

Q4/FY'19 Earnings Presentation

27 January 2020

**Grow
Stronger**

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank



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

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Please note that rounding differences may appear throughout the presentation.

Solid financial performance in a year of growth and transformation

- FY'19 NPAT +4% yoy, in line with guidance
- Revenue +4% yoy, underpinned by solid underlying performance of our core businesses

Continuing to maximise shareholder returns

- Proposed FY'19 DPS of 74fils¹; Total cash dividends of AED 8.08Bn²
- Robust capital position with CET1 ratio at 13.5%, up from 12.4% in 2018
- Solid returns with RoTE of 16.1% (FY'18: 16.2%), RoRWA of 2.56% (FY'18: 2.46%)

Making significant progress against our strategic priorities

- Strengthened leadership position in the UAE, continued to expand in strategic markets
- Enhanced digital capabilities, product offerings and improved customer experience in first year post system integration
- Annual run-rate cost synergy target almost fully met as of December-end 2019

FAB is prudently positioned to navigate challenges ahead

- Cautious outlook due to persistent market uncertainties
- Key differentiators and strategy execution positioning us well to meet our medium term financial aspirations

¹ subject to shareholders' approval at the General Assembly Meeting to be held on 24 February 2020

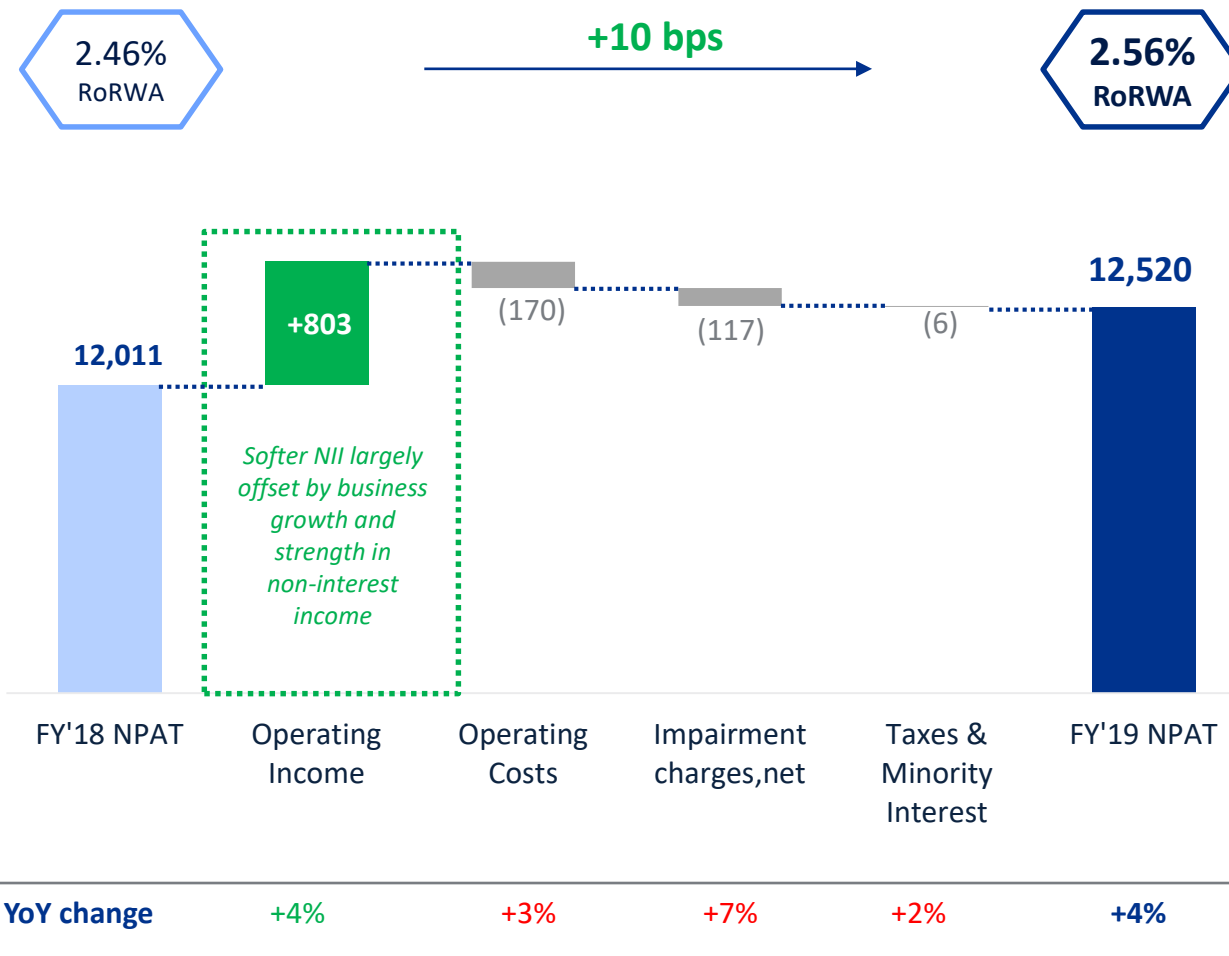
² based on issued shares as of 31 December 2019

FY'19 financial guidance FY'19 actual

| | | | | |
|--------------------------|---|-------------------|----------|--|
| GROWTH | Loan | High single digit | +16% yoy | <ul style="list-style-type: none"> Strong Govt/GRE-led growth and good momentum in PBG; sequential growth primarily driven by a large short term facility |
| | Revenue | Mid-single digit | +4% yoy | <ul style="list-style-type: none"> Solid underlying performance of our core businesses in a challenging market; Double-digit growth in non-interest income, largely offsetting softer NII |
| EFFICIENCY | C/I Ratio (ex-integ. costs) | 25-26% | 26.8% | <ul style="list-style-type: none"> Cost discipline amidst investments in key strategic and digital initiatives |
| ASSET QUALITY | Cost of Risk | 55-65bps | 48bps | <ul style="list-style-type: none"> CoR reflects risk discipline, adequate provision coverage |
| PROFITABILITY | Net profit growth | Mid-single digit | +4% yoy | <ul style="list-style-type: none"> Solid profitability and returns |
| | RoTE¹ | 16-17% | 16.1% | |
| CAPITAL | Basel III CET1 (pre-dividend) | >13% | 15.2% | <ul style="list-style-type: none"> Strong capital generation yoy supporting robust payout |

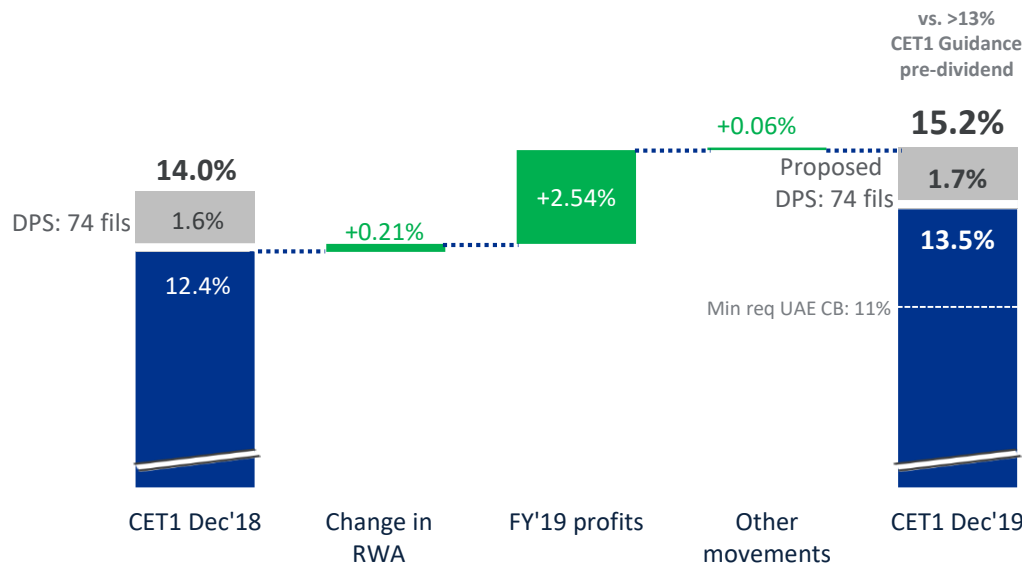
¹ Return on Average Tangible Equity, annualised; based on attributable profit to equity shareholders' excl Tier 1 notes coupon

Net profit bridge (AED Mn) & RoRWA (%)



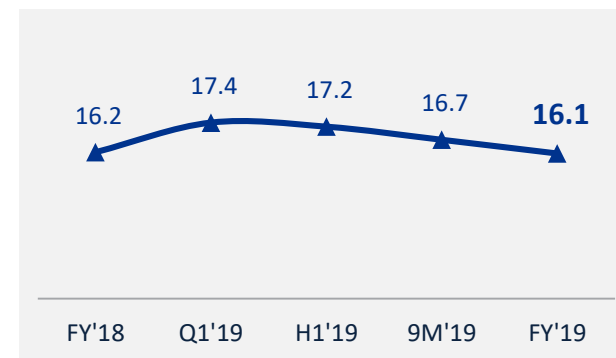
- NPAT growth was driven by the **solid underlying performance of our core businesses in a challenging environment** marked by a reversal in the interest rate cycle in H2'19
- We **delivered positive Jaws** despite significant investments in key enablers
- Higher risk-adjusted returns yoy reflect **improved earnings capacity and optimised balance sheet positioning**

CET1¹ ratio progression yoy



- **Enhanced CET1** yoy on the back of higher retained earnings and RWA discipline (-1.5% yoy vs. 10% asset growth)
- **Proposed FY'19 cash dividend of 74 fils / share**, flat yoy as we continue to maximise shareholder returns, while supporting future growth plans
- Dec-end CET1 comfortably above minimum regulatory requirement and management guidance
- RoTE of 16.1% within our FY'19 guidance range of 16-17%

RoTE trend (ytd)



| | Dec'18 | YoY change | Dec'19 |
|--------|-------------|------------|-------------|
| CET1 | AED 61.0Bn | +7.7% | AED 65.6Bn |
| RWAs | AED 492.4Bn | -1.5% | AED 485.1Bn |
| Tier 1 | 14.6% | +118bps | 15.7% |
| CAR | 15.7% | +118bps | 16.9% |

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



Disciplined Growth

- **Market share gains across key segments in UAE;** outperformed market growth in Govt/GRE lending, as well as retail
- **International strategy on track:** opened 2 additional branches in KSA, rolling out global product capabilities across our network, exploring growth opportunities in key markets



Efficiency & Transformation

- Invested in key areas **to accelerate transformation and enable agility**
- **Significantly improved customer experience, digital capabilities, and culture in our first year as 'One Bank'**
- Synergy realisation ahead of plan with **~98% of 2020 run-rate target already achieved to-date**



Leadership & Strength

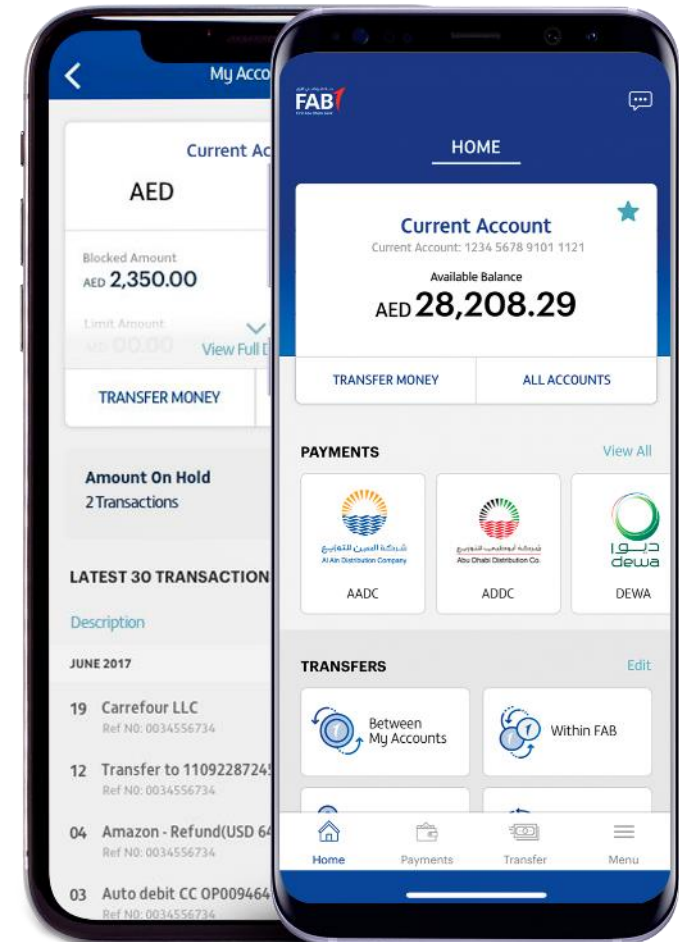
- **Key enabler to Abu Dhabi's economic growth and diversification plans**
- **Diversified business profile** across products and geographies
- **Market-leading franchise and award-winning capabilities,** FAB remained top ranked regional LCM and DCM House in 2019
- **Strongest combined credit ratings of any other bank in MENA** (AA- or equivalent), recently reaffirmed by all 3 major rating agencies

Significantly improved customer experience, digital capabilities, and culture in our first year as 'One Bank'

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- >50% increase in mobile registrations and engagement yoy
- Consistent improvement in NPS scores throughout 2019
- **Successful migration of key services to mobile**; 4x increase in digital transactions for migrated services. For eg. >80% card activations are currently done through mobile vs. <5% a year ago
- **New functionalities introduced on our mobile app and digital wallet (Pay-it)**
- **Re-design of key end-to-end customer journeys** to accelerate bank-wide digital transformation
- **Substantial increase in clients adopting electronic channels in GTB**: (>90% vs. ~60% a year ago), introduction of **Blockchain** for Trade Finance (UAE trade connect)
- **Process efficiencies** through RPA implementation, AI
- **Leveraging data analytics** to offer value-add solutions to clients
- Instilling a **tangible culture of innovation** through various initiatives

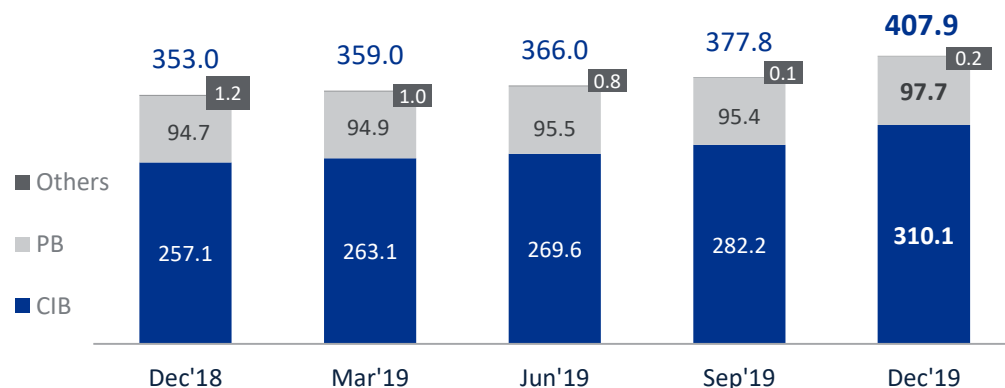


Strong balance sheet growth

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Loans and advances, net (AED Bn)

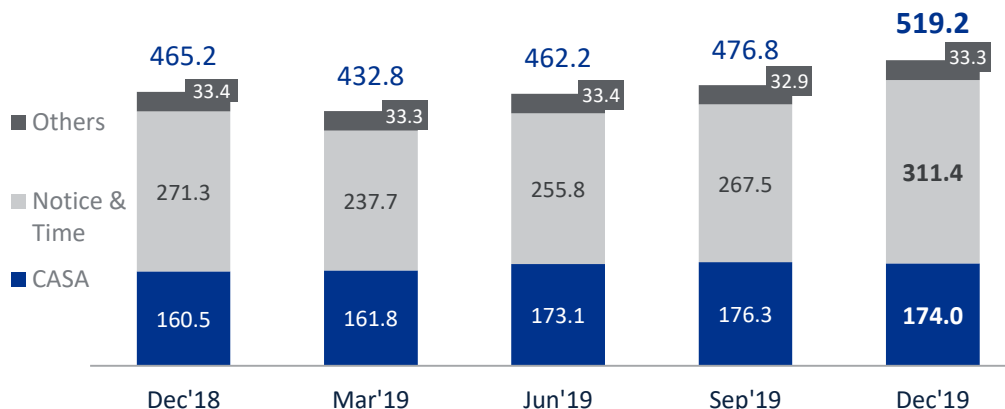
QoQ↑8%, YoY↑16%



- Loans and advances (net) were up 16% yoy (+55Bn) primarily driven by CIB, while PBG showed positive momentum in the first year post system integration
- Loan growth yoy was primarily led by Govt lending (+49Bn), while sequential growth in Q4 was primarily driven by a large short-term facility at the tail-end of the quarter
- FAB loan book grew significantly faster than UAE banking sector average of 3%*, with the bank capturing the lion's share of domestic Govt/GRE lending in 2019

Customer deposits (AED Bn)

QoQ↑9%, YoY↑12%



- Customer deposits were up 12% yoy (+54Bn), driven by inflows across all customer segments and categories. They were up 9% qoq (+42Bn) primarily on higher public and private sector deposits, partly offset by government outflows
- CASA balances grew 8% yoy (+14Bn) to AED 174Bn, reflecting successful business strategies and product propositions to attract stable deposits (cash management mandates, iSave, employee banking)
- Strong liquidity position with LCR at 129%, comfortably above minimum regulatory requirements

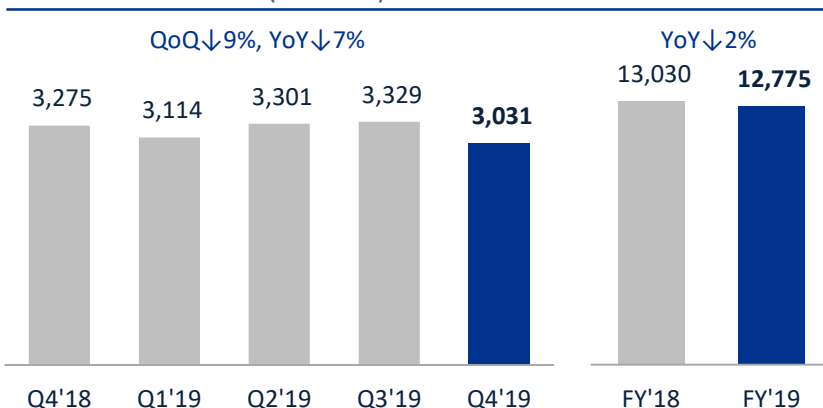
LCR (%) 118 117 137 146 129

LDR (%) 78 76 83 79 79

Minimum regulatory LCR requirement is 100% effective Jan'19

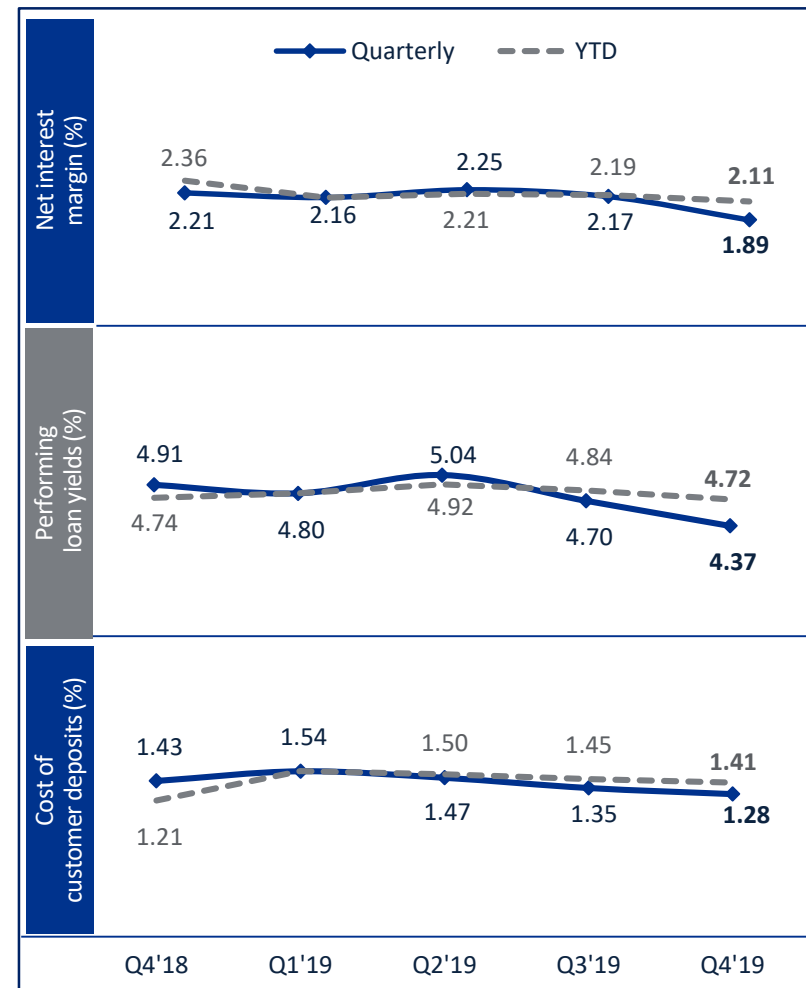
*Based on UAE CB data as of November-end 2019

Net interest income (AED Mn)



Key highlights

- Q4'19 NII was 9% lower qoq with NIM down 28bps sequentially mainly due to margin compression as a result of 3 rate cuts in 2019 (July, Sept and Oct), as well as lower interest in suspense reversals
- FY'19 NII was down 2% yoy as strong Govt-led growth and 2018 rate hike benefits, were offset by increased excess liquidity placements and margin compression
- As of December-end 2019, the P&L impact from a +/-25bps parallel movement in interest rates is estimated at ~+/-AED 270Mn¹, if no offsetting action is taken by management



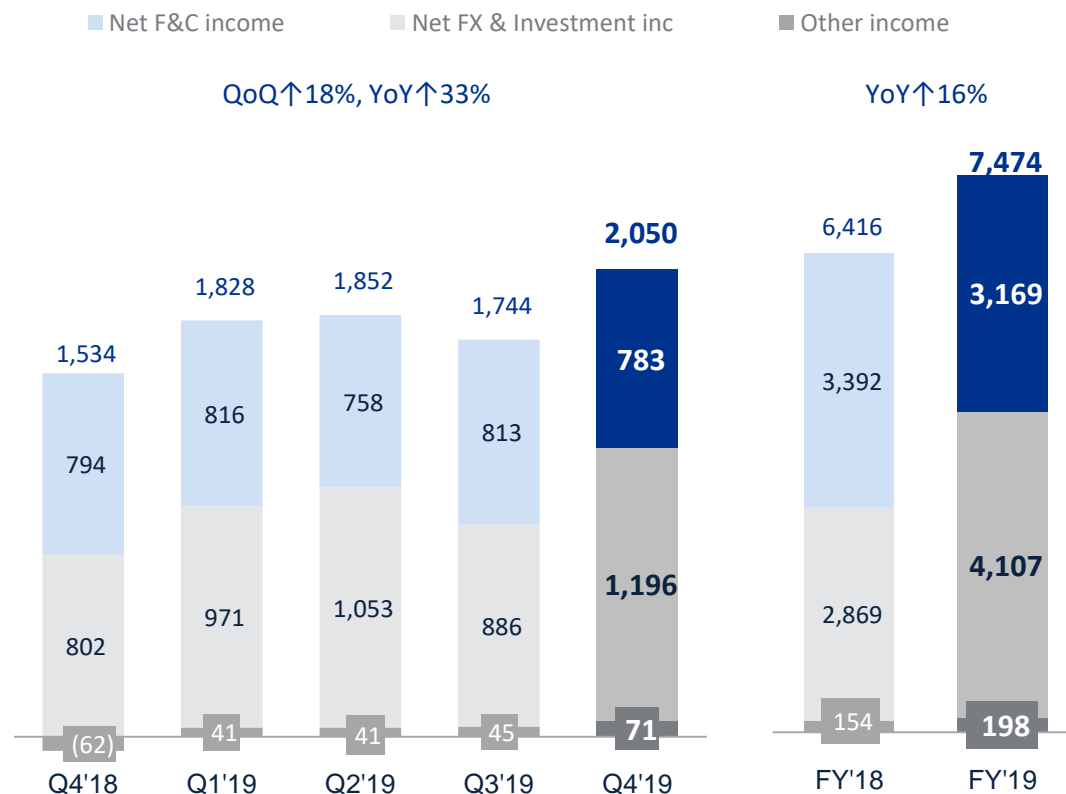
Note: All percentage figures are annualised

¹ For further details, please refer to Market Risk note 5(c) of FY'19 financial statements

Continued strength in non-interest income

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Non-interest income (AED Mn)



Key drivers

Fees & commissions were 7% lower yoy mainly due to lower trade-related fees, partly offset by strong performances across Loan and Debt Capital Markets. They were 4% lower sequentially mainly due to lower loan-related fees

FX & investment income grew 43% yoy driven by higher FX and trading gains, strong investment and ALM returns, and increased client flow activity. They were up 35% sequentially in Q4 on the back of higher trading gains and realised gains on AFS investments

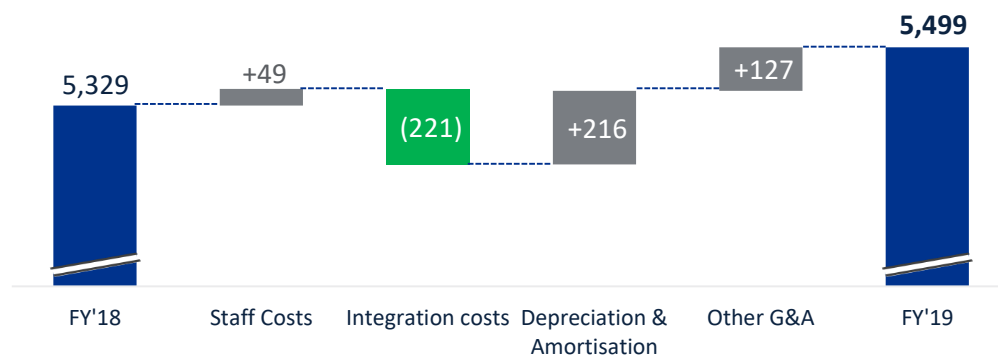
Non-interest income % (of Group revenue)

| | | | | | | |
|-----|-----|-----|-----|------------|-----|------------|
| 32% | 37% | 36% | 34% | 40% | 33% | 37% |
|-----|-----|-----|-----|------------|-----|------------|

Cost leadership despite ongoing transformation

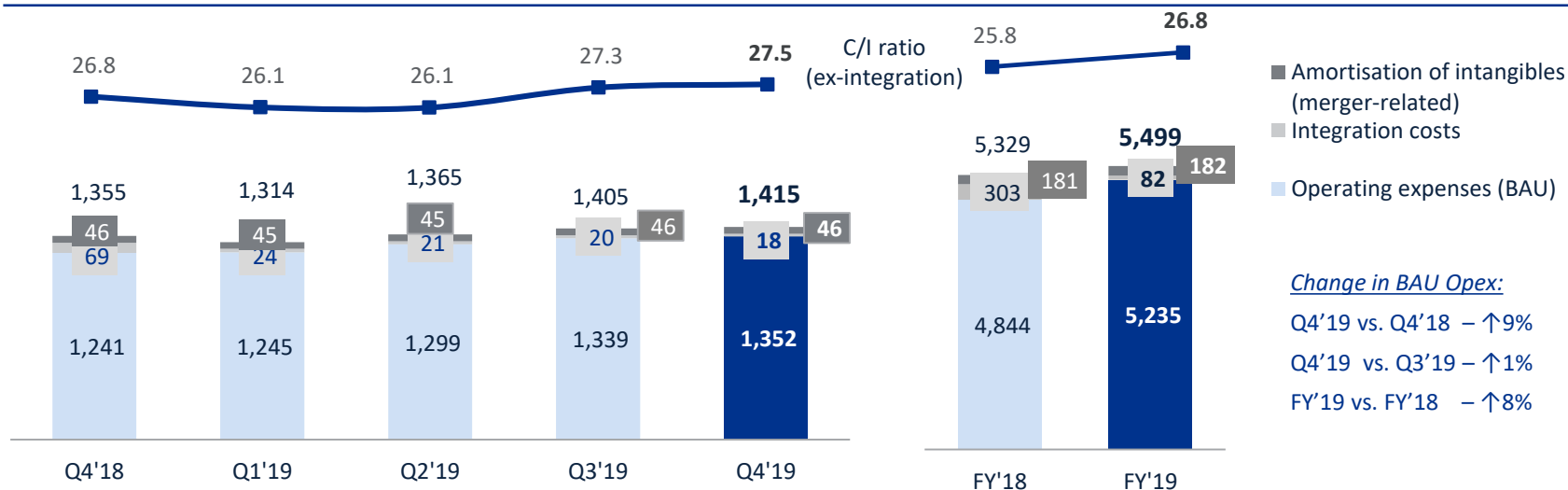
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Opex drivers yoy (AED Mn)

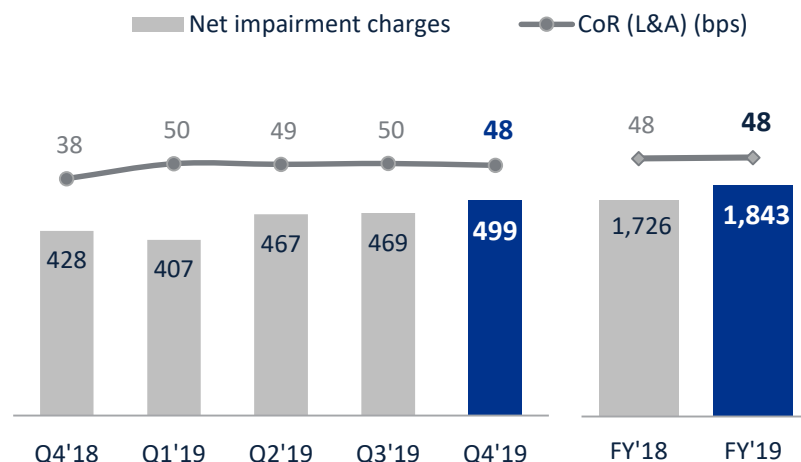


- Operating expenses were up 3% yoy, reflecting cost discipline amidst investments to grow our international franchise, enhance digital capabilities, and create future efficiencies
- FY'19 C/I ratio at 26.8% is at an industry-leading level, and marginally outside 25-26% target range due to a softer revenue environment
- Synergy realisation ahead of plan with ~98% of 2020 run-rate target of AED 1.5Bn already achieved to-date
- Integration of our international operations is ongoing

Operating expenses trend (AED Mn) and Cost-income ratio (ex-integration) (%)



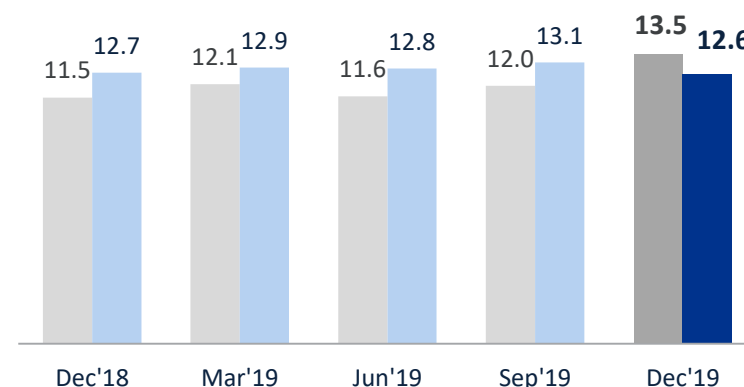
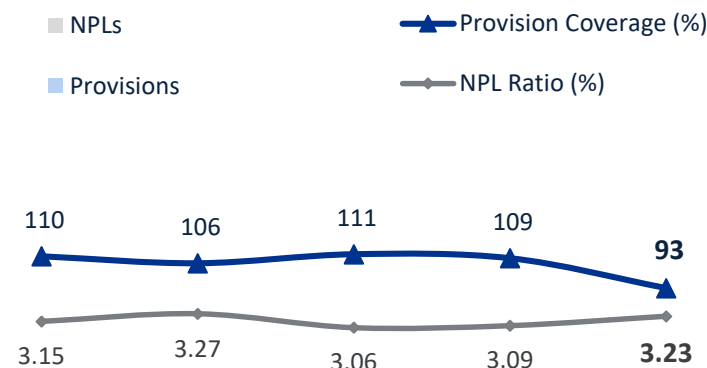
Impairment charges, net (AED Mn) & CoR¹



Key highlights

- NPLs were AED 13.5Bn vs. AED 12Bn as of Sep'19, with the sequential increase primarily driven by a few corporate accounts
- Renegotiated loans grew from AED 7.3Bn to AED 11.3Bn, due to a couple of corporate exposures
- Dec'19 NPL ratio stands at 3.2% and is expected to remain below 4% in 2020
- FY'19 CoR was 48bps, in line with 2018, and is expected to normalise within our 55-65bps target range
- Provision coverage is adequate at 93%

NPLs and Provisions (AED Bn)



- NPLs = Stage 3 exposure + adjusted POCI (Purchase or originally impaired credit) of AED 4,560Mn as of Dec'19 considered as par to NPLs, net of IIS
 - ECL/ Provisions = ECL on loans & advances + ECL on unfunded exposures + IFRS9 impairment reserve

In the current environment,...

- Global backdrop impacted by persistent **market uncertainties**
- **Lower interest rate environment**
- **Continued softness in UAE property market**
- Increased government spending, positive impact of structural reforms, stimulus plans, and Expo 2020, **expected to support GDP formation**

... our strategy execution will be focused on:

- **Maintaining cost and risk discipline**
- **Strengthening our leading position in the UAE** by growing market share in chosen segments, and deepening client relationships
- **Enhancing and rolling out product capabilities** across our global network to support fee-based business, client flow activity, and cross-sell
- **Accelerate growth in strategically-targeted markets**
- **Continuing to invest in critical enablers** to support business growth, efficiencies and resilience

2020 financial guidance metrics

| | | | |
|---------------|-------------------------------|--|--|
| GROWTH | Loan growth | <ul style="list-style-type: none"> Govt/GRE-led growth in the UAE, continued positive momentum in PBG | Broadly flat* yoy <i>*high single-digit excluding large short-term facility in Q4'19</i> |
| | Revenue Growth | <ul style="list-style-type: none"> Softer revenue environment due to rate cuts Business growth, continued strength in NFI and cross-sell expected to help mitigate NII headwinds | Low to mid single digit |
| EFFICIENCY | C/I Ratio (ex-integ. costs) | <ul style="list-style-type: none"> Ongoing cost control and savings, amidst continued investments in key enablers | <27% |
| ASSET QUALITY | Cost of Risk | | 55-65bps |
| | NPL ratio | <ul style="list-style-type: none"> Healthy asset quality | <4% |
| PROFITABILITY | RoTE ¹ | | >15% |
| CAPITAL | Basel III CET1 (pre dividend) | <ul style="list-style-type: none"> Solid ratios | >13% |

We remain firmly committed to meet our medium term financial aspirations:



<25%
C/I Ratio



17-18%
RoTE¹



>13.5%
CET1 (pre-div)

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



Solid financial performance in the first year of growth and transformation

Market-leading franchise, diversified business profile, strong fundamentals and superior credit ratings

We are making significant progress against our strategic priorities both in the UAE and key strategic markets

We are prudently positioned to navigate challenges ahead

We remain firmly committed to meet our medium term financial aspirations

Appendix



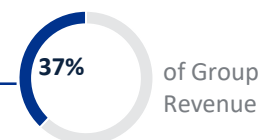
Corporate & Investment Banking (CIB)



| In AED Mn | FY'19 | YoY % |
|-------------------------|---------|-------|
| Revenues | 11,233 | 11 |
| Operating expenses | (2,097) | 16 |
| Impairment charges, net | (991) | (19) |
| Profit after taxes | 7,926 | 15 |
| Loans (AED Bn) | 310.1 | 21 |
| Deposits (AED Bn) | 420.0 | 12 |

- CIB Revenue up 11% yoy driven by strong performances across:
 - › **Global Markets (+33%)**, on the back of higher returns from investment and ALM portfolios , higher trading gains and increased client activity and cross-sell; GM sales revenue +40% yoy
 - › **Global Transaction Banking (+6%)**, driven by an increase in cash management revenue from new client mandates, largely offsetting rate cut impact
 - › **Global Corporate Finance (-2%)**, strong pipeline execution in a competitive market and against a backdrop of subdued market volumes (-36% yoy) and margin compression.
- Robust balance sheet growth yoy led by Govt/GRE lending in UAE, and strong liquidity position

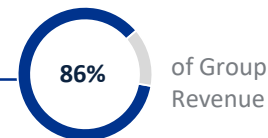
Personal Banking Group (PBG)



| In AED Mn | FY'19 | YoY % |
|-------------------------|---------|-------|
| Revenues | 7,558 | 1 |
| Operating expenses | (2,949) | 9 |
| Impairment charges, net | (962) | 111 |
| Profit after taxes | 3,575 | (16) |
| Loans (AED Bn) | 97.7 | 3 |
| Deposits (AED Bn) | 96.3 | 13 |

- PBG delivered a resilient performance in 2019 growing balance sheet and revenue in a competitive market
- Operating income grew 1% yoy on the back of higher net interest income, partly offset by lower fees and commissions.
- Enhanced product offerings, new partnerships and ongoing process improvements supported business growth throughout 2019, capitalising on a unified value proposition and systems.
- Increase in loans and advances in Q4'19 was driven by growth in mortgages and favourable movement of GBP, while CASA deposits grew 12% yoy

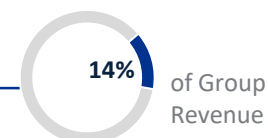
UAE



| In AED Mn | FY'19 | YoY % |
|-------------------------|---------|-------|
| Revenues | 17,353 | 4 |
| Operating expenses | (4,385) | ↔ |
| Impairment charges, net | (1,631) | (10) |
| Profit after taxes | 11,334 | 8 |
| Loans (AED Bn) | 305.9 | 9 |
| Deposits (AED Bn) | 409.8 | 7 |

- Revenue and profitability from UAE continue to improve
- Revenues grew 4% yoy, contributing 86% to Group revenue, while operating expenses were flat you on the back of cost discipline and synergy realisation
- Loan book grew faster than market, led by government/ GRE lending and highlighting FAB's position as the preferred banking partner to the Abu Dhabi Government and GREs
- Liquidity position remains strong, with customer deposits inflows up 7% yoy

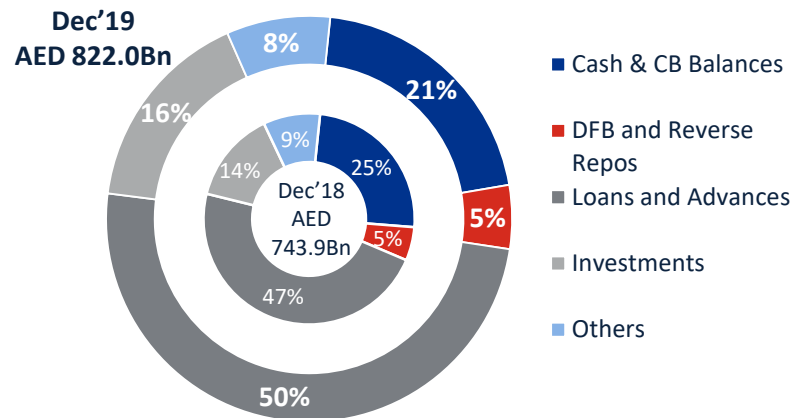
International (Europe, Americas, Middle East & Africa and Asia-Pacific)



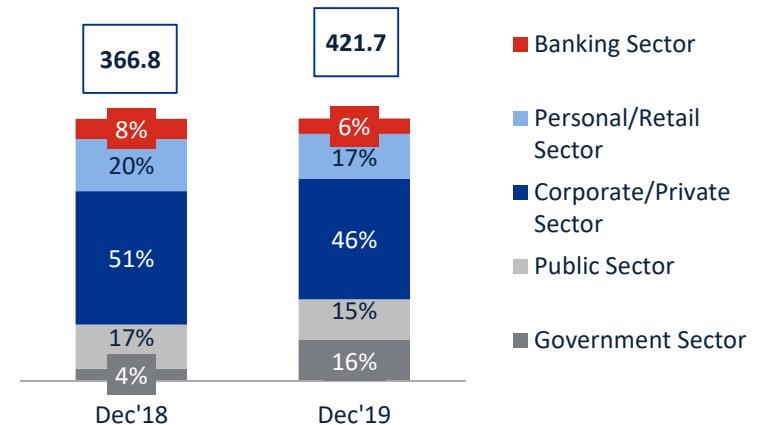
| In AED Mn | FY'19 | YoY % |
|-------------------------|---------|-------|
| Revenues | 2,896 | 6 |
| Operating expenses | (1,114) | 17 |
| Impairment charges, net | (212) | nr |
| Taxes | (312) | (4) |
| Profit after taxes | 1,259 | (18) |
| Loans (AED Bn) | 102.0 | 5 |
| Deposits (AED Bn) | 109.4 | (5) |

- FAB's international business remains a key differentiator supporting revenue and risk diversification, contributing 14% to FY'19 Group revenue
- International revenue grew 6% yoy, led by higher contributions from Saudi Arabia, Egypt, Hong Kong and India
- Increase in expenses reflects growth initiatives in targeted markets
- As of December-end 2019, international loans and deposits represent 25% and 21% of Group loans and deposits, respectively

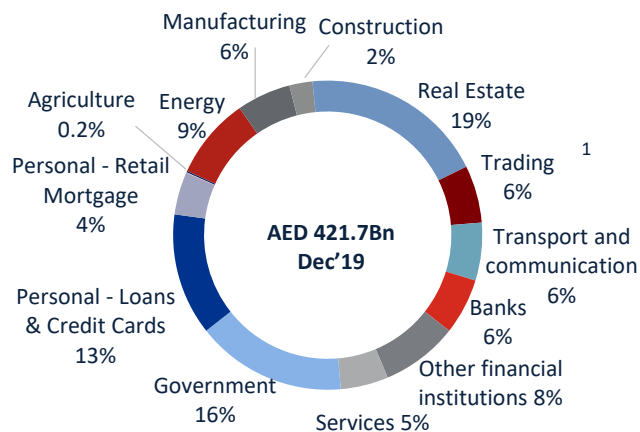
Asset Mix



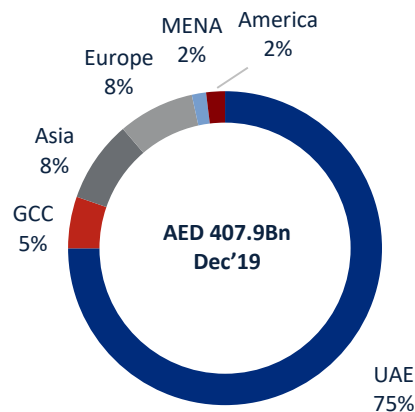
Gross loans by counterparty (AED Bn)



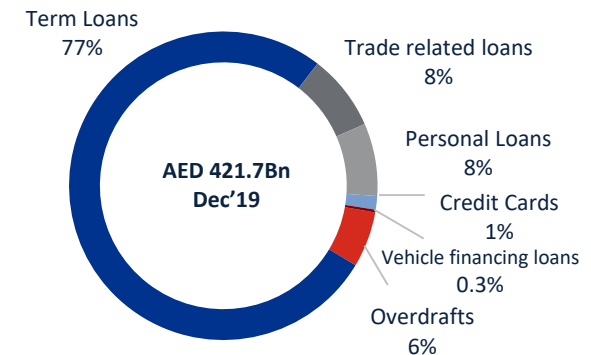
Gross loans by economic sector



Net loans by geography²



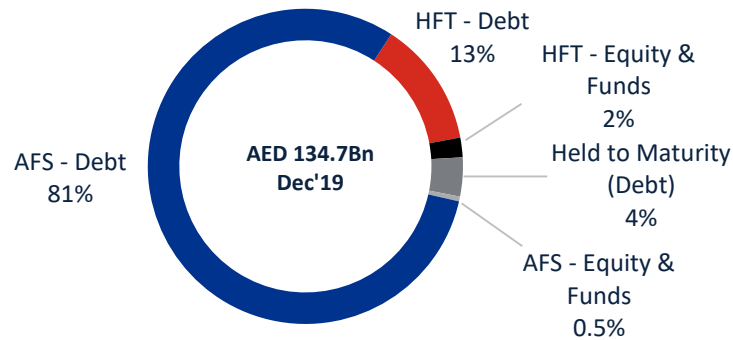
Gross loans by product



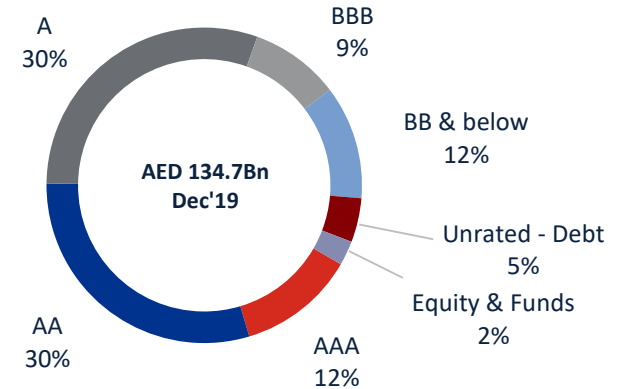
¹ Real Estate by geography: Abu Dhabi 44%, Dubai 26%, Other UAE 3%, UK 18%, Other Intl 9%

² Based on loan origination / coverage

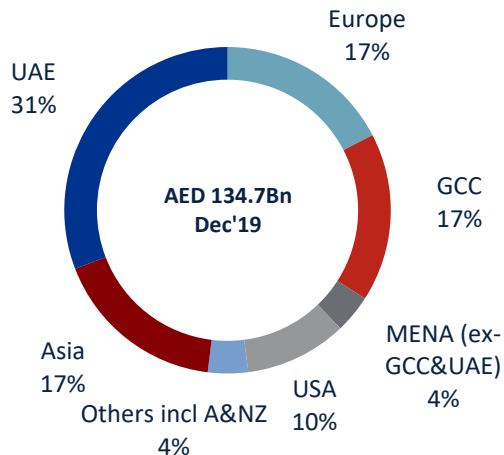
Investments by type



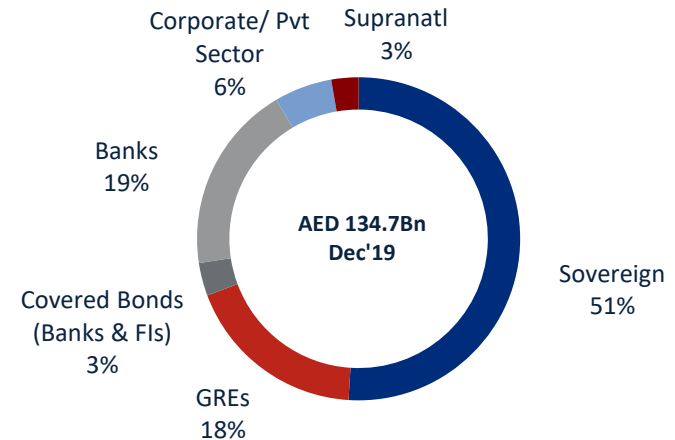
Investments by ratings



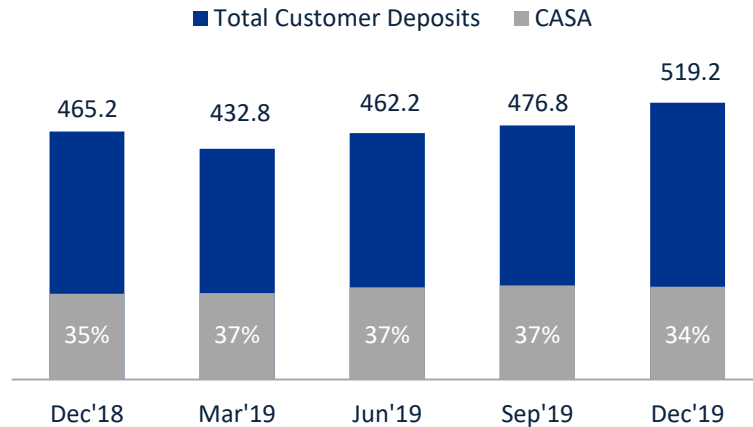
Investments by geography



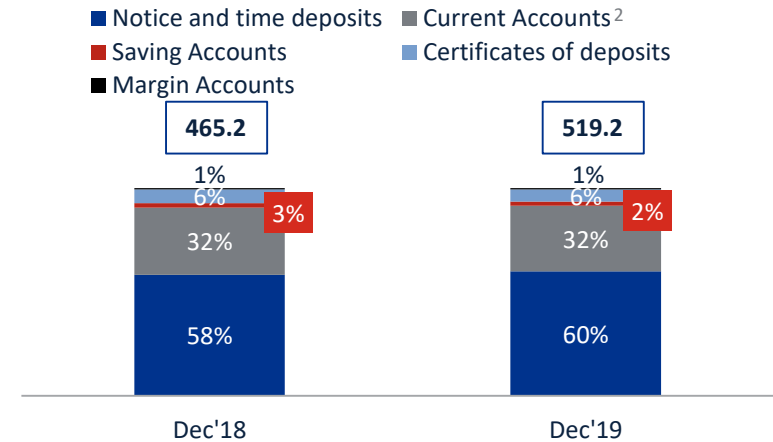
Investments by counterparty



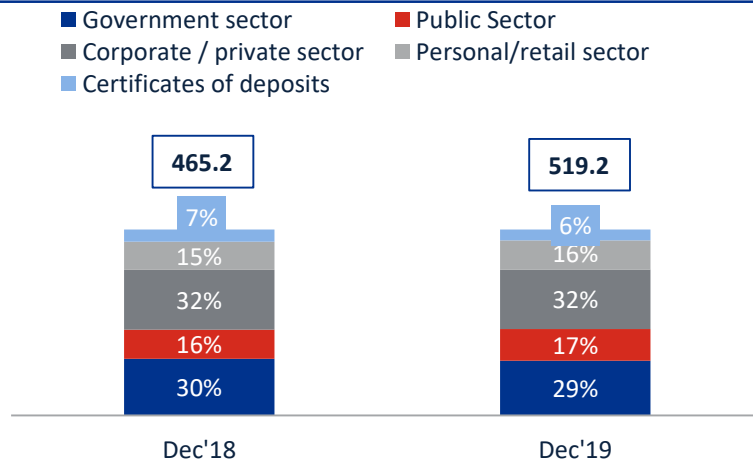
Customer deposits (AED Bn)



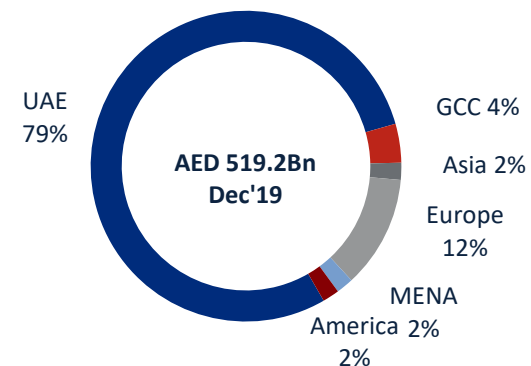
Customer deposits by account type (AED Bn)



Customer deposits by Counterparty (AED Bn)



Customer deposits by geography¹



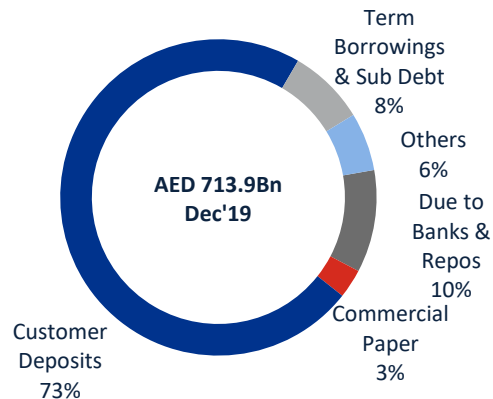
¹ Based on deposit origination / coverage

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

Liability mix and funding profile

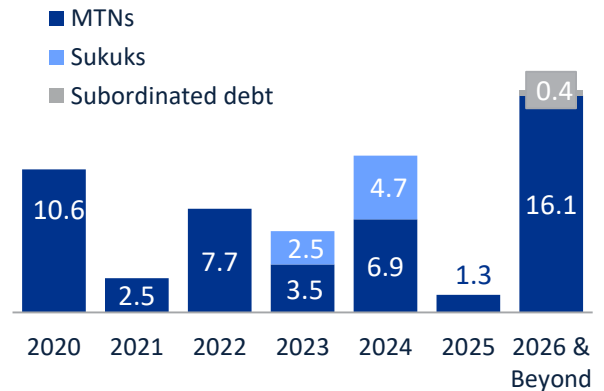
Grow
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Liability Mix



Medium-term wholesale funding (AED Bn)

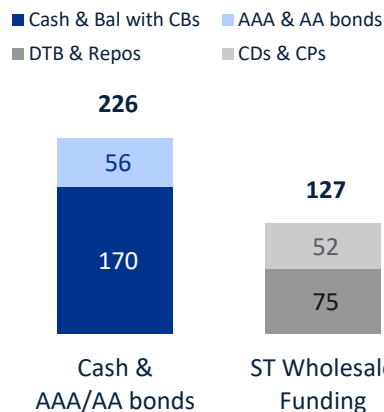
| | |
|-------------------|-------------|
| Medium Term Notes | 48.5 |
| Sukuks | 7.2 |
| Subordinated debt | 0.4 |
| Total | 56.1 |



Note: Debt at final maturity date rather than next call date

Cash & AAA/AA bonds vs. ST wholesale

(AED Bn)



Issuances
USD
equivalent
5.8Bn
in FY'19

- 3-5yr USD 2.45Bn Formosa FRNs @ 3M\$Libor + 85-95bps
- 5yr USD 1.23Bn Sukuk @ 3.625%
- 5.5-8yr CHF 500Mn Swiss Public @ 0.07-0.401%
- 30yr Multi-Callable USD 641Mn across multiple Private Placements
- 2yr - 19yr USD 930Mn equivalent of bullet Vanilla Private Placements
- 5-10yr USD 70Mn of bullet Green Private Placements

Maturities
USD
equivalent
3.7Bn
in FY'19

- Early repayment of USD 1.5Bn syndicated loan
- 5-7yr USD 1.25Bn public bonds @ 3.00-3.25%
- 5yr AUD 650Mn of Kangaroo bonds @ 4.75-5.00%
- 3yr CNH 516Mn public Formosa bond @ 4.55%
- 5yr JPY 10Bn Tokyo pro-bond @ 0.863%
- USD 234Mn equivalent Private Placements issued in 2009-2017

P&L summary

| <i>In AED Mn</i> | Q4'19 | Q3'19 | QoQ% | Q4'18 | YoY% | FY'19 | FY'18 | YoY% |
|---|--------------|--------------|------------|--------------|----------|---------------|---------------|----------|
| Revenue | 5,081 | 5,073 | 0 | 4,810 | 6 | 20,249 | 19,446 | 4 |
| Operating expenses | (1,415) | (1,405) | 1 | (1,355) | 4 | (5,499) | (5,329) | 3 |
| Impairment charges | (499) | (469) | 6 | (428) | 17 | (1,843) | (1,726) | 7 |
| Net profit (after minority interest) | 3,081 | 3,111 | (1) | 2,933 | 5 | 12,520 | 12,011 | 4 |

Balance Sheet summary

| <i>In AED Bn</i> | Dec'19 | Sep'19 | QoQ% | Dec'18 | YoY% |
|------------------------------------|--------|--------|------|--------|------|
| Total assets | 822 | 788 | 4 | 744 | 10 |
| Loans and advances | 408 | 378 | 8 | 353 | 16 |
| Customer deposits | 519 | 477 | 9 | 465 | 12 |
| Equity (incl Tier 1 capital notes) | 108 | 104 | 4 | 102 | 6 |

Key ratios

| % | Q4'19 | Q3'19 | QoQ(bps) | Q4'18 | YoY(bps) | FY'19 | FY'18 | YoY(bps) |
|--------------------------------|-------|-------|----------|-------|----------|-------|-------|----------|
| C/I ratio (ex-integ costs) | 27.5 | 27.3 | 20 | 26.8 | 75 | 26.8 | 25.8 | 91 |
| RoTE | 15.5 | 16.4 | (87) | 15.7 | (21) | 16.1 | 16.2 | (5) |
| NPL ratio | 3.2 | 3.1 | 14 | 3.2 | 8 | 3.2 | 3.2 | 8 |
| Provision coverage | 93 | 109 | Lge | 110 | Lge | 93 | 110 | Lge |
| Liquidity Coverage Ratio (LCR) | 129 | 146 | Lge | 118 | Lge | 129 | 118 | Lge |
| CET1 ratio (post dividend) | 13.5 | 14.2 | (65) | 12.4 | 115 | 13.5 | 12.4 | 115 |

THANK YOU!

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