

عام  
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YEAR OF  
**ZAYED**



# Q1'18 EARNINGS PRESENTATION

April 29<sup>th</sup>, 2018

**Grow  
Stronger**

بنك أبوظبي الأول

**FAB**  
First Abu Dhabi Bank

# Disclaimer

**Please note that FAB pro forma consolidated financials at 31 March 2018 serve as the main basis of reference for our Management Discussion & Analysis Report (MDA) and Investor Relations presentation.**

**Comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in the pro forma condensed consolidated interim financial statements.**

FAB's interim reviewed consolidated financial statements as at 31 March 2018 are prepared on the basis that FGB/NBAD merger was declared effective on 1<sup>st</sup> April 2017 with FGB being the accounting acquirer as per IFRS 3. Therefore, these financials reflect consolidation of NBAD since 1<sup>st</sup> April 2017 only, while prior period comparative financial information relates to FGB.

For further information, please refer to the Business Combination note of the reviewed consolidated interim financial statements.

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*Note: Rounding differences may appear throughout the presentation*

# Q1'18 Key Performance Highlights

- **2018 off to a solid start**
  - Improved profitability and returns both sequentially and yoy
  - Healthy business momentum supports operating performance
- **Integration journey and key strategic initiatives firmly on track**
  - Synergy momentum continues - IT integration to be completed by year-end 2018
  - Good progress ahead of KSA entry
- **Robust asset quality metrics**
  - Reflect healthy portfolio, successful risk-asset optimisation and IFRS9 implementation
- **Healthy fundamentals underpinned by strong liquidity and capital ratios**
  - L/D ratio at 84%
  - CET1 ratio comfortably in excess of regulatory requirements
- **On track to meet/exceed 2018 financial guidance**

# 2018 off to a solid start ...

## Financial highlights

### Q1'18 P&L summary

<i>In AED Mn</i>	Q1'18	Q4'17	QoQ %	Q1'17	YoY %
Revenues	4,871	5,049	(4)	5,188	(6)
Operating expenses	(1,326)	(1,616)	(18)	(1,516)	(13)
<i>BAU<sup>1</sup> costs</i>	(1,212)	(1,280)	(5)	(1,412)	(14)
<i>Integration costs</i>	(70)	(198)	(65)	(104)	(32)
<i>Amortisation of intangibles (merger-related)</i>	(44)	(138)	-	-	-
Impairment charges, net	(439)	(562)	(22)	(641)	(31)
<b>Net profit</b>	<b>2,998</b>	<b>2,822</b>	<b>6</b>	<b>2,926</b>	<b>2</b>
EPS (AED)	1.06	1.00	6	1.04	2

- Operating income down qoq and yoy primarily due to material extraordinary revenue items realised in prior periods (investment and property-related) which were not repeated. Excluding these items, operating performance has improved on the back of a healthy business momentum
- Continued synergy realisation and cost discipline drive notable reduction in BAU<sup>1</sup> costs
- Impairment charges significantly reduced on the back of risk-assets optimisation, tighter risk appetite and IFRS9 implementation
- Net Profit improves both sequentially and yoy

### Key ratios

%	Q1'18	Q4'17	QoQ (bps)	Q1'17	YoY (bps)
C/I ratio (ex-integ costs)	25.8	28.1	(230)	27.2	(143)
CoR (bps)	49	66	(17)	73	(24)
NPL ratio	3.1	3.1	4	2.6	51
Provision coverage	127	120	714	122	545
L/D ratio	83.7	83.5	23	87.6	(392)
RoTE	17.2	15.0	218	16.1	108
CET1 ratio <sup>2</sup>	12.4	14.5	(210)	13.9	(150)

- Remarkable improvement in operating efficiency; C/I ratio at industry-leading level
- Robust asset quality metrics post IFRS9 transition
- Strong liquidity profile remains competitive strength
- Net improvement in RoTE post FY'17 dividends, IFRS9
- CET1 comfortably in excess of regulatory requirement

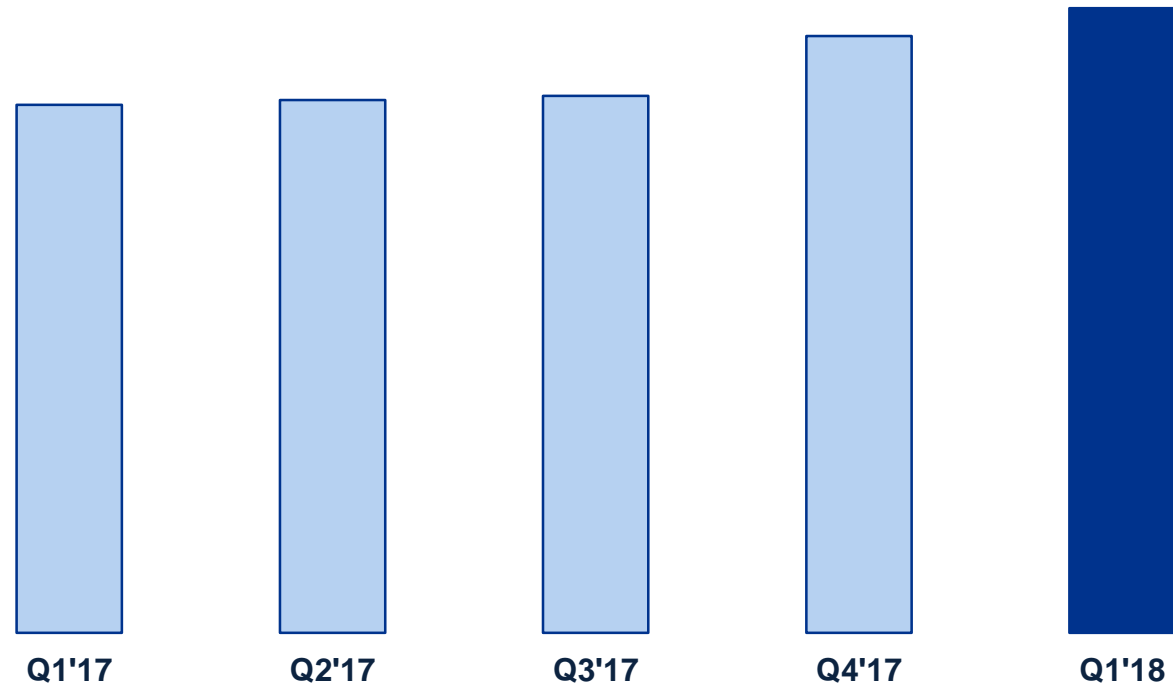
<sup>1</sup> BAU – Business as usual

<sup>2</sup> CET1 ratio as per UAE CB's Basel III framework (without considering the transitional arrangements for 2017 for Q4'17); Q1'17 as per Basel II framework

# 2018 off to a solid start ...

In AED Mn

Reported Group net profit	2,926	2,562	2,605	2,822	2,998
<i>Less: Material extraordinary revenue items</i>	~400	-	-	~180	-
<i>Add: One-off integration costs</i>	104	91	70	198	70
<i>Add: Amortisation of merger-related intangibles</i>	-	-	-	138	44
<b>Adjusted Group net profit</b>	<b>2,630</b>	<b>2,653</b>	<b>2,675</b>	<b>2,978</b>	<b>3,112</b>





- ✓ Strategic review of international operations and execution well underway
- ✓ KSA: both CMA and SAMA licenses obtained
- ✓ UAE network rationalisation and rebranding activities continue:
  - Branch & cash offices network reduced from 103 as of Dec'17 to 89 as of Mar'18
  - Rebranding of FAB properties and FAB Egypt
  - Integration of Islamic finance subsidiaries in progress



- ✓ IT systems integration on track to be completed by the end of 2018



- ✓ PPA (purchase price allocation) exercise complete
  - No change to total amount of goodwill or intangibles recognised as of Dec-end'17

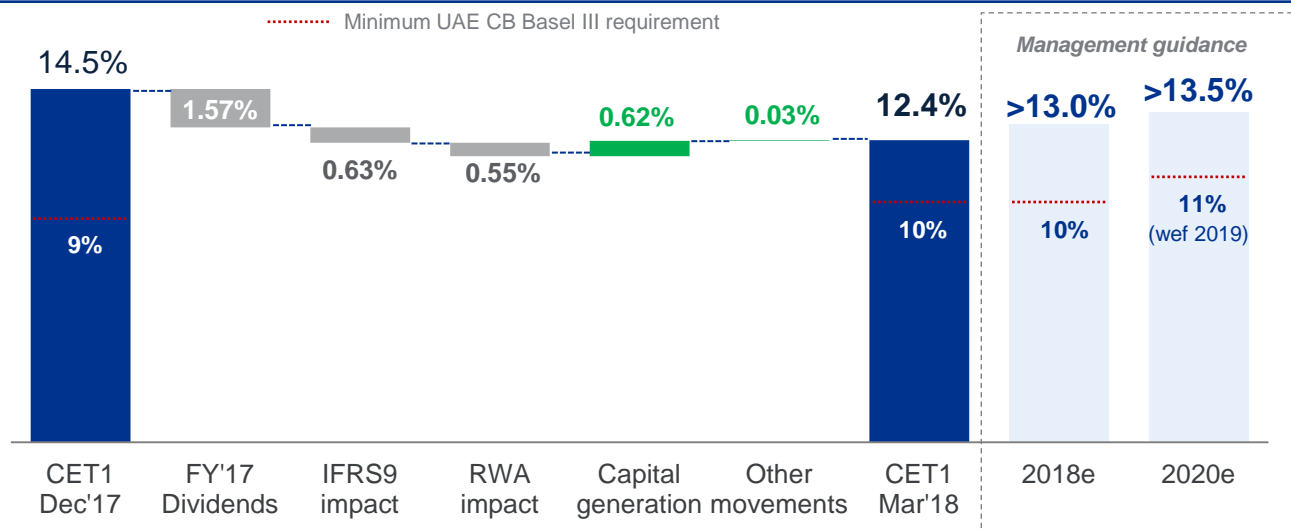
# Capital position remains robust

Even after PPA, FY'17 dividends, and IFRS9

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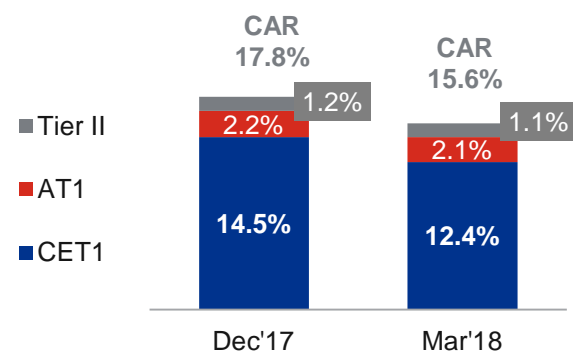


## CET1<sup>1</sup> ratio progression

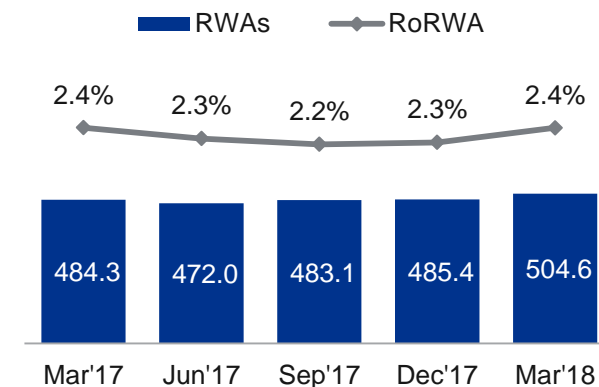


- Robust capital position with Basel III CET1<sup>1</sup> ratio at 12.4%, comfortably in excess of regulatory requirements
- Impact of IFRS9 on 1 Jan 2018 was AED 3.1Bn (3.0% of Dec'17 shareholders' equity and 63bps of Dec'17 CET1) in line with estimates
- Strong internal capital generation capacity expected to support CET1 build-up as per management guidance

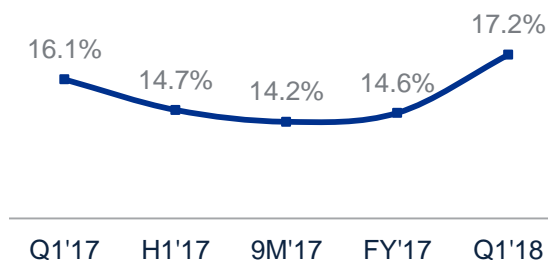
## Strong capital ratios (Basel III)<sup>1</sup>



## RWAs & Return on RWAs



## Return on Tangible Equity (RoTE)



<sup>1</sup> CET1 ratio as per UAE CB's Basel III framework (without considering the transitional arrangements for 2017)

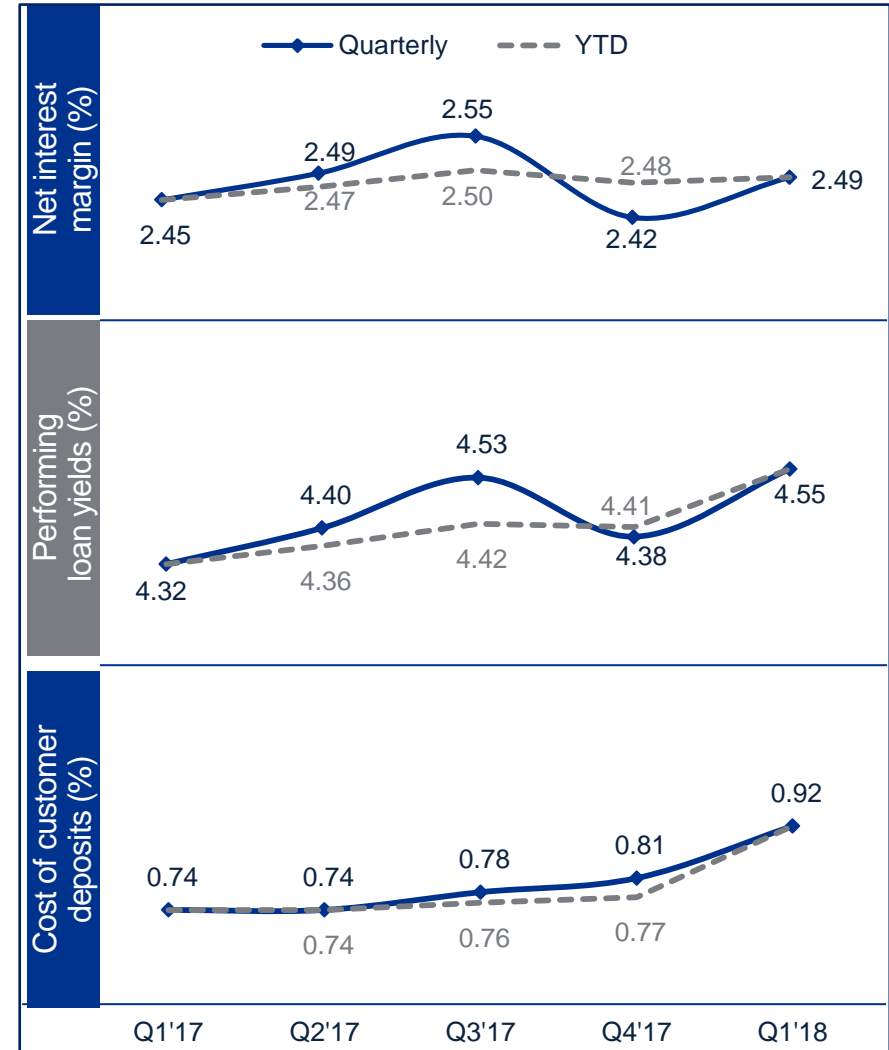
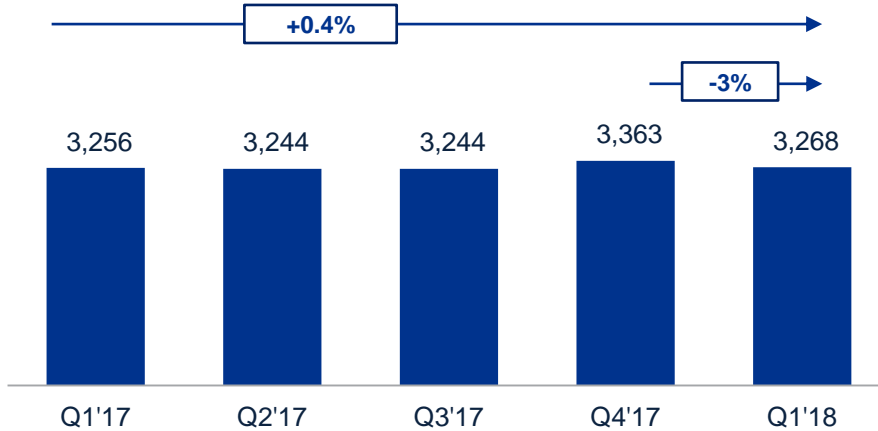
<sup>2</sup> AT1 (additional Tier 1) + Tier 2 capital requirement – Min 3.5%; any shortfall in same to be met by CET1; Countercyclical buffer requirement (0 – 2.5%) as advised by UAE CB, is nil in 2017

# NII outlook remains positive

## Key highlights

- Group NIM: +4bps yoy and +7bps qoq, reflect margin expansion on the back of rate hikes
- Net Interest Income (NII) marginally up yoy as positive impact of rate hikes and volume growth, were partly offset by risk-asset optimisation, tighter risk appetite in PBG and competitive pricing in CIB
- Expected benefits from future rate hikes and healthy pipeline for remainder of 2018 support positive outlook for NII growth

## Net interest income (AED Mn)

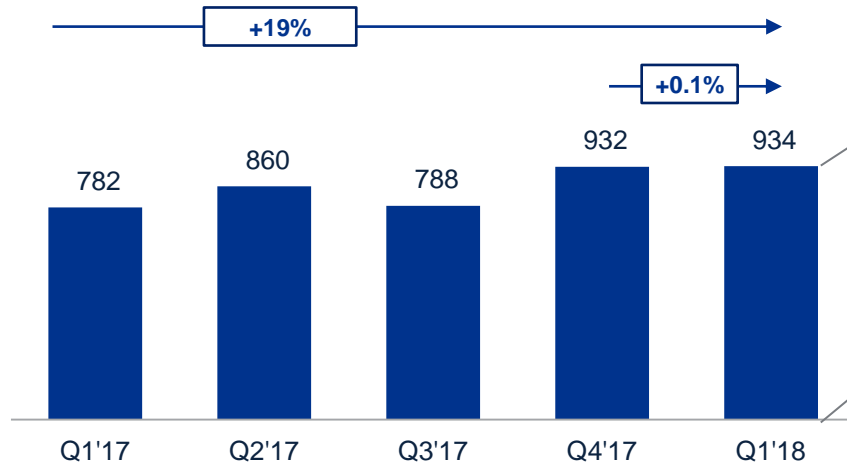


Note: All percentage figures are annualised



# Non-interest income supported by strong growth in fees and commissions

## Fees & commissions, net (AED Mn)

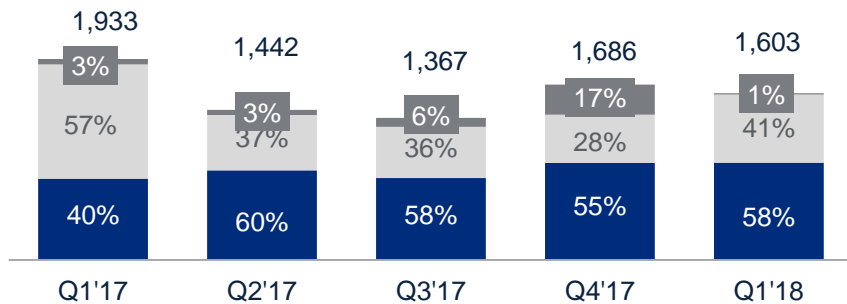


		QoQ %	YoY %
Loan-related	483	(5)	25
Trade-related	283	8	19
Others	168	4	7

- Fees and commissions (net) grew 19% yoy driven by higher syndication fees reflecting a strong performance in Loan Capital Markets. Trade-related income also improved sequentially and yoy on the back of higher LCs and LGs reflecting a pick-up in trade

## Non-interest income (AED Mn)

■ Other income      ■ Net FX & Investment income  
 ■ Net fees and commission income



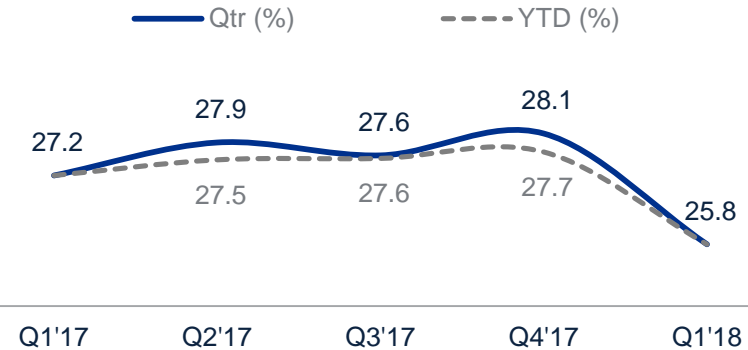
- Non-interest income came in lower yoy and qoq mainly due to material extraordinary revenue items realised in prior periods (investment and property-related) which were not repeated

# Remarkable improvement in operating efficiency

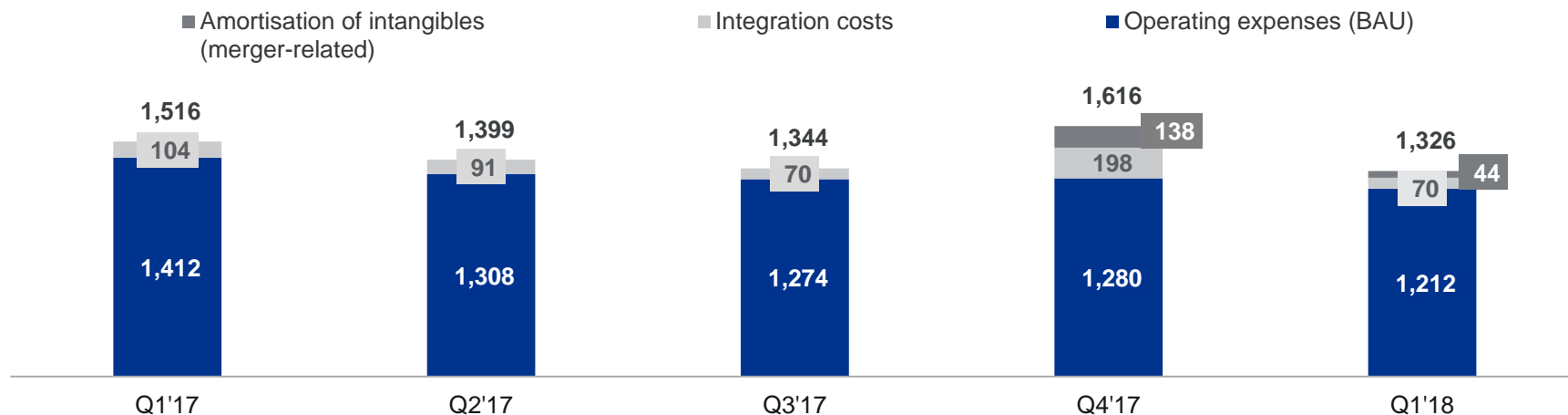
## Key highlights

- Operating expenses BAU reduced 14% yoy, reflecting continued discipline on cost management and realisation of substantial synergies
- Headline operating expenses were lower 13% yoy and 18% qoq
- C/I ratio (ex-integration costs<sup>1</sup>) stands at industry-leading level of 25.8%, improving from 27.2% in Q1'17 and 28.1% in Q4'17
- Cost synergies realised since Dec-end'16 reached ~AED 640Mn against a 2020 target of ~AED 1.5Bn
- One-off Integration costs in line with guidance

## Cost-income ratio (ex-integration) (%)



## Operating expenses trend (AED Mn)



<sup>1</sup> Excluding integration costs

# CoR benefits from tighter risk appetite and IFRS9 implementation

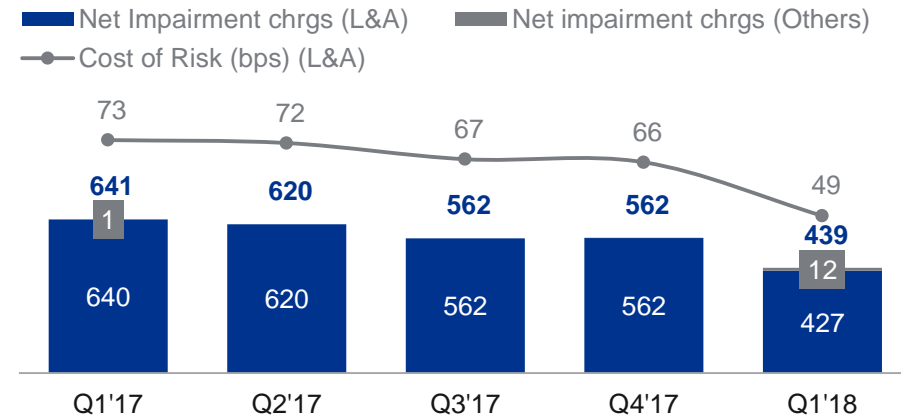
## Key highlights<sup>1</sup>

- Impairment charges (net) down 31% yoy and 22% qoq mainly reflecting tighter risk appetite in PBG and IFRS9 implementation
- NPL ratio at 3.1% in line with Dec-end'17
- Portfolio is adequately provisioned with coverage at 127%
- Cost of risk improved significantly to 49bps in Q1'18, reflecting a healthy portfolio and the impact of IFRS9 implementation

## NPLs and ECL Provisions for L&A<sup>1</sup>

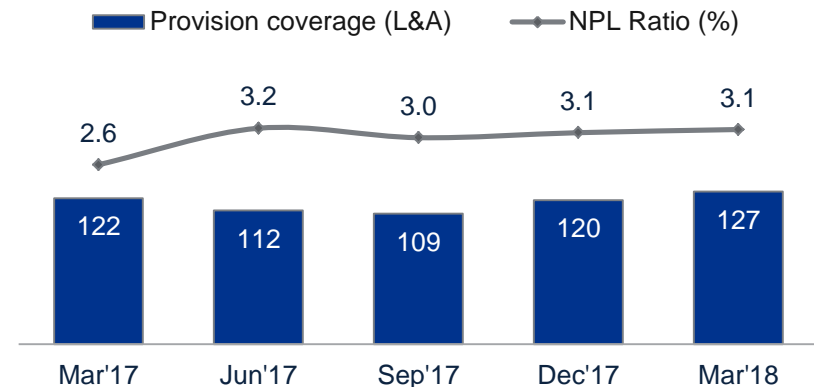
AED Bn	Q1'18	FY'17	Q1'17
NPLs	11.0	10.6	9.3
Provisions	13.5	12.7	11.4
Stage 1 & 2	6.7	8.1	7.2
Stage 3	6.8	4.6	4.2

## Impairment charges, net (AED Mn) & CoR\*<sup>1</sup>



\* CoR is annualised

## Provision coverage & NPL ratio (%)<sup>1</sup>



<sup>1</sup> As Q1'18 ratios are based on IFRS9 accounting and ratios for prior periods are based on IAS39 accounting, they may not be fully comparable  
 - Gross loans and advances and NPLs are net of interest in suspense

# Loan and deposit growth momentum continues

## Key highlights

### Loans and advances

- Up 2% qoq driven by a healthy business momentum in CIB (led by UAE public sector and trade FI)
- Down 2% yoy due to lower trade FI and higher provisions from PPA/IFRS9

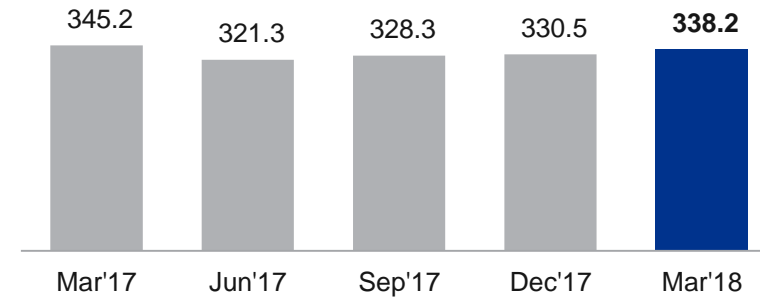
### Customer Deposits and other accounts

- Customer deposits up 2% qoq and 3% yoy, on higher government inflows
- CASA<sup>1</sup> up 11% sequentially highlighting a strong deposit franchise and leading cash management solutions. CASA represent 41% of total deposits vs 38% at Dec-end'17

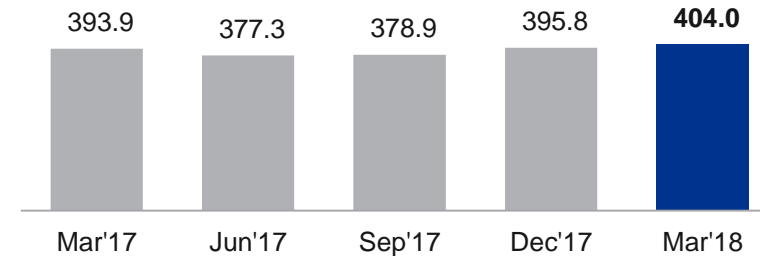
### Liquidity

- Liquidity position remains highly comfortable with loan-to-deposit ratio of 83.7%
- Mar'18 LCR remains at 112%, above the Basel III glide path for 2018 (min required 90%)

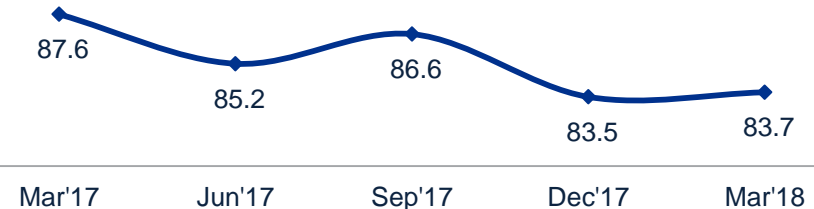
## Net loans and advances (AED Bn)



## Customer deposits (AED Bn)



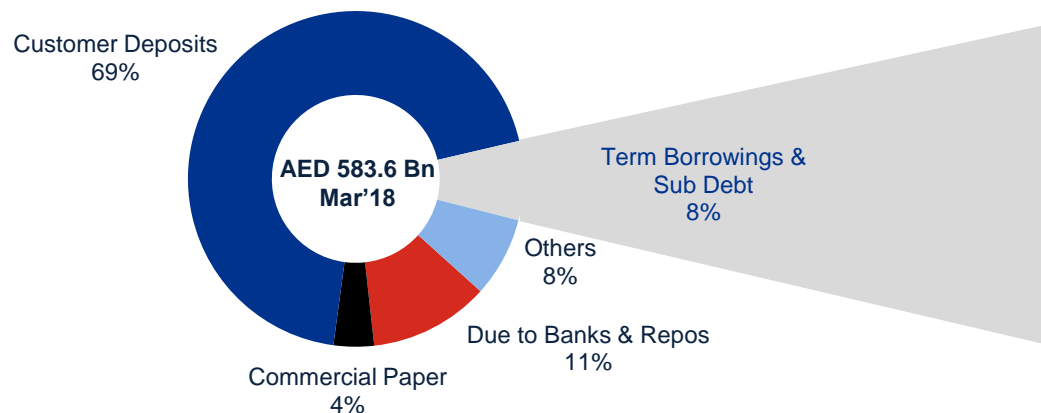
## Loan-to-deposit ratio (%)



<sup>1</sup> Current, savings and call accounts; prior periods reclassified to include call accounts earlier grouped with notice and time deposits

# Liability mix and Wholesale Funding

## Liabilities mix



Wholesale Funding (AED Bn)	Mar'18
Syndicated loan	7.3
Medium Term Notes/Bonds	34.3
Sukuk	2.4
Subordinated debt	0.4
<b>Total</b>	<b>44.4</b>

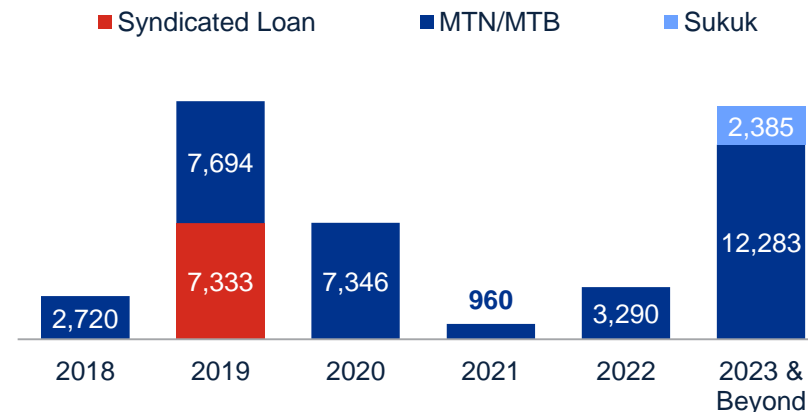
## Wholesale funding maturity profile (AED Mn)

### Issuances In Q1'18

- 30yr non-call 5yr USD610m Formosa @ 4.70% IRR
- 5yr USD 650 Mn Sukuk @ 3.625% coupon
- 3yr CNH 900 Mn Dim Sum Formosa @ 4.80% coupon
- 3-10yr USD 128 Mn Private Placements

### Maturities In Q1'18

- 5yr AUD 300 Mn Kangaroo bonds @ 5.0% coupon
- 5yr USD 500 Mn Convertible bonds @ 1.0% coupon
- 2-3yr USD 36 Mn equivalent Private Placements



\*Debt at final maturity date rather than next call date

# On track to meet/exceed 2018 financial guidance

		Q1'18	2018 GUIDANCE	2020 AMBITIONS
<b>GROWTH</b>	Loan	+2% ytd	Mid-single digit	
	Revenue	-6% yoy	Low single-digit	
<b>EFFICIENCY</b>	C/I Ratio (ex-integration costs)	25.8%	~26%-27%	~25%
<b>ASSET QUALITY</b>	Cost of Risk <sup>1</sup>	49bps	65-75bps	
<b>PROFITABILITY</b>	Net profit growth	+2% yoy	Mid single-digit	
	RoTE <sup>2</sup>	17.2%	~15%	16-17%
<b>CAPITAL</b>	Basel III CET1	12.4%	>13%	>13.5%

1 Year-to-date annualised

2 Return on Average Tangible Equity, annualised; based on attributable profit to equity shareholders' excl Tier 1 notes coupon



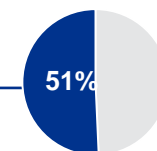
# APPENDIX

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## Corporate & Investment Banking (CIB)

<i>In AED Mn</i>	Q1'18	QoQ %	YoY %
Revenues	2,471	5	(1)
Operating expenses	(434)	(10)	(20)
Impairment charges, net	(239)	(33)	241
Profit after taxes	1,741	16	(5)
Loans (AED Bn)	238.5	2	(2)
Deposits (AED Bn)	303.6	2	3

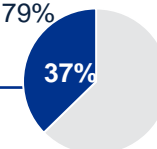


of Group  
Revenue

- FAB's market-leading CIB franchise is a major contributor to Group revenue with a share of 51%
- Revenues in Q1'18 grew 5% sequentially driven by strong performances in Global Markets and Cash Management and in our Loan and Debt Capital Markets businesses
- YoY, revenues were marginally down as strategic trading gains realised in Q1'17 in Global Markets were not repeated. This was offset partially by higher syndication and LC/LG fees, and strong performance in Cash Management
- Disciplined cost management and realisation of synergies resulted in lower operating costs qoq and yoy. Impairment charges increased yoy was due to higher recoveries and write-backs in Q1'17
- Loans and deposits, both, grew 2% sequentially; LD ratio at 79%

## Personal Banking Group (PBG)

<i>In AED Mn</i>	Q1'18	QoQ %	YoY %
Revenues	1,819	(2)	(3)
Operating expenses	(661)	(4)	(15)
Impairment charges, net	(235)	(24)	(52)
Profit after taxes	895	6	59
Loans (AED Bn)	91.3	(5)	(7)
Deposits (AED Bn)	92.8	5	3



of Group  
Revenue

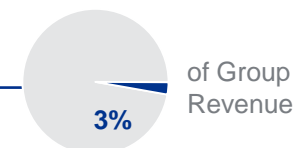
- PBG continued to focus on improving efficiency and productivity across the business, while enhancing customer experience
- Profits up 59% yoy on lower impairment charges and operating expenses, offsetting a modest drop in revenue reflecting tighter risk appetite
- Loans were 5% lower qoq, while targeted efforts to attract retail liabilities resulted in a 3% growth qoq in CASA balances
- Successfully launched the UAE's first fully-featured digital wallet, 'Payit'
- Dubai First was integrated into PBG during Q1'18 to eliminate duplication of resources and leverage on existing infrastructure



## Subsidiaries

In AED Mn	Q1'18	QoQ %	YoY %
Revenues	131	(63)	(3)
Operating expenses	(71)	(8)	(12)
Impairment charges, net	31	n.a.	n.a.
Profit after taxes	82	(61)	n.a.
Loans (AED Bn)	6.8	(2)	(5)
Deposits (AED Bn)	7.0	6	9

- Subsidiaries generated a net profit of AED 82 Million in the first quarter of 2018 (vs. net loss of AED 11 Million in Q1'17), driven by lower operating expenses and provision write-backs while revenues were broadly stable
- Libyan operations recorded strong growth in trade finance related fees and commissions
- As part of the Group's continued progress in rolling out the FAB brand across UAE and international locations, a new brand identity for FAB Properties (formerly First Gulf Properties) was launched during the last quarter, further reinforcing its positioning as an entity of choice for real estate services in the UAE

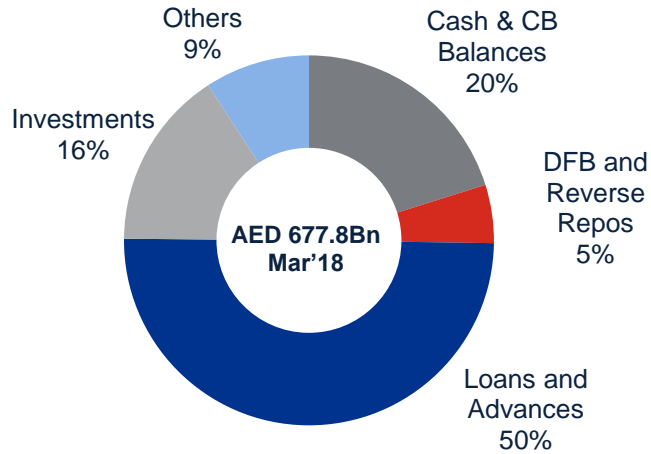


## International (Middle East & Africa, Asia Pacific and Europe & Americas)

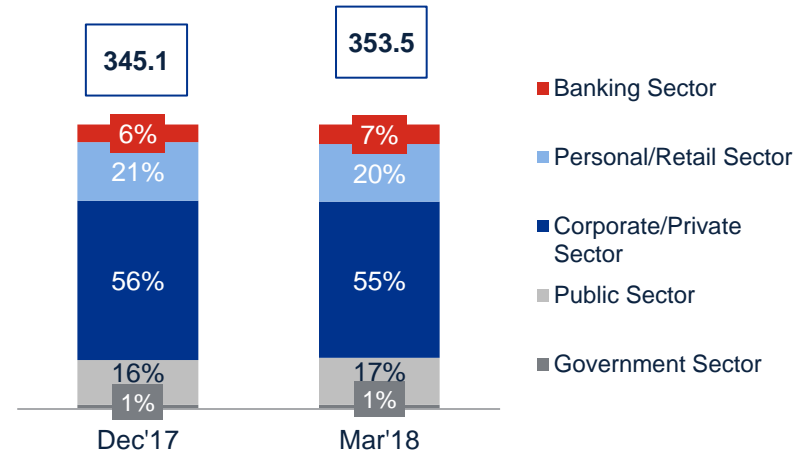
In AED Mn	Q1'18	QoQ %	YoY %
Revenues	657	10	4
Operating expenses	(231)	6	11
Impairment charges, net	(21)	(59)	129
Taxes	(93)	158	(10)
Profit after taxes	311	6	1
Loans (AED Bn)	72.8	8	7
Deposits (AED Bn)	98.0	(9)	(1)

- FAB's international business remains a key differentiator, supporting both liquidity and risk diversification
- International operations contributed 14% to Group's revenues in Q1'18; revenues grew 4% year-on-year in Q1'18, driven by sustained momentum in key strategic growth markets
- Loans and advances grew 8% qoq. Liquidity remained strong with loans-to-deposit ratio averaging 74% and providing ample room for future asset growth
- As of March-end'18, international loans and deposits represent 22% and 24% of Group loans and deposits respectively

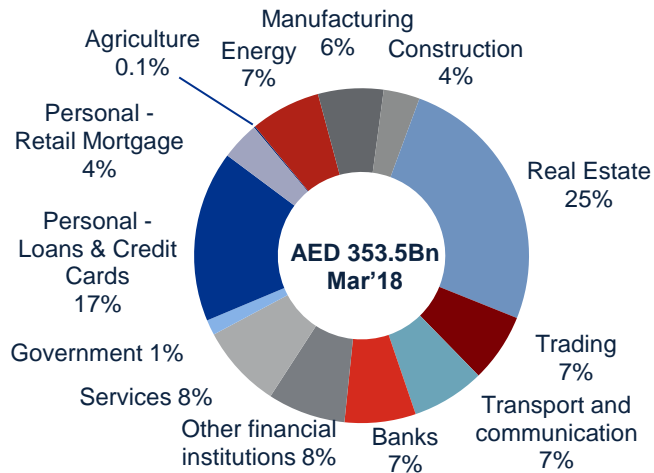
### Asset Mix



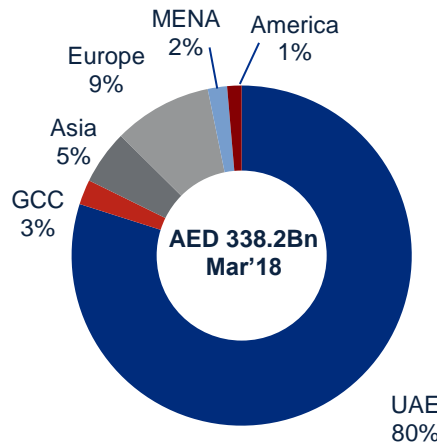
### Gross loans by counterparty (AED Bn)



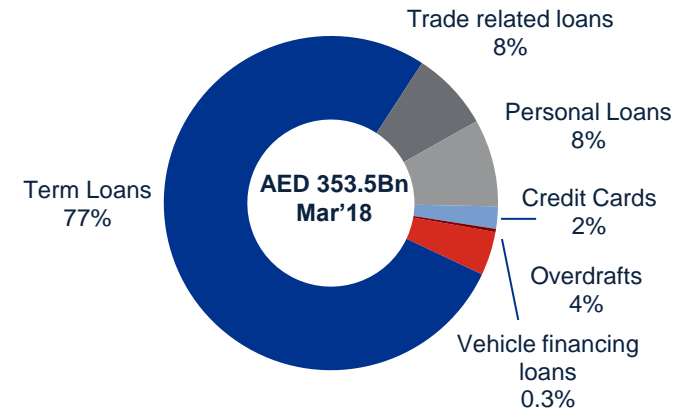
### Gross loans by economic sector



### Net loans by geography<sup>1</sup>



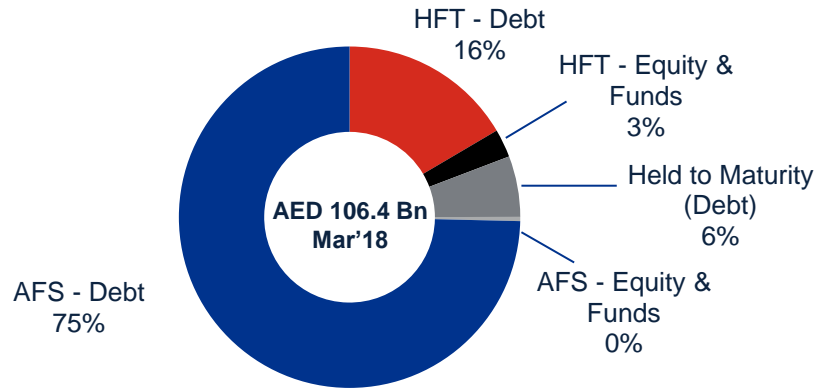
### Gross loans by product



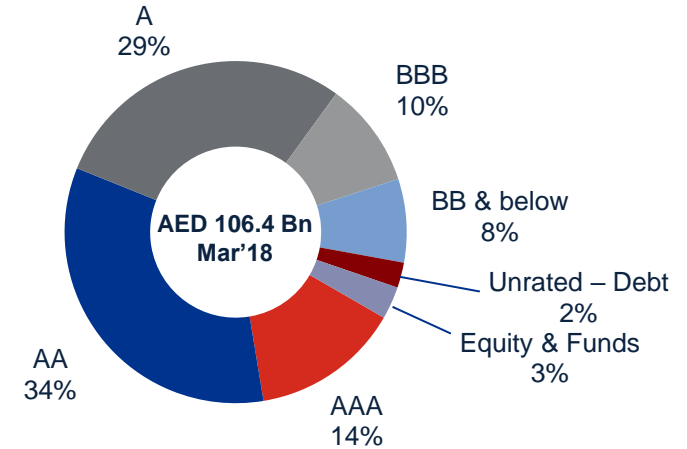
<sup>1</sup> Based on booking centre

# Investments<sup>1</sup> breakdown

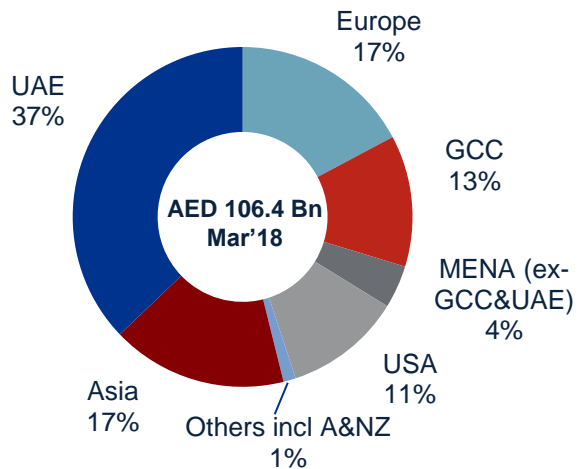
### Investments by type



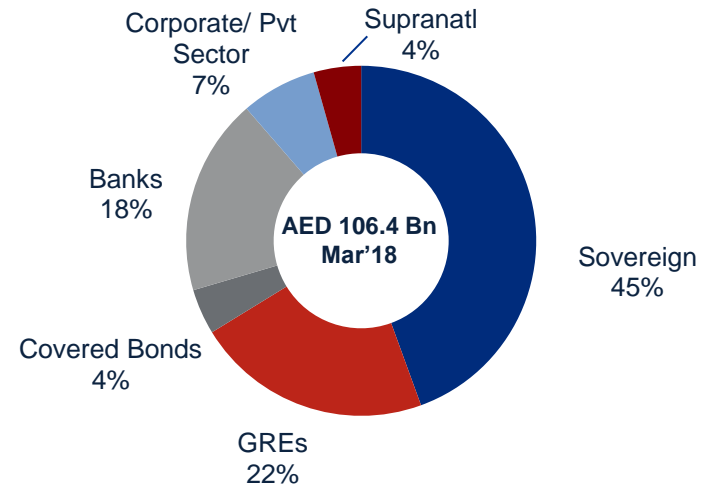
### Investments by ratings



### Investments by geography



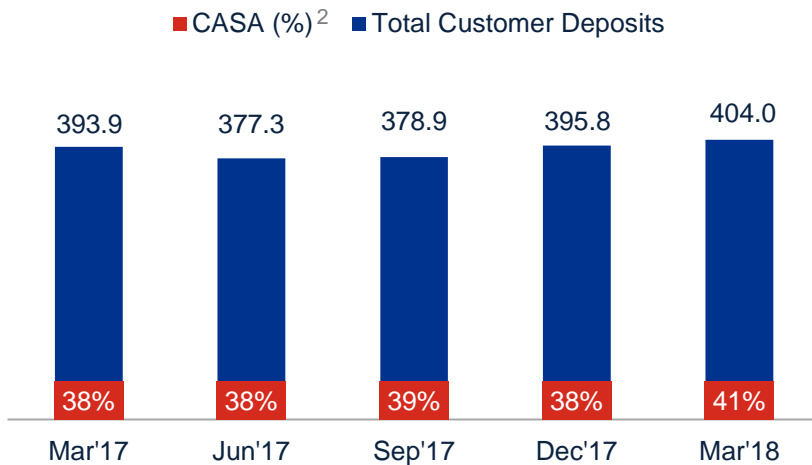
### Investments by counterparty



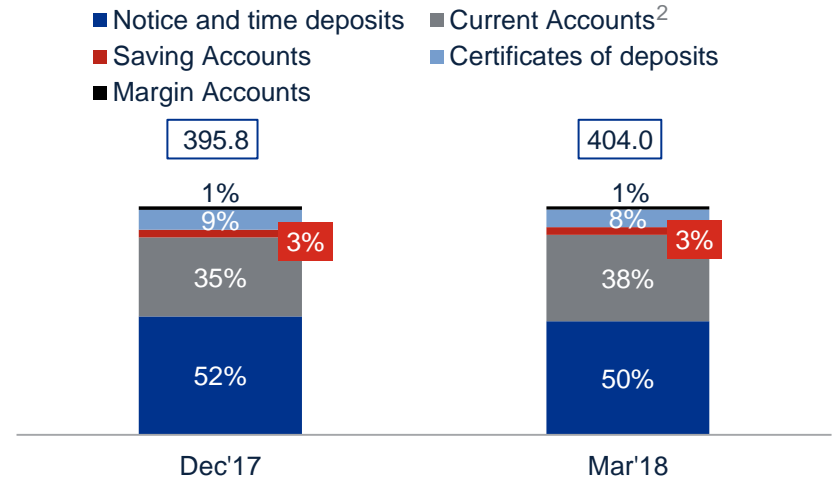
<sup>1</sup> Gross investments before ECL

# Customer deposits

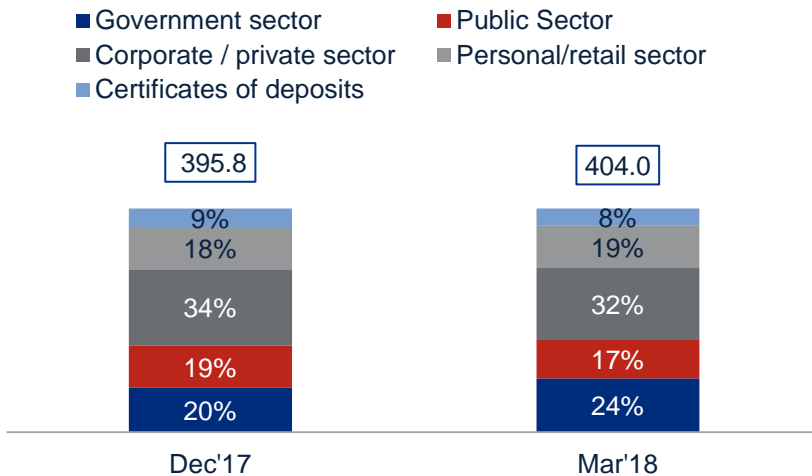
## Customer deposits (AED Bn)



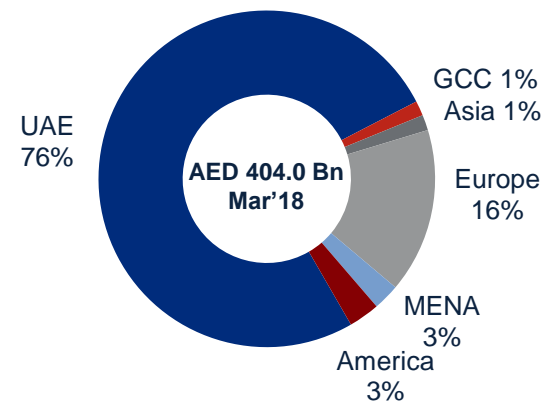
## Customer deposits by account type (AED Bn)



## Customer deposits by Counterparty (AED Bn)



## Customer deposits by geography<sup>1</sup>



<sup>1</sup> Based on booking centre

<sup>2</sup> Current, savings and call accounts; prior periods reclassified to include call accounts earlier grouped with notice and time deposits

# THANK YOU!

For more information, please visit

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ZAYED

Grow  
Stronger

بنك أبوظبي الأول

**FAB**

First Abu Dhabi Bank