

# MANAGEMENT DISCUSSION & ANALYSIS REPORT



FOR THE FIRST QUARTER  
ENDED 31 MARCH 2021

**Grow  
Stronger**

بنك أبوظبي الأول

**FAB**

First Abu Dhabi Bank

## FAB reports a Group Net Profit of AED 2.5 Billion for the first quarter of 2021

### First quarter results reflect gradual economic recovery

Net profit of AED 2.5 Billion, up 3% year-on-year

Annualised Earnings Per Share (EPS) at AED 0.88, up 7% compared to the first quarter of 2020

Total operating income at AED 4.4 Billion, down 4% year-on-year

Impairment charges at AED 470 Million, up 48% sequentially, and down 36% year-on-year, reflecting improving economic conditions, and adequate provision buffers

Operating costs at AED 1.3 Billion, improved 3% year-on-year

### Balance sheet strength maintained with strong liquidity and capital position

Total assets at AED 941 Billion, up 2% year-to-date, and 13% year-on-year

Customer deposits at AED 568 Billion, up 5% year-to-date and 14% year-on-year

Loans and advances down 2% year-to-date and 1% year-on-year

Liquidity Coverage Ratio (LCR) at 141% underlines strong liquidity position

NPL ratio at 4.0%, provision coverage at 96%

Common Equity Tier 1 (CET1) at 13.7% well above regulatory requirements

Earnings Per Share (EPS)

**88 fils**

Q1'20: 82 fils

Return on Tangible Equity (RoTE)

**12.8%**

Q1'20: 13.0%

Cost-to-Income Ratio

**29.6%**

Q1'20: 29.1%

CET1 Ratio

**13.7%**

Q1'20: 12.2%

Liquidity Coverage Ratio

**141%**

Q1'20: 110%

Annualised

Ex-integration costs

#### Abu Dhabi, UAE (21 April 2021)

First Abu Dhabi Bank (FAB), the UAE's largest bank and one of the world's largest and safest financial institutions, reported its financial results for the first quarter ended 31 March 2021.

Group Net Profit was AED 2.5 Billion, up 3% compared to AED 2.4 Billion in the first quarter of 2020. Revenue was 4% lower year-on-year, as lower net interest income due to the rate cuts in 2020, was partially offset by higher other income. Net impairment charges were 36% lower year-on-year reflecting improving economic conditions and adequate provision buffers, while operating expenses reduced 3% as the Group maintained strong cost discipline, while continuing to invest in digital and strategic initiatives. The Bank preserved strong liquidity and funding ratios during the period, a solid capital position, and resilient asset quality underpinned by a conservative risk profile. FAB continued to support customers through payment deferrals and the relief measures under the UAE Central Bank TESS programme, which has been further extended.



## HANA AL ROSTAMANI

GROUP CHIEF EXECUTIVE OFFICER

FAB's strong foundations and competitive strengths continue to support the bank's ability to achieve a resilient performance in a challenging quarter characterised by a slower than expected recovery in business activity.

During the period, we have made significant progress on the delivery of our strategic priorities, which represent key milestones for both FAB and our industry. We completed the carve out of our payments business and launched "Magnati", a unique and intelligent payments platform. We are also in the process of finalising our acquisition of Bank Audi Egypt, which will mark our first international acquisition into what is a growing and strategically important market for us. We also remain focused on driving our sustainability agenda, with a plan to finalise our ESG roadmap over the course of the year, and we continued to lead the market in terms of green financing, and as a leading Green bond issuer regionally and globally, with FAB Green Bonds outstanding now exceeding USD 1 Billion.

As we move into the next phase of our growth journey, we are evolving our strategy to build an organisation fit for the future, and around the evolving needs of our customers. To enable this, we have realigned our business model, reorganising our Corporate and Investment Banking and Personal Banking Groups, into four distinct business lines: Corporate & Commercial Banking, Investment Banking, Consumer Banking and Private Banking. This realignment and strengthening of our diversified capabilities, will enable us to best capitalise on the opportunities ahead, while driving specialisation and competitive advantage, and enhancing future income generation.

Amidst the evolving dynamics of the pandemic, we have focused on driving our strategic priorities and on supporting our customers, employees, communities and wider national programmes, including the UAE Central Bank's TESS. We have also entered into an exclusive partnership with Emirates Foundation and the Fakh Al Watan Office in supporting underprivileged frontline teams during the Holy Month of Ramadan.

As we begin to celebrate the UAE's milestone 50th Year and as economic and business activity gather further momentum, I am confident that we are well positioned to benefit from the opportunities that lie ahead for us and for our customers, and to continue to create sustainable value for all our stakeholders.





## JAMES BURDETT

GROUP CHIEF FINANCIAL OFFICER

The Group delivered a net profit of AED 2.5 Billion for the first quarter of 2021, representing a 3% growth over the same period last year, which is a good result against a gradually improving market environment, although demand remained relatively subdued.

FAB continued to demonstrate good momentum across core businesses towards the end of the quarter, leveraging our diversified product platforms to help core clients navigate turbulent market conditions. While low interest rates remain a key headwind, our Global Markets business recorded a double-digit revenue growth year-on-year, and Global Transaction Banking saw record growth in Current Accounts and Savings Accounts (CASA) in a highly competitive market. Targeted initiatives including the optimisation of our property portfolio, and the tactical rundown of non-strategic assets helped support risk adjusted returns, while focus on diversifying and growing recurring income streams will support future growth. Throughout the period, we continued to demonstrate strong cost and risk discipline, with our asset quality broadly steady from December levels underpinned by a prudent risk approach and recoveries. Our balance sheet foundation remains robust, with solid liquidity and funding ratios, and a strong capital position with a CET1 at 13.7%.

While the environment remains uncertain, we expect the vaccine roll-out and improving macro outlook to underpin a gradual return to economic normalcy and a pick-up in business activity from the second half of the year. This, coupled with our agile strategies and execution, position us well to deliver the next phase of our growth and transformation journey.



## Q1'21 SUMMARY FINANCIALS

Income Statement - Summary (AED Mn)	Q1'21	Q4'20	QoQ %	Q1'20	YoY %
Net interest Income	2,679	3,079	(13)	3,080	(13)
Non- interest Income	1,703	1,829	(7)	1,487	15
<b>Total Operating Income</b>	<b>4,382</b>	<b>4,908</b>	<b>(11)</b>	<b>4,566</b>	<b>(4)</b>
Operating expenses	(1,318)	(1,264)	4	(1,352)	(3)
<b>Operating profit</b>	<b>3,064</b>	<b>3,643</b>	<b>(16)</b>	<b>3,214</b>	<b>(5)</b>
Impairment charges, net	(470)	(318)	48	(738)	(36)
Non Controlling Interests and Taxes	(118)	(96)	24	(67)	76
<b>Net Profit</b>	<b>2,476</b>	<b>3,230</b>	<b>(23)</b>	<b>2,408</b>	<b>3</b>
Basic Earning per Share (AED)	0.88	1.18	(26)	0.82	7

Balance Sheet - Summary (AED Bn)	Mar'21	Dec'20	QoQ %	Mar'20	YoY%
Loans and advances, net	378	387	(2)	382	(1)
Customer deposits	568	541	5	497	14
CASA (deposits)	250	223	12	181	38
Total Assets	941	919	2	835	13
Equity (incl Tier 1 capital notes)	103	109	(5)	94	10
Tangible Equity	73	79	(7)	63	15

Key Ratios (%)	Q1'21	Q4'20	QoQ (bps)	Q1'20	YoY (bps)
Net Interest Margin	1.47	1.62	(15)	1.90	(43)
Cost-Income ratio (ex-integration costs)	29.6	25.7	385	29.1	47
Cost of Risk (bps) (loans & advances)	51	37	14	70	(19)
Non-performing loans ratio	4.0	4.0	5	3.5	49
Provision coverage	96	95	164	95	158
Liquidity Coverage Ratio (LCR)	141	143	(175)	110	>999
Return on Tangible Equity (RoTE)	12.8	16.4	(360)	13.0	(24)
Return on Risk-weighted Assets (RoRWA)	1.99	2.53	(54)	1.97	2
CET1 ratio (post-dividends)	13.7	13.3	39	12.2	148
Capital Adequacy ratio	16.9	16.5	38	15.5	143

Notes:

- Comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in the consolidated financial statements
- Ratios for the quarter are annualised, where applicable
- For further details on calculation of the ratios, please see the [Quarterly Series](#) on FAB IR website's financial reports page
- To view key figures in USD, please refer to the dedicated page on the IR section of our corporate website: <https://www.bankfab.com/en-ae/about-fab/investor-relations/reports-and-presentations/key-annual-figures>
- Rounding differences may appear in above table

## OPERATING PERFORMANCE

Operating Income (AED Mn)	Q1'21	Q4'20	QoQ %	Q1'20	YoY %
Net interest Income	2,679	3,079	(13)	3,080	(13)
Non-interest Income	1,703	1,829	(7)	1,487	15
Fees & commissions, net	663	653	1	841	(21)
FX and investment income, net	677	590	15	603	12
Other non-interest income	363	586	(38)	43	752
<b>Total Operating Income</b>	<b>4,382</b>	<b>4,908</b>	<b>(11)</b>	<b>4,566</b>	<b>(4)</b>

**Group Revenue** for the first quarter ended 31 March 2021 was AED 4.4 Billion, 4% lower compared to AED 4.6 Billion in the prior year comparative period.

**Net Interest Income** (including Islamic financing income) was AED 2.7 Billion, 13% lower year-on-year, reflecting the adverse impact of rate cuts, higher placements with banks, and relatively muted loan growth.

**Net Interest Margin (NIM)** was 1.47%, down from 1.90% in Q1'20 largely due to rate cuts, and down from 1.62% in Q4'20 reflecting lower interest in suspense reversals.

**Non-interest income** was AED 1.7 Billion, up 15% year-on-year. This increase was primarily driven by higher property-related gains in line with our real estate portfolio optimisation strategy, and a 12% growth in FX and investment income reflecting a strong performance in Global Markets and higher income from trading, liquidations, and, continued strength in strategic client flow products. This was partially offset by a 21% decline in fees and commissions year-on-year due to lower business volumes and activity.

**Operating expenses** improved 3% year-on-year reflecting cost discipline while we continued to invest in digital and strategic initiatives. **Cost-to-income ratio** (ex-integration costs) remained within our guidance at 29.6%, up from 29.1% in Q1'20, mainly as a result of lower revenue.

## ASSET QUALITY

**Non-Performing Loans** were AED 15.7 Billion as of March-end 2021, with NPL ratio at 4.0%, broadly stable compared to December-end 2020.

**Net impairment charges** were AED 470 Million, down 36% year-on-year helped by recoveries and improved macro-economic projections, translating to a cost of risk of 51 basis points for the period. Total ECL / provisions were AED 15.1 Billion, representing an adequate **provision coverage ratio** of 96%, compared to 95% the prior comparative period.

Payment deferrals provided to customers under the UAE Central Bank Targeted Economic Support Scheme (TESS), amounted to AED 4.4 Billion as of March-end 2021, compared to AED 3.5 Billion as of December-end 2020.

## BALANCE SHEET TRENDS

**Total assets** grew 2% year-to-date and 13% year-on-year to AED 941 Billion, driven by a strong growth in liquid assets, as a result of short-term liquidity inflows during the period. **Loans and advances** (net) were 2% lower year-to-date and 1% year-on-year to AED 378 Billion as new loan growth was more than offset by the tactical rundown of our short-term trade portfolio.

**Customer deposits** were AED 568 Billion, up 5% during the quarter and 14% year-on-year. This was driven by a double-digit growth from our international network, underlining the bank's strategic role as an aggregator of regional and global liquidity. Current Account and Savings Account (CASA) balances grew 12% sequentially and 38% year-on-year to AED 250 Billion, and now represent a 44% of total deposits.

March-end 2021 **Liquidity Coverage Ratio (LCR)** was 141%, reflecting a strong liquidity profile, comfortably in excess of Basel III minimum regulatory requirement of 100%, as well as the minimum of 70% established by the UAE Central Bank as part of temporary liquidity relief measures under TESS.

FAB had an active start to 2021 raising USD 3.3 Billion year-to-date<sup>1</sup> of senior wholesale funding across multiple formats and eight different currencies, including:

- inaugural Euro public transaction (EUR 750 Million 5-year), which marked the first MENA Financial Institution issuer in this format since 2015;
- a return to the public Sterling market (GBP 400 Million short 5-year) where FAB remains the only MENA Financial Institution with public bonds outstanding; and
- the issuance of a Swiss Franc (CHF 260 Million long 6-year) Public Green Bond, which was the largest ever CHF denominated Green Bond issued by a foreign Financial Institution. Reaffirming our position as a regional and global leader in the Green Bond market, this issuance increased FAB Green Bonds outstanding to over USD 1 Billion equivalent, across 5 issuances and 3 different currencies.

## EQUITY, CAPITAL AND RETURNS

**Total shareholders' equity** (including Tier 1 capital notes) stood at AED 103 Billion, compared to AED 94 Billion as of March-end 2020. **Basel III Common Equity Tier 1 (CET1)** ratio at 13.7%, compares favourably to 12.2% in the prior comparative period and 13.3% at December-end 2020, and stands comfortably above the minimum regulatory requirement of 11% and the threshold of 8% under TESS until December-end 2021. **Capital adequacy** and **Tier 1 capital** ratios were 16.9% and 15.8%, versus 16.5% and 15.4% respectively as of December-end 2020.

Annualised **Return on Tangible Equity (RoTE)** and **Return on Risk Weighed Assets (RoRWA)** were 12.8% and 1.99% for Q1'21, compared to 13.0% and 1.97% respectively in Q1'20.

<sup>1</sup>21 April 2021

## BUSINESS PERFORMANCE<sup>2</sup>

AED Mn	Q1'21	Q4'20	QoQ %	Q1'20	YoY %
<b>Revenues</b>	<b>4,382</b>	<b>4,908</b>	<b>(11)</b>	<b>4,566</b>	<b>(4)</b>
CIB	3,016	3,423	(12)	2,639	14
PB	1,440	1,536	(6)	1,643	(12)
HO & Subsidiaries	(74)	(51)	46	284	na
<b>UAE</b>	<b>3,570</b>	<b>4,082</b>	<b>(13)</b>	<b>3,838</b>	<b>(7)</b>
<b>International</b>	<b>812</b>	<b>825</b>	<b>(2)</b>	<b>728</b>	<b>12</b>
<b>Profit after taxes</b>	<b>2,479</b>	<b>3,236</b>	<b>(23)</b>	<b>2,399</b>	<b>3</b>
CIB	2,064	2,507	(18)	1,709	21
PB	556	813	(32)	494	13
HO & Subsidiaries	(141)	(84)	67	195	na
<b>UAE</b>	<b>2,050</b>	<b>2,937</b>	<b>(30)</b>	<b>2,125</b>	<b>(3)</b>
<b>International</b>	<b>429</b>	<b>298</b>	<b>44</b>	<b>274</b>	<b>56</b>

### Corporate & Investment Banking (CIB) Group

CIB delivered a solid performance in the first quarter driven by a gradual return to economic normalcy and improving investor sentiment. Revenue grew 14% year-on-year, primarily led by a double-digit growth in non-interest income reflecting strong client engagement, business momentum and targeted initiatives including the continued optimisation of our property portfolio. Liquidity remained strong with a 59% loan-to-deposit ratio, and customer deposits up 16% year-on-year, equally driven by the UAE and international network. Loans and advances dropped 3% sequentially and 2% year-on-year reflecting the tactical rundown of non-strategic assets to enhance risk-adjusted returns, as well as relatively subdued demand during the period. CIB pipeline remains healthy, with expectations that pent-up consumer demand in the second half of the year, and continued improvement in investor sentiment following the vaccine rollout, would further support a positive outlook.

- Global Transaction Banking (GTB)** continued to show strong momentum with average Corporate Trade Assets up 10% year-on-year across the UAE and MEA region, and average CASA balances up 33% to AED 164 Billion despite heightened competition. While revenue was lower year-on-year (-28%) owing to margin compression from the series of rate cuts, GTB won over 180 new cash management mandates in Q1'21 enabling the business to partially mitigate these headwinds. As part of its ongoing digitisation journey, GTB continued to roll out a number of key product and solutions in the Cash Management space. We continued to enhance the Escrow Proposition with the launch of the Owners Association proposition in the UAE and a Commercial Escrow Proposition in Saudi Arabia (KSA). FAB also launched a number of Supply Chain Finance (SCF) programmes with Government entities and Corporate clients allowing liquidity to be extended to several Corporates and SMEs. UAE Trade Connect (UTC), a brainchild of FAB and the regions' biggest blockchain based Trade Finance network went live in Q1'21. FAB also launched DigiChecks solution on our Corporate Mobile App. More than 90% of GTB clients were successfully migrated to digital channels, and business volumes carried out digitally across the business peaking in Q1'21 at more than 98%. GTB was recognised by Global Finance as "The Best Bank for Payments and Collections in the Middle East" and "Best Bank for Liquidity Management in the Middle East".

<sup>2</sup>Real estate businesses (previously structured under Subsidiaries) and SME business (previously structured under PBG) were reorganised under CIB effective 1 April 2020; prior period numbers have been restated where applicable

- **Global Corporate Finance (GCF)** delivered a solid performance in a challenging market. Although down sequentially, the loan portfolio grew 3% year-on-year driven by strategic clients in our home market along with KSA, even with the deliberate run-down of non-strategic exposures (in Asia) and relatively subdued market conditions. Revenues were up 3% year-on-year as strong fee generation across a number of transactions including roll-overs and extensions, helped offset lower interest income due to continued margin compression and heightened competition for a scarce pool of high-quality assets. FAB continues to play a leading role in the ESG and Sustainable financing space with several key transactions executed during the quarter. The Bank continues to show leading rankings across regional LCM and DCM league tables. The business continued to win several awards during the period including “Best Investment Bank in the UAE” from Global Finance, for the 4th consecutive year.
- **Global Markets (GM)** had a strong quarter with revenue growth of 32% year-on-year and 8% quarter-on-quarter. Proactive balance sheet management helped the desks capitalise on opportunities as the yield curve steepened during the quarter. Trading portfolios benefitted from selective risk taking with sustained market volatility, and increased flows in eFX saw higher activity from Asian clients. The Investment desk posted exceptional growth spurred by improvement in credit spreads; we saw good momentum across the corporate and high yield space along with the alternative asset class. Global Market sales saw a 19% sequential growth in Q1’21 with increased flows from Institutional clients, however, declined year-on-year due to heightened demand in the prior comparative period.

## Personal Banking Group (PBG)

FAB’s Personal Banking Group (PBG) delivered a resilient performance amid challenging market conditions with the new Covid variants leading to new restrictions at the start of the year. Revenue was 12% lower year-on-year reflecting the slowdown in economic activity and impact of rate cuts. Customer deposits grew strongly by 9% year-on-year, while loans and advances grew by 1% during the same period.

During the quarter, our payments business was carved out into a standalone entity, under a new brand, ‘Magnati’. This strategic milestone will cement our leadership position in the payments space and unlock new growth opportunities. We continued to strengthen our Abu Dhabi Pay partnership with POS enablement for key Abu Dhabi entities and 100% ecommerce integration with Abu Dhabi Police website services. We also celebrated our digital wallet payit reaching 300,000 registered users and initiated a referral program with payit Ratibi card holders.

We had a strong start to 2021 with acquisitions in credit cards and loans exceeding Q1’20, led by mortgages to Elite customers, personal loans for UAE Nationals and the Islamic portfolio. We maintained strong focus on the quality of our portfolio by targeting growth among customers with stable risk profiles. We also enhanced our Employee Banking proposition and launched the Top Employers campaign for key employers in the UAE offering exclusive pricing and benefits; the campaign has received positive response and contributed towards increase in cards and loan sales.

Throughout the quarter, we automated services such as loan and credit card settlements, account closures and liability letter requests and enhanced Interactive Voice Response (IVR) capabilities, resulting in reduced inbound calls. Mobile enhancements were rolled out during the quarter as we enabled our customers to digitally sign applications and made it easier for mobile users to view all accounts, loans, card balances and investments in a single dashboard. We also enabled customers to access and use virtual card instantly on the mobile app prior to physical card delivery and acquire supplementary virtual cards instantly. FAB is also the first bank in the UAE to instantly issue in-principle approval letter for mortgages, making the process easier for customers and advisors.

## INTERNATIONAL OPERATIONS

Revenues from international operations grew 12% year-on-year in Q1'21, contributing 19% to Group Revenue, with higher contributions not only from our existing franchises in UK and USA, but also from KSA and Egypt as FAB continues to grow its footprint within energy, sovereign wealth funds, and GRE client segments.

Net loans and advances were lower by 4% year-on-year mainly reflecting the deliberate rundown of non-strategic exposures in Asia. Customer deposits grew 28% year-on-year led by our presence in the US and the UK, with an increase in weighted average tenors, as customers have sought to manage uncertainty by retaining high levels of liquidity and deploying funds with highly rated financial institutions like FAB.

## ECONOMIC OVERVIEW AND OUTLOOK

Global macro sentiment sustained its positive momentum in the first quarter of 2021 driven by the ongoing COVID-19 vaccine rollout, dovish monetary policy outlook and continued global monetary and fiscal support measures. Regional real GDP growth is now expected to be 4%, up from IMF's previous projection of 3.2% in October 2020.

In the UAE, Q1'21 saw a subdued economic recovery, impacted by new restrictions following the increased number of COVID cases in the beginning of the year. However, several key indicators give us confidence in a more positive medium-term outlook. The country's COVID-19 vaccine rollout is progressing well and ranks 2nd globally in terms of the percentage of total population inoculated. UAE PMI continued to be in the expansion territory throughout the quarter, with March recording the highest PMI reading at 52.6, since July 2019. We now expect the UAE's real GDP to expand 2.9% (IMF: 3.4%) in 2021, up from our previous forecast of +2.4%, supported by the COVID-19 vaccine roll-out, Expo 2020, and continued fiscal and monetary stimulus measures. The further extension of the CBUAE's TESS program for banks also is positive. However, the evolving dynamics of COVID-19 means that there is still a great deal of uncertainty, and will undoubtedly continue to shape the recovery as 2021 progresses.

**James Burdett,**  
 Group Chief Financial Officer

## ABOUT FIRST ABU DHABI BANK (FAB)

FAB is the UAE's largest bank and one of the world's largest and safest financial institutions. FAB's vision is to create value for its employees, customers, shareholders and communities to grow stronger through differentiation, agility and innovation.

Headquartered in Abu Dhabi, the bank's international network spans five continents, providing global relationships, expertise and financial strength to support local, regional and international businesses seeking to do business at home and abroad. FAB is a trusted adviser and regional partner to major institutions, emerging companies and individuals seeking to do business in the UAE, the MENA region and beyond. As an engine of growth for the region, it helps customers to thrive and grow stronger by managing risk, providing access to capital and facilitating trade flows across developed and emerging markets.

FAB continuously anticipates evolving requirements, develops innovative solutions and moves in tandem with customers to offer an extensive range of tailor-made products via its market-leading Corporate and Investment Banking (CIB) and Personal Banking Group (PBG) franchises.

Aligned to the Abu Dhabi Economic Vision, inspired by global standards and guided by the expectations of stakeholders, FAB takes a leading role in fostering development and driving change towards a more sustainable future. FAB sees beyond traditional banking and embraces a challenger mindset. Its ambition is to contribute to social and human development, which creates a dynamic, inclusive and tolerant society.

With total assets of AED 941 Billion (USD 256 Billion) as of March-end 2021, FAB is rated Aa3/AA-/AA- by Moody's, S&P and Fitch, respectively, the strongest combined ratings of any bank in the MENA region. The Bank has been ranked by Global Finance as the Safest Bank in the UAE and the Middle East, and the 32nd Safest Bank globally. The Banker's Top 1000 World Banks 2020 list, measured by Tier 1 capital, ranked FAB as number one in the UAE, second in the Middle East and #85 across the globe - in addition to ranking the bank #109 by assets in the same list. FAB is also a regional sustainability leader, and a constituent of MSCI ESG Leaders and FTSE4Good EM indices.

For further information, visit: [www.bankfab.com](http://www.bankfab.com), or <https://www.growstronger.com/> Grow Stronger or <https://www.bankfab.com/en-ae/updates> for COVID-19 related updates.

**For investor-related queries, please contact FAB Investor Relations team on [ir@bankfab.com](mailto:ir@bankfab.com)**

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## RECENT ACCOLADES



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