tax expense		(232,408)	(251,543)	(80,685)	(71,614)
Profit for the period		9,507,661	9,113,711	3,118,260	3,029,016
Profit attributable to:					
Shareholders of the Bank		9,438,972	9,078,110	3,111,328	3,020,872
Non-controlling interests		68,689	35,601	6,932	8,144
		9,507,661	9,113,711	3,118,260	3,029,016
Basic earnings per share (AED)	28	0.82	0.80	0.27	0.26
Diluted earnings per share (AED)	28	0.82	0.80	0.27	0.26

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)

	Nine Month Period Ended 30 September		Three Month Period Ended 30 September	
	2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Profit for the period	9,507,661	9,113,711	3,118,260	3,029,016
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	(53,047)	(251,523)	(53,726)	(42,257)
Net change in fair value reserve during the period (including ECL)	976,892	255,995	103,043	490,597
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	(522)	457	1,328	2,946
Re-measurement of defined benefit obligations	869	908	681	339
Other comprehensive income for the period	924,192	5,837	51,326	451,625
Total comprehensive income for the period	10,431,853	9,119,548	3,169,586	3,480,641
Comprehensive income attributable to:				
Shareholders of the Bank	10,370,078	9,088,591	3,150,521	3,472,963
Non-controlling interest	61,775	30,957	19,065	7,678
Total comprehensive income for the period	10,431,853	9,119,548	3,169,586	3,480,641

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 nine month period ended (Unaudited)

	30 Sep 2019 AED'000	30 Sep 2018 AED'000
Cash flows from operating activities		
Profit before taxation	9,740,069	9,365,254
Adjustments for:		
Depreciation and amortization	464,295	320,416
Unrealized gain on revaluation of investment property	-	(1,080)
Gain on sale of investment property	(136)	(3,019)
Gain on sale of fixed assets	4,156	-
Net impairment charges	1,553,652	1,498,989
Accreted interest	73,103	21,299
Foreign currency translation adjustment	(247,354)	(610,580)
Share option scheme	(17,025)	7,938
Change in investments at fair value through profit or loss	(4,871,719)	6,208,871
Change in due from central banks, banks and financial institutions	(2,218,341)	(1,694,465)
Change in reverse repurchase agreements	(6,560,320)	1,805,690
Change in loans and advances	(26,266,167)	(27,061,100)
Change in other assets	1,611,294	(4,634,939)
Change in due to banks and financial institutions	(723,336)	10,486,471
Change in repurchase agreements	17,488,413	(9,121,470)
Change in customer accounts and other deposits	11,521,595	59,427,547
Change in derivative financial instruments	3,318,877	(3,722,647)
Change in other liabilities	(2,757,479)	2,061,850
	2,113,577	44,355,025
Overseas income tax paid, net of recoveries	(214,447)	(203,942)
Directors' remuneration paid	(54,750)	(51,000)
Net cash from operating activities	1,844,380	44,100,083
Cash flows from investing activities		
Net proceeds from (purchase) / sale of non-trading investments	(28,616,274)	(2,223,758)
Purchase of investment property	(456,418)	(197,125)
Sale proceeds from disposal of investment property	8,865	21,531
Purchase of property and equipment, net of disposals	(575,102)	(480,656)
Net cash used in investing activities	(29,638,929)	(2,880,008)
Cash flows from financing activities		
Proceeds from issue of shares under share option scheme	256,220	156,673
Dividend paid	(7,769,300)	(7,611,361)
Net movement of commercial paper	(123,180)	(2,303,335)
Issue of term borrowings	20,629,443	8,579,636
Repayment of term borrowings	(13,437,327)	(6,486,597)
Payment on Tier 1 capital notes	(499,533)	(422,735)
Net cash used in financing activities	(943,677)	(8,087,719)
Net (decrease) / increase in cash and cash equivalents	(28,738,226)	33,132,356
Cash and cash equivalents at 1 January	175,677,376	134,605,917
Cash and cash equivalents at 30 September	146,939,150	167,738,273

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 nine 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	-	-	-	-	-	-	-	-	9,438,972	9,438,972	68,689	9,507,661
Other comprehensive income for the period	-	-	-	-	930,237	-	-	-	869	931,106	(6,914)	924,192
<u>Transactions with owners of the Group</u>												
Zakat	-	-	-	-	-	-	-	-	(995)	(995)	-	(995)
Share options exercised (note 20)	-	229,077	27,143	-	-	-	-	-	-	256,220	-	256,220
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)	-	-	-	-	-	-	-	-	(499,533)	(499,533)	-	(499,533)
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 September 2019	10,920,000	53,417,120	(20,842)	9,483,238	943,474	10,754,750	249,816	-	17,909,449	103,657,005	423,497	104,080,502
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 5)	-	-	-	-	(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	-	-	-	-	-	-	-	-	9,078,110	9,078,110	35,601	9,113,711
Other comprehensive income for the period	-	-	-	-	9,573	-	-	-	908	10,481	(4,644)	5,837
<u>Transactions with owners of the Group</u>												
Zakat	-	-	-	-	-	-	-	-	6,012	6,012	-	6,012
Share options exercised (note 20)	-	141,918	14,755	-	-	-	-	-	-	156,673	-	156,673
Dividend for the year (net of treasury shares)	-	-	-	-	-	-	-	-	(7,601,370)	(7,601,370)	-	(7,601,370)
Options granted to staff	-	-	-	-	-	-	7,938	-	-	7,938	-	7,938
Payment on Tier 1 capital notes (note 19)	-	-	-	-	-	-	-	-	(422,735)	(422,735)	-	(422,735)
Balance at 30 September 2018	10,897,545	53,168,562	(27,678)	7,081,074	788,231	10,754,750	264,203	108,265	17,055,917	100,090,869	359,271	100,450,140

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

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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 Qurm P. O Box 6316 Abu Dhabi, United Arab Emirates.

These condensed consolidated interim financial statements as at and for the period ended 30 September 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, Malaysia¹, Oman, Qatar², Singapore, South Korea, Sudan, Switzerland, the United Kingdom and the United States of America.

²During 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 International Financial Reporting Standards (“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 24th Oct 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

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 Sep 2019 AED '000	31 Dec 2018 AED '000
Property and equipment owned	4,183,452	3,991,215
Right-of-use assets	147,364	-
	<u>4,330,816</u>	<u>3,991,215</u>

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

	30 Sep 2019 AED '000
Balance as at 1 January	130,152
Net increase during the period	48,070
Depreciation and other adjustments	(30,858)
	<u>147,364</u>

d) Lease liabilities

The movement during the period is as follows:

	30 Sep 2019 AED '000
Balance as at 1 January	121,437
Additions during the period	46,316
Interest expense during the period	2,700
Payments and other adjustments	(20,237)
	<u>150,216</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.

Notes to the condensed consolidated interim financial statements (continued)

3 Significant accounting policies (continued)

Basis of consolidation (continued)

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

Legal Name	Country of incorporation	Principal activities	Holding % 2019
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 September 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 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Government sector	7,384,060	2,680,485	56,233,085	41,637,190
Supranational	1,252,041	810,394	2,031,314	2,504,208
Public Sector	1,444,714	1,251,552	23,010,631	22,515,092
Banking sector	7,038,217	6,790,244	31,496,797	17,552,792
Corporate / private sector	2,373,597	3,088,235	7,069,930	6,227,028
	19,492,629	14,620,910	119,841,757	90,436,310
Less: allowance for impairment (expected credit loss) on amortised cost securities	-	-	(3,680)	(2,736)
	19,492,629	14,620,910	119,838,077	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 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
AAA	120,023	16,562	15,303,840	14,156,082
AA to A	7,294,701	7,327,891	71,376,942	58,732,451
BBB to B	7,405,761	3,981,306	28,425,073	14,650,910
CCC and below	-	21	-	20,780
Unrated	4,672,144	3,295,130	4,735,902	2,876,087
	19,492,629	14,620,910	119,841,757	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 10).

Notes to the condensed consolidated interim financial statements (continued)

5 Financial risk management (continued)

Credit risk (continued)

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

As at 30 September 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	149,394,578	26,647	3,451,974	119,724	-	-	-	-	152,846,552	146,371
Due from banks and financial institutions	20,580,362	31,877	610,870	34,919	-	-	-	-	21,191,232	66,796
Reverse repurchase Agreements	25,609,127	2,409	-	-	-	-	-	-	25,609,127	2,409
Loans and advances ¹	354,686,443	1,785,970	22,954,086	4,157,537	10,293,165	4,689,065	4,780,720	1,529,471	392,714,414	12,162,043
Non-trading investments										
Amortised cost	5,408,874	3,680	-	-	-	-	-	-	5,408,874	3,680
FVOCI Debt ²	113,876,051	134,147	21,900	3,017	-	-	-	-	113,897,951	137,164
Other assets ³	12,091,313	65,593	59,675	2,046	2,821	644	-	-	12,153,809	68,283
Unfunded exposure	228,913,985	221,214	7,236,978	216,678	407,190	108,424	-	-	236,558,153	546,316
	910,560,733	2,271,537	34,335,483	4,533,921	10,703,176	4,798,133	4,780,720	1,529,471	960,380,112	13,133,062

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 4,531 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) Nine month period ended 30 Sep 2019 AED'000	(Unaudited) Nine month period ended 30 Sep 2018 AED'000
Beginning of the period	12,769,210	12,728,111
Impact due to IFRS 9 adoption	-	3,106,013
	<u>12,769,210</u>	<u>15,834,124</u>
Net charge for impairment of financial instruments	1,361,144	1,379,622
Amounts written off and other adjustment	(997,292)	(3,145,009)
	<u>13,133,062</u>	<u>14,068,737</u>

6 Financial assets and liabilities

Financial instruments measured at fair value - hierarchy

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 30 September 2019 (Unaudited)				
Investment at fair value through profit or loss	13,861,321	4,011,448	1,619,860	19,492,629
FVOCI - with recycle to profit or loss	109,752,986	4,144,965	-	113,897,951
FVOCI - without recycle to profit or loss	459,010	-	22,626	481,636
Derivative financial instruments (Assets)	108,738	18,881,872	-	18,990,610
	<u>124,182,055</u>	<u>27,038,285</u>	<u>1,642,486</u>	<u>152,862,826</u>
Term borrowings	-	525,984	-	525,984
Derivative financial instruments (Liabilities)	22,352	22,579,736	-	22,602,088
	<u>22,352</u>	<u>23,105,720</u>	<u>-</u>	<u>23,128,072</u>

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 2 to level 1 amounting to AED 2.7 million. In regards to financial instruments at fair value through profit or loss, two securities were moved from level 1 to level 2 amounting to AED 177.9 million and three securities were moved from level 2 to level 1 amounting to AED 139.8 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 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Cash on hand	1,834,099	1,696,420
Central Bank of the UAE		
cash reserve deposits	25,754,736	22,496,362
certificates of deposits	17,998,460	17,995,385
other balances	5,822,775	4,926,819
Balances with other central banks	103,270,581	136,050,534
	<u>154,680,651</u>	<u>183,165,520</u>
Less: expected credit losses	(146,371)	(256,793)
	<u>154,534,280</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 Investments at fair value through profit or loss

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Investments in managed funds	4,245	3,917
Investment in private equity	1,619,846	1,823,408
Investments in equities	1,419,770	1,113,625
Debt securities	16,448,768	11,679,960
	<u>19,492,629</u>	<u>14,620,910</u>

9 Loans and advances

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Gross loans and advances	392,714,414	366,817,683
Less: interest suspended	(2,784,964)	(1,968,015)
Less: expected credit losses	(12,162,043)	(11,883,248)
Net loans and advances	<u>377,767,407</u>	<u>352,966,420</u>

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
By counterparty:		
Government sector	33,340,589	17,362,994
Public sector	66,828,458	61,790,844
Banking sector	29,908,835	28,472,001
Corporate / private sector	190,214,381	186,352,910
Personal / retail sector	72,422,151	72,838,934
Gross loans and advances	<u>392,714,414</u>	<u>366,817,683</u>

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
By product:		
Overdrafts	25,713,577	22,237,129
Term loans	289,029,673	278,329,346
Trade related loans	38,408,576	27,927,281
Personal loans	32,329,813	31,261,531
Credit cards	6,067,214	6,137,491
Vehicle financing loans	1,165,561	924,905
Gross loans and advances	<u>392,714,414</u>	<u>366,817,683</u>

Notes to the condensed consolidated interim financial statements (continued)

9 Loans and advances (continued)

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Concentration by industry sector:		
Agriculture	671,085	313,175
Energy	35,725,904	35,074,356
Manufacturing	23,252,643	23,947,527
Construction	10,147,859	8,721,546
Real estate	82,081,902	80,261,445
Trading	25,577,296	22,885,471
Transport and communication	25,954,893	25,333,824
Banks	29,908,835	28,472,001
Other financial institutions	31,920,774	28,844,388
Services	21,571,074	22,340,939
Government	33,340,589	17,362,994
Personal - Loans & Credit Cards	53,779,109	55,859,338
Personal - Retail Mortgage	18,643,042	16,979,596
Others	139,409	421,083
	<u>392,714,414</u>	<u>366,817,683</u>

10 Non-trading Investments

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Fair value through other comprehensive income:		
- with recycle to profit or loss (Debt Investments)	113,897,951	84,344,609
- without recycle to profit or loss (Equity Investments)	481,636	396,265
Amortised cost	5,408,874	5,630,295
Investment in associates and joint venture	53,296	65,141
	<u>119,841,757</u>	<u>90,436,310</u>
Less: expected credit losses	(3,680)	(2,736)
	<u>119,838,077</u>	<u>90,433,574</u>

Notes to the condensed consolidated interim financial statements (continued)

10 Non-trading Investments (continued)

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

	(Unaudited) 30 Sep 2019 AED'000			(Audited) 31 Dec 2018 AED'000		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity investments	425,010	109,922	534,932	373,752	87,654	461,406
Debt investments	118,557,595	749,230	119,306,825	89,060,242	914,662	89,974,904
	<u>118,982,605</u>	<u>859,152</u>	<u>119,841,757</u>	<u>89,433,994</u>	<u>1,002,316</u>	<u>90,436,310</u>
Less: expected credit losses	(3,664)	(16)	(3,680)	(2,411)	(325)	(2,736)
	<u>118,978,941</u>	<u>859,136</u>	<u>119,838,077</u>	<u>89,431,583</u>	<u>1,001,991</u>	<u>90,433,574</u>

Debt instruments under repurchase agreements included in non-trading investments amounted to AED 35,533 million (31 December 2018: AED 22,971 million).

11 Investment Properties

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Beginning of the period	7,388,493	6,927,692
Additions / transfer from PPE	550,402	576,004
Disposals / transfer to PPE	(8,729)	(19,439)
Fair value adjustment	-	(95,764)
End of the period	<u>7,930,166</u>	<u>7,388,493</u>

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 Sep 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	(580,194)	(429,289)
	<u>19,548,806</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 20,123 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 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
By account:		
Current accounts	166,258,928	150,416,721
Savings accounts	10,069,897	10,125,980
Margin accounts	2,649,083	2,822,821
Notice and time deposits	267,488,551	271,291,828
	<u>446,466,459</u>	<u>434,657,350</u>
Certificates of deposit	30,292,563	30,579,716
	<u>476,759,022</u>	<u>465,237,066</u>
By counterparty:		
Government sector	163,510,192	141,661,679
Public sector	61,800,939	73,231,345
Corporate / private sector	139,569,034	149,329,566
Personal / retail sector	81,586,294	70,434,760
	<u>446,466,459</u>	<u>434,657,350</u>
Certificates of deposit	30,292,563	30,579,716
	<u>476,759,022</u>	<u>465,237,066</u>

Notes to the condensed consolidated interim financial statements (continued)

16 Term borrowings

		30 September 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%	-	-	-	3,574	89,176	92,750	-	-	-	-	-	-
AUD	Fixed rate of 3.17% to 5.00% p.a.	-	75,142	75,708	-	-	150,850	1,039,197	649,250	155,245	-	-	1,843,692
AUD	3 month AUD BBSW + 110 bps to 142 bps p.a.	-	-	61,907	-	71,052	132,959	-	51,792	-	64,504	-	116,296
CHF	Fixed rate of 0.16% to 0.625% p.a.	-	-	741,224	746,275	1,863,124	3,350,623	-	-	-	1,485,350	549,312	2,034,662
CNH	Fixed rate of 4% to 4.8% p.a.	-	103,333	1,484,991	515,659	-	2,103,983	69,571	310,856	1,626,254	36,861	-	2,043,542
EUR	Fixed rate of 0.516% to 3.00% p.a.	-	100,283	-	99,726	619,654	819,663	-	-	105,495	-	547,502	652,997
EUR	3 month EURIBOR + 0.33% p.a.	-	239,355	-	-	-	239,355	-	-	250,582	-	-	250,582
EGP	Fixed rate till 17.5%	20,739	-	-	-	-	20,739	-	-	-	-	-	-
GBP	Fixed rate of 1.66% to 2.205% p.a.	-	-	114,085	-	219,529	333,614	-	-	117,265	-	-	117,265
GBP	3 Month GBP LIBOR + till 0.822% p.a.	-	1,536,635	112,855	-	-	1,649,490	-	-	-	-	-	-
HKD	Fixed rate of 2.37% to 4.45% p.a.	-	243,588	598,787	482,288	235,516	1,560,179	-	151,052	243,099	707,220	182,810	1,284,181
JPY	Fixed rate of 0.86% to 2.60% p.a.	-	-	-	-	367,615	367,615	-	333,661	-	-	356,906	690,567
MXN	Fixed rate of 0.50% p.a.	-	-	-	-	2,533	2,533	-	-	-	-	1,425	1,425
MYR	Fixed rate of 4.90% p.a.	-	-	436,608	-	-	436,608	-	-	432,417	-	-	432,417
USD	Fixed rate till 5.207% p.a.	-	5,879,302	2,359,970	6,883,917	12,266,772	27,389,961	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.	110,188	1,558,061	4,829,504	5,792,232	183,650	12,473,635	-	6,096,085	1,570,216	123,114	-	7,789,415
		130,927	9,735,699	10,815,639	14,523,671	15,918,621	51,124,557	2,945,133	10,352,657	10,245,303	7,479,023	11,246,057	42,268,173

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 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Beginning of the period	42,268,173	42,145,718
New issuances	20,629,443	9,076,645
Redemptions	(13,437,327)	(7,735,417)
Exchange and other adjustments	1,664,268	(1,218,773)
End of the period	<u>51,124,557</u>	<u>42,268,173</u>

17 Subordinated notes

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
10 December 2012 issue (4.75 percent fixed rate maturing on 9 December 2027)	<u>361,667</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 nine months period ended 30 September 2019.

18 Capital and reserves

Share Capital

	(Unaudited) 30 Sep 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>20,842</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	976,370	-	(46,133)	-	-	-	930,237
IFRS 9 reserve movement	-	-	-	-	18,287	41,601	59,888
Realised gain on sale of FVOCI investment	(9,174)	-	-	-	-	-	(9,174)
Balance at 30 September 2019	<u>369,175</u>	<u>228,265</u>	<u>(357,064)</u>	<u>280,601</u>	<u>315,908</u>	<u>106,589</u>	<u>943,474</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	256,452	-	(246,879)	-	-	-	9,573
Balance at 30 September 2018	<u>697,584</u>	<u>120,000</u>	<u>(309,954)</u>	<u>280,601</u>	<u>-</u>	<u>-</u>	<u>788,231</u>

19 Tier 1 capital notes

	Currency	(Unaudited) 30 Sep 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 499,533 thousand (30 September 2018: AED 422,735 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 nine 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, 27,143 thousand options (30 September 2018: 14,755 thousand) had been exercised by the option holders resulting in an increase in the share capital by AED 27,143 thousand (30 September 2018: AED 14,755 thousand) and share premium by AED 229,077 thousand (30 September 2018: AED 141,918 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 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Letter of credit	61,414,804	59,955,337
Letters of guarantees	100,353,331	104,894,326
Financial guarantees	1,652,921	285,311
Irrevocable Undrawn commitments	73,137,097	45,659,602
Private Equity commitments	762,470	772,322
	<u>237,320,623</u>	<u>211,566,898</u>

22 Cash and cash equivalents

	(Unaudited) 30 Sep 2019 AED'000	(Audited) 31 Dec 2018 AED'000
Cash and balances with Central Banks	154,680,651	183,165,520
Due from banks and financial institutions	21,191,232	19,226,248
	<u>175,871,883</u>	<u>202,391,768</u>
Less: Balances with Central Banks maturing after three months of placement	(18,528,000)	(18,726,908)
Less: Due from banks and financial institutions maturing after three months of placement	(10,404,733)	(7,987,484)
	<u>146,939,150</u>	<u>175,677,376</u>

Notes to the condensed consolidated interim financial statements (continued)

23 Net foreign exchange gain

	(Unaudited) Nine month period ended 30 Sep 2019 AED'000	(Unaudited) Nine month period ended 30 Sep 2018 AED'000	(Unaudited) Three month period ended 30 Sep 2019 AED'000	(Unaudited) Three month period ended 30 Sep 2018 AED'000
Trading and retranslation gain on foreign exchange and related derivatives ^{1,2}	1,510,357	980,261	445,482	342,758
Dealings with customers ³	465,951	354,860	167,175	121,058
	<u>1,976,308</u>	<u>1,335,121</u>	<u>612,657</u>	<u>463,816</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 243 million (30 September 2018: AED 210 million) arising from placement with ECB.

³ The comparatives have been restated to include customer facing portfolios which were in the prior periods included within Trading and retranslation gain on foreign exchange and related derivatives.

24 Net gain on investments and derivatives

	(Unaudited) Nine month period ended 30 Sep 2019 AED'000	(Unaudited) Nine month period ended 30 Sep 2018 AED'000	(Unaudited) Three month period ended 30 Sep 2019 AED'000	(Unaudited) Three month period ended 30 Sep 2018 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	602,703	828,699	36,759	305,768
Net gain / (loss) from sale of non-trading investments	303,280	(117,626)	231,985	(35,571)
Dividend income	28,553	20,302	4,926	4,188
	<u>934,536</u>	<u>731,375</u>	<u>273,670</u>	<u>274,385</u>

25 Other Operating Income

	(Unaudited) Nine month period ended 30 Sep 2019 AED'000	(Unaudited) Nine month period ended 30 Sep 2018 AED'000	(Unaudited) Three month period ended 30 Sep 2019 AED'000	(Unaudited) Three month period ended 30 Sep 2018 AED'000
Investment property income	15,489	6,240	5,694	2,518
Leasing related income	79,681	64,102	31,665	27,345
Other income	31,203	146,448	7,720	9,318
	<u>126,373</u>	<u>216,790</u>	<u>45,079</u>	<u>39,181</u>

Notes to the condensed consolidated interim financial statements (continued)

26 General, administration and other operating expenses

	(Unaudited) Nine month period ended 30 Sep 2019 AED'000	(Unaudited) Nine month period ended 30 Sep 2018 AED'000	(Unaudited) Three month period ended 30 Sep 2019 AED'000	(Unaudited) Three month period ended 30 Sep 2018 AED'000
Staff costs	2,394,177	2,347,793	787,081	779,995
Other general and administration expenses	1,176,569	1,254,459	431,310	442,276
Depreciation	313,390	171,535	118,919	21,113
Intangibles (note 12)	150,905	148,881	50,720	50,764
Sponsorships and donations	48,644	50,478	16,599	15,285
	<u>4,083,685</u>	<u>3,973,146</u>	<u>1,404,629</u>	<u>1,309,433</u>

27 Net impairment charge

	(Unaudited) Nine month period ended 30 Sep 2019 AED'000	(Unaudited) Nine month period ended 30 Sep 2018 AED'000	(Unaudited) Three month period ended 30 Sep 2019 AED'000	(Unaudited) Three month period ended 30 Sep 2018 AED'000
Impairment charge / (reversal) on				
loans and advances	1,272,097	1,704,018	442,358	570,515
other financial assets	(45,535)	(47,079)	(12,398)	(18,745)
unfunded exposures	134,343	(277,317)	50,097	(125,362)
other non-financial instruments	1,353	-	915	-
Recoveries	(209,658)	(201,356)	(52,818)	(48,513)
Write-off of impaired financial assets	191,394	119,367	41,341	57,130
	<u>1,343,994</u>	<u>1,297,633</u>	<u>469,495</u>	<u>435,025</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) Nine month period ended 30 Sep 2019	(Unaudited) Nine month period ended 30 Sep 2018	(Unaudited) Three month period ended 30 Sep 2019	(Unaudited) Three month period ended 30 Sep 2018
Basic earnings per share:				
Net profit for the period (AED'000)	9,438,972	9,078,110	3,111,328	3,020,872
Less: payment on Tier 1 capital notes (AED'000)	(499,533)	(422,735)	(218,086)	(185,711)
Net profit after payment of Tier 1 capital notes (AED'000)	<u>8,939,439</u>	<u>8,655,375</u>	<u>2,893,242</u>	<u>2,835,161</u>
Weighted average number of ordinary shares:				
Number of shares issued / deemed to be outstanding from the beginning of the period ('000)	10,872,015	10,855,112	10,897,753	10,861,856
Weighted average number of shares exercised under the share options scheme ('000)	22,193	5,888	539	4,222
Weighted average number of ordinary shares ('000)	<u>10,894,208</u>	<u>10,861,000</u>	<u>10,898,292</u>	<u>10,866,078</u>
Basic earnings per share (AED)	<u>0.82</u>	<u>0.80</u>	<u>0.27</u>	<u>0.26</u>
Diluted earnings per share:				
Net profit after payment of Tier 1 capital notes (AED'000)	8,939,439	8,655,375	2,893,242	2,835,161
Add: Interest on convertible note (AED'000)	-	18,801	-	-
Net profit for the period for calculating diluted earnings per share (AED'000)	<u>8,939,439</u>	<u>8,674,176</u>	<u>2,893,242</u>	<u>2,835,161</u>
Weighted average number of ordinary shares ('000)	10,894,208	10,861,000	10,898,292	10,866,078
Effect of dilutive potential ordinary shares issued ('000)	-	38,671	-	-
Weighted average number of dilutive shares under share options scheme ('000)	4,395	5,113	4,395	5,113
Weighted average number of ordinary shares in issue for diluted earnings per share ('000)	<u>10,898,603</u>	<u>10,904,784</u>	<u>10,902,687</u>	<u>10,871,191</u>
Diluted earnings per share (AED)	<u>0.82</u>	<u>0.80</u>	<u>0.27</u>	<u>0.26</u>

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, ADNP, Mismak, FAB Securities and First Gulf Libyan Bank.

Head office

The Group provides centralized human resources, information technology, operations, finance, strategy, investor relations, risk management, credit management, corporate communications, legal & compliance, internal audit, procurement, treasury operations, integration management office and administrative support to all of its 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 nine month period ended 30 September 2019 (Unaudited)</i>									
Net interest income	4,277,247	4,543,998	(67,270)	989,950	9,743,925	8,447,314	1,024,829	271,782	9,743,925
Net non-interest income	4,139,462	1,151,763	162,133	(29,535)	5,423,823	4,577,632	595,834	250,357	5,423,823
Operating income	<u>8,416,709</u>	<u>5,695,761</u>	<u>94,863</u>	<u>960,415</u>	<u>15,167,748</u>	<u>13,024,946</u>	<u>1,620,663</u>	<u>522,139</u>	<u>15,167,748</u>
General administration and other operating expenses	1,526,587	2,187,634	105,836	263,628	4,083,685	3,288,451	633,368	161,866	4,083,685
Net impairment charge	826,377	640,102	(116,342)	(6,143)	1,343,994	1,236,340	86,135	21,519	1,343,994
Profit before taxation	<u>6,063,745</u>	<u>2,868,025</u>	<u>105,369</u>	<u>702,930</u>	<u>9,740,069</u>	<u>8,500,155</u>	<u>901,160</u>	<u>338,754</u>	<u>9,740,069</u>
Overseas taxation	<u>144,994</u>	<u>63,961</u>	<u>6,449</u>	<u>17,004</u>	<u>232,408</u>	<u>1,461</u>	<u>170,154</u>	<u>60,793</u>	<u>232,408</u>
Net profit for the period	<u>5,918,751</u>	<u>2,804,064</u>	<u>98,920</u>	<u>685,926</u>	<u>9,507,661</u>	<u>8,498,694</u>	<u>731,006</u>	<u>277,961</u>	<u>9,507,661</u>
<i>As at 30 September 2019 (Unaudited)</i>									
Segment total assets	<u>722,188,820</u>	<u>112,393,815</u>	<u>12,293,533</u>	<u>117,713,249</u>	<u>964,589,417</u>	<u>649,230,722</u>	<u>180,565,650</u>	<u>44,454,507</u>	<u>874,250,879</u>
Inter segment balances					(176,426,321)				(86,087,783)
Total assets					<u>788,163,096</u>				<u>788,163,096</u>
Segment total liabilities	<u>520,299,329</u>	<u>101,158,668</u>	<u>8,976,709</u>	<u>230,074,209</u>	<u>860,508,915</u>	<u>558,199,371</u>	<u>170,837,275</u>	<u>41,133,731</u>	<u>770,170,377</u>
Inter segment balances					(176,426,321)				(86,087,783)
Total liabilities					<u>684,082,594</u>				<u>684,082,594</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 nine month period ended 30 September 2018 (Unaudited)</i>									
Net interest income	4,272,685	4,324,546	(16,832)	1,174,463	9,754,862	8,403,059	1,150,049	201,754	9,754,862
Net non-interest income	3,199,579	1,379,430	223,170	78,992	4,881,171	4,184,244	459,787	237,140	4,881,171
Operating income	<u>7,472,264</u>	<u>5,703,976</u>	<u>206,338</u>	<u>1,253,455</u>	<u>14,636,033</u>	<u>12,587,303</u>	<u>1,609,836</u>	<u>438,894</u>	<u>14,636,033</u>
General administration and other operating expenses	1,334,063	2,044,114	104,727	490,242	3,973,146	3,314,730	499,929	158,487	3,973,146
Net impairment charge	<u>1,045,885</u>	<u>263,825</u>	<u>(16,625)</u>	<u>4,548</u>	<u>1,297,633</u>	<u>1,266,508</u>	<u>(42,227)</u>	<u>73,352</u>	<u>1,297,633</u>
Profit before taxation	<u>5,092,316</u>	<u>3,396,037</u>	<u>118,236</u>	<u>758,665</u>	<u>9,365,254</u>	<u>8,006,065</u>	<u>1,152,134</u>	<u>207,055</u>	<u>9,365,254</u>
Overseas taxation	<u>149,273</u>	<u>77,538</u>	<u>22,716</u>	<u>2,016</u>	<u>251,543</u>	<u>10,865</u>	<u>235,569</u>	<u>5,109</u>	<u>251,543</u>
Net profit for the period	<u>4,943,043</u>	<u>3,318,499</u>	<u>95,520</u>	<u>756,649</u>	<u>9,113,711</u>	<u>7,995,200</u>	<u>916,565</u>	<u>201,946</u>	<u>9,113,711</u>
<i>As at 31 December 2018(Audited)</i>									
Segment total assets	<u>722,723,140</u>	<u>105,746,740</u>	<u>13,162,063</u>	<u>108,297,619</u>	<u>949,929,562</u>	<u>612,128,044</u>	<u>210,877,111</u>	<u>39,650,488</u>	<u>862,655,643</u>
Inter segment balances					(206,043,175)				(118,769,256)
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>249,536,835</u>	<u>847,956,562</u>	<u>502,817,914</u>	<u>216,308,262</u>	<u>41,556,467</u>	<u>760,682,643</u>
Inter segment balances					(206,043,175)				(118,769,256)
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 September 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	3,204,765	13,429,530	16,634,295	12,933,731
Financial liabilities	9,558,882	9,601,867	19,160,749	12,596,617
Contingent liabilities	3,794,624	7,393,954	11,188,578	21,488,662

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

	30 Sep 2018 (Unaudited)			
Interest income	139,631	449,322	588,953	327,501
Interest expense	171,169	107,077	278,246	96,539

31 Comparative figures

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