

MANAGEMENT DISCUSSION & ANALYSIS REPORT



FAB reports Group Net Profit of AED 5.1 Billion for the first quarter of 2022

Highest quarterly net profit in bank's history

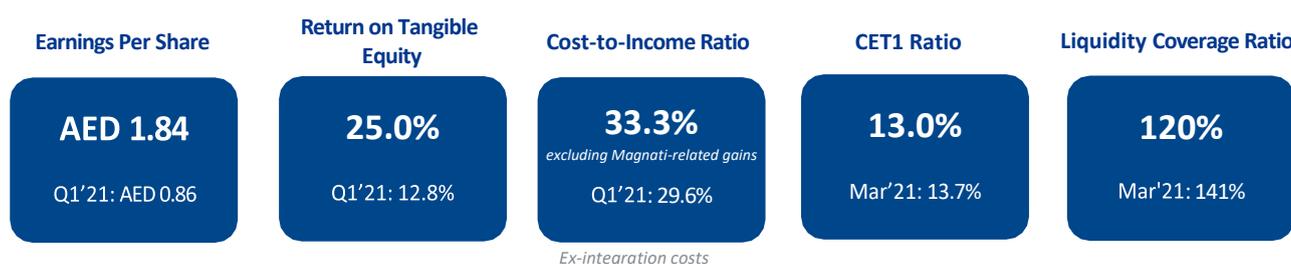
Strong set of results, demonstrating the execution of our strategy and positive momentum across core businesses

- Group net profit at AED 5.1 Billion, up 54% quarter-on-quarter, and 107% year-on-year, representing the highest quarterly net profit in the bank's history
- Annualised Earnings Per Share (EPS) at AED 1.84, up 113% compared to the first quarter of 2021
- Total Income at AED 7.3 Billion, includes AED 2.8 Billion net gain on disposal of majority stake in payments business Magnati
- Operating income at AED 4.5 Billion is up 2% year-on-year or 9% on an underlying basis excluding Magnati-related gains and real estate gains in Q1'21
- Impairment charges at AED 457 Million, compared to AED 470 Million in the first quarter of 2021
- Operating costs at AED 1.5 Billion, reflect ongoing strategic and digital investments

Robust loan growth reflects sustained demand, while deposit mix improves; liquidity and capital position remain strong

- Loans, advances and Islamic financing at AED 434 Billion, up 15% year-on-year and 6% year-to-date
- Customer deposits at AED 600 Billion, up 6% year-on-year, down 2% year-to-date; Deposit mix improved with CASA balances adding AED 22 Billion sequentially to represent 52% of total customer deposits
- Liquidity Coverage Ratio (LCR) at 120% underlining strong liquidity position
- Healthy asset quality metrics with NPL ratio at 3.8%, and adequate provision coverage at 98%
- Common Equity Tier 1 (CET1) at 13.0% comfortably above regulatory requirements, represents solid capital position

Q1'22 Key Performance Indicators



Abu Dhabi, UAE (28 April 2022):

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 three-month period ended 31 March 2022.

The Group produced a strong set of results with a net profit of AED 5.1 Billion, up 107% from AED 2.5 Billion in the first quarter of 2021. These results include a AED 2.8 Billion net gain from the sale of a majority stake in the payments business Magnati. Core underlying performance was healthy, driven by higher net interest income, a pick-up in fees and commissions and the positive contribution from Bank Audi Egypt, helping offset lower trading and investment income. Operating expenses were up year-on-year on the back of ongoing investments in digital and strategic initiatives, and the inclusion of Bank Audi Egypt from Q2'21. The Group continues to demonstrate strong fundamentals across asset quality, liquidity, funding and capital metrics.



HANA AL ROSTAMANI

GROUP CHIEF EXECUTIVE OFFICER

I am pleased to report that FAB has achieved a Group net profit of AED 5.1 Billion in the first three months of 2022 representing the highest quarterly net profit in the bank's history, as we continued to make excellent progress on our growth strategy and transformation initiatives, in line with our long term plan to deliver sustainable value to all our stakeholders.

Our core businesses performed well during a period of sustained buoyant economic activity in the UAE, capitalising on a healthy pipeline, and growing business and consumer confidence.

Our results in the first quarter include a gain from the sale of a majority stake in Magnati, crystallising significant value for our payments business and paving the way for accelerated growth with a long-term strategic partner as we remain at the forefront of the region's payments and digital agenda.

Internationally, we continued to expand our presence into new, targeted markets. Egypt remains a strategically important market for the Group, and the integration of Bank Audi Egypt is on track for completion within the next few months. Our Shanghai branch became operational in March, and we opened a representative office in Iraq, serving as a strategic addition to our geographic footprint as the UAE continues to be one of Iraq's most important trading partners.

We have advanced our ESG journey and achieved new milestones further integrating ESG into the organisation in line with our strategic targets and commitment to achieve net zero carbon emissions by 2050. **FAB reaffirmed its leadership in the Green Bond market** issuing the first Public Green Bond of 2022, and the first ever Green bond from the MENA region in the EURO market.

Looking ahead and despite ongoing global uncertainty, we see significant momentum in the UAE which FAB is very well positioned to support and capitalise on. We are confident in our journey ahead as we continue to position FAB to deliver superior shareholder value and promote meaningful growth in the markets and communities in which we operate.





JAMES BURDETT

GROUP CHIEF FINANCIAL OFFICER

The Group delivered a net profit of AED 5.1 Billion in the first quarter of 2022, compared to AED 2.5 Billion in the prior year period. These results include a net gain of AED 2.8 Billion related to the sale of a 60% stake in Magnati, in line with our Group strategy to leverage long-term partnerships to unlock value.

Underlying operating performance was healthy as we saw growth picking up across all our business segments particularly at the tail-end of the quarter with Group loans expanding 6% year-to-date, and margins improving. Deposit mix also improved with Current and Savings Accounts (CASA) adding AED 22 Billion sequentially to represent 52% of total customer deposits. **In an increasing interest rate environment, this places us in good stead to deliver higher returns in the coming quarters.**

Fee-generation remained strong demonstrating healthy pipeline execution across the business, in addition to increased client flow activity in Global Market sales, which helped partially offset softer trading and investment income. Sales momentum was also sustained in Consumer Banking across key products underlining growing consumer confidence.

We continued to make necessary investments in our people, processes and digital infrastructure across our network, to enable future productivity and efficiency gains. We also maintained adequate provision buffers with a coverage ratio at 98%, while prudently managing risk across the Group.

Our balance sheet fundamentals are solid across liquidity, funding and capital ratios, with Common Equity Tier 1 ratio at 13.0% as of March-end 2022. **This foundation, along with our core strengths and long-term strategy, position us very well to service our customers across our global network, whilst delivering enhanced and sustainable returns to our shareholders.**



Q1'22 SUMMARY FINANCIALS

Income statement - summary (AED Mn)	Q1'22	Q4'21	QoQ %	Q1'21	YoY %
Net interest income	3,135	3,036	3	2,679	17
Non-interest income	1,323	2,660	(50)	1,703	(22)
Operating Income	4,458	5,695	(22)	4,382	2
Gain on Magnati stake sale (incl fair valuation of retained interest)	2,805	-	na	-	na
Total income	7,264	5,695	28	4,382	66
Operating expenses	(1,521)	(1,480)	3	(1,319)	15
Profit before net impairment charge and taxation	5,742	4,216	36	3,063	87
Impairment charges, net	(457)	(715)	(36)	(470)	(3)
Non-controlling interests and taxes	(165)	(177)	(7)	(117)	40
Net Profit	5,120	3,324	54	2,476	107
Basic Earnings per Share (AED)	1.84	1.19	55	0.86	113

Balance sheet - summary (AED Bn)	Mar'22	Dec'21	QoQ %	Mar'21	YoY%
Loans, advances & Islamic financing	434	410	6	378	15
Investments	191	191	0	160	20
Customer deposits	600	614	(2)	568	6
CASA (deposits)	310	288	8	250	24
Total assets	981	1,000	(2)	941	4
Equity (incl Tier 1 capital notes)	111	113	(2)	103	8
Tangible equity	81	83	(2)	73	11

Key Ratios (%)	Q1'22	Q4'21	QoQ (bps)	Q1'21	YoY (bps)
Net interest margin (NIM)	1.52	1.46	6	1.47	5
Cost-income ratio (ex-integration costs)	33.3*	25.4	790	29.6	376
Cost of risk (bps) (loans, advances & Islamic financing)	43	65	(22)	51	(9)
Non-performing loans ratio	3.8	4.0	(22)	4.0	(23)
Provision coverage	98	98	32	96	154
Liquidity coverage ratio (LCR)	120	134	<-999	141	<-999
Return on tangible equity (RoTE)	25.0	15.9	908	12.8	1217
Return on risk-weighted assets (RoRWA)	3.6	2.3	129	2.0	158
CET1 ratio (post-dividends)	13.0	12.4	56	13.7	(68)
Capital adequacy ratio	15.9	15.4	57	17.0	(101)

Notes:

- * Cost-income ratio for Q1'22 excludes Magnati-related gains booked during the quarter
- 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: [bankfab.com > investor relations > reports & presentations > key quarterly figures](#)
- 2021 results include financials of Bank Audi Egypt (BAE) effective post legal day 1 on 28 April 2021. Refer to Note #32 in the financials for the quarter ended 31 March 2022
- Rounding differences may appear in above table

OPERATING PERFORMANCE

Operating income (AED Mn)	Q1'22	Q4'21	QoQ %	Q1'21	YoY %
Net interest income	3,135	3,036	3	2,679	17
Non-interest income	1,323	2,660	(50)	1,703	(22)
Fees & commissions, net	775	907	(15)	663	17
FX and investment income, net	465	2,503	(81)	677	(31)
Other non-interest income	83	(750)	na	363	(77)
Operating income	4,458	5,695	(22)	4,382	2

Operating income for the three month period ended 31 March 2022 was AED 4.5 Billion, up 2% compared to AED 4.4 Billion in the prior year comparative period. Excluding real-estate related gains of AED 294 Million in Q1'21, operating income is up 9% year-on-year.

Net Interest Income (including Islamic financing income) (NII) was AED 3.1 Billion, an increase of 17% year-on-year, reflecting strong volume growth, the positive impact of Bank Audi Egypt (BAE) and improvement in margins. Net Interest Margin (NIM) was 1.52%, up 5 basis points from 1.47% in Q1'21.

Fees & Commissions grew 17% year-on-year driven by strong momentum in fee-generating businesses particularly across loan, debt and equity capital markets. FX and investment income declined 31% primarily reflecting challenging market conditions, partly offset by increased client flow activity in Global Markets. Non-interest income stood at AED 1.3 Billion, contributing 30% to operating income.

Operating expenses excluding BAE and integration-related expenses, were up 7% year-on-year, reflecting ongoing investments in strategic and digital initiatives. Headline operating expenses were up 15% year-on-year, reflecting Bank Audi Egypt inclusion from Q2'21. Group cost-to-income ratio (ex-integration costs) excluding Magnati-related gains was 33.3% in Q1'22, compared to 29.6% in Q1'21 and 25.4% in Q4'21.

ASSET QUALITY

Non-Performing Loans stood at AED 17.0 Billion as of March-end 2022, flat sequentially and 8% higher year-on-year, albeit the NPL ratio improving to 3.8% on higher loan balances.

Q1'22 net impairment charge was AED 457 Million, 3% lower year-on-year, reflecting a favourable adjustment in macro-economic variables. Cost of risk for the period stood at 43bps. Total ECL / provisions¹ were AED 16.6 Billion, representing a provision coverage ratio of 98%, compared to 96% the prior comparative period.

¹ ECL/Provisions is defined as ECL on loans, advances and Islamic financing + ECL on unfunded exposures + IFRS9 impairment reserves

BALANCE SHEET TRENDS

Total assets grew 4% year-on-year and were down 2% year-to-date to AED 981 Billion primarily due to lower term deposits.

Loans and advances (net) were up 6% year-to-date and 15% year-on-year to AED 434 Billion primarily driven by Government lending, other FIs, short term trade and IPO related financing reflecting positive momentum across all business segments.

Customer deposits were AED 600 Billion, up 6% year-on-year and down 2% year-to-date due to term deposit outflows. However, CASA balances continued to grow adding AED 22 Billion during the last quarter (AED 60 Billion year-on-year) to AED 310 Billion representing 52% of total deposits compared to 44% in Q1'21, driven by new cash management mandates and strategic initiatives to attract CASA.

The Group's liquidity position remains strong with March-end 2022 **Liquidity Coverage Ratio (LCR)** at 120%, 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.

FAB successfully navigated volatile market conditions, raising AED 5.2 Billion (USD 1.4 Billion) equivalent of senior wholesale funding year-to-date across multiple formats and currencies at a competitive pricing, and replacing maturities at tighter spreads. Through a USD 500 Million 5-year Sukuk, FAB realised the tightest pricing ever achieved by a MENA bank in public format. The Group also continued to focus on its Green and Sustainable-linked funding activity by issuing 1 green private placement and 2 public Green Bonds, including:

- a EUR 500 Million 5-year issuance, which marked the first Green Bond denominated in EUR from a MENA issuer, and
- a CHF 200 Million 4-year, where FAB remains the only issuer from MENA with green CHF outstanding

With Green Bonds outstanding of over USD 1.6 Billion equivalent across 12 issuances and 5 different currencies, FAB further reaffirmed its position as a regional and global leader in the Green Bond market.

EQUITY, CAPITAL AND RETURNS

Total shareholders' equity (including Tier 1 capital notes) stood at AED 111 Billion, compared to AED 103 Billion as of March-end 2021. Basel III **Common Equity Tier 1 (CET1)** ratio stood at 13.0%, compared to 12.4% at December-end 2021, helped by higher retained earnings and continued RWA (risk-weighted assets) optimisation. Group CET1 stands comfortably above the minimum regulatory requirement of 11% and the threshold of 8% under TESS until June-end 2022. **Capital adequacy** and **Tier 1 capital** ratios were 15.9% and 14.8% as of March-end 2022, versus 15.4% and 14.3% respectively, as of December-end 2021.

Annualised **Return on Tangible Equity (RoTE)** and **Return on Risk Weighted Assets (RoRWA)** were 25.0% and 3.6% for Q1'22, compared to 12.8% and 2.0% respectively for Q1'21.

BUSINESS PERFORMANCE¹

AED Mn	Q1'22	Q4'21	QoQ %	Q1'21	YoY %	Q1'22 Contr%
Operating Income	4,458	5,696	(22)	4,382	2	100%
<i>Operating income by business segment</i>						
Investment banking (IB)	1,869	3,945	(53)	1,950	(4)	42%
Corporate & Commercial banking (CCB)	1,040	921	13	806	29	23%
Consumer banking (CB)	1,057	1,242	(15)	1,191	(11)	24%
Global Private banking (GPB)	238	234	2	241	(1)	5%
Head office (HO)	254	(646)	na	194	31	6%
<i>Operating income by geography</i>						
UAE	3,393	4,645	(27)	3,562	(5)	76%
International	1,065	1,050	1	820	30	24%

42% of
Operating Income



INVESTMENT BANKING (IB)

IB had a solid start to 2022 despite challenging market conditions dominated by heightened global market volatility and risk-off sentiment. While fee-based revenue was strong reflecting enhanced cross-sell and healthy pipeline execution, net interest income grew 10% year-on-year helped by sustained lending activity in the UAE and the broader region. IB revenue was lower sequentially and year-on-year primarily reflecting challenging market conditions and an exceptional trading performance during 2021.

Loans and advances grew 5% sequentially (+13% yoy) on the back of increased demand from our client franchise with some borrowers looking for refinancing ahead of expected rate hikes. While customer deposits were 3% down sequentially, CASA balances grew 16%, and liquidity position remained very strong with a loan-to-deposit ratio at 59% at quarter-end.

Global Markets (GM) saw increased sales and client flow activity, particularly in the rates and FX space as clients looked to hedge their risks in a highly volatile environment, which helped to partly offset softer trading and investment revenues. Fee-based revenue generation was robust in Global Corporate Finance (GCF) helped by strong business volumes and pipeline execution as we continued to lead a number of landmark transactions in the LCM and DCM space. ECM also saw sustained momentum with FAB acting as joint bookrunner, joint lead manager and receiving bank on DEWA's IPO on the Dubai Financial Market, which was EMEA's largest IPO since 2019. The pipeline for the remainder of 2022 remains strong with a number of equity offerings planned over the next few quarters. The Securities Services business continued to expand across the GCC increasing assets under custody by AED 50 Billion sequentially in Q1'22 and winning a number of key mandates. FAB reaffirmed its leadership across MENA IB league tables as #1 MENA Agent Bank, #2 MENA Syndications and #5 MENA Bonds (top ranked local bank) in Q1 2022. FAB continues to play a prominent role in the ESG and Sustainable financing space through green loans and trade finance solutions. Over 50 new cash management mandates were won in Global Transaction Banking (GTB), where we continued to roll out innovative solutions in several areas including treasury advisory.

¹ In the second quarter of 2021, the Group had reorganised its business model. Corporate & Investment Banking and Personal Banking Groups have been re-segmented into four distinct business lines: Investment Banking (IB), Corporate & Commercial Banking (CCB), Consumer Banking (CB) and Global Private Banking (PB). Figures for prior periods have been re-based on the current business segments for comparison purposes. Please refer to IR Quarterly Series for segmental information on a quarterly basis since beginning of 2020.

23% of
Operating Income



CORPORATE AND COMMERCIAL BANKING (CCB)

CCB produced a strong performance in the first quarter of 2022 with revenue expanding 13% sequentially and 29% year-on-year reflecting a notable rebound in economic activity and business confidence.

Loans and advances were up 9% from December-end levels with strong demand from key clients, while customer deposits were down 4% mainly due to term deposit outflows. Over 70 new cash management mandates were won during the period and CASA balances stood at AED 104 Billion. The business continued to broaden its value proposition across products and geographies. This included the roll-out of new product propositions in the areas of Supply Chain Finance and innovative solutions in the ESG space with FAB being the first UAE bank to offer Sustainable Supply Chain Finance solutions, and to launch CASA Sustainability Accounts. Global Markets sales also produced a solid performance reflecting proactive engagement with strategic clients, higher volumes and increased cross-sell across key segments.

CCB continued to lead transformation initiatives to drive digitisation while leveraging industry and Fintech partnerships to offer first-to-market solutions and best-in-class client experience. This led to a number of achievements including:

- the launch of **FAB enhanced Mobile Banking App** for Corporate and SME clients
- the introduction of **Smart Omni Fluent Interactive (SOFI)**, a new conversational AI chatbot
- the launch of a **new Virtual Corporate Debit Card** in partnership with Mastercard, offering unrivalled flexibility and control over commercial payments for corporate and commercial clients
- the creation of a payment processing ecosystem in partnership with the Ministry of Finance and the UAE Central Bank, enabling seamless fund transfers between local banks and CB UAE; and
- FAB becoming the first bank in the UAE Trade Connect consortium to develop APIs.

Attesting FAB's leading capabilities in the areas of cash management and trade finance, FAB was recognised as the "Best Bank for Payments and Collections in the UAE", and "Best Supply Chain Provider in the Middle East 2022", by Global Finance.

24% of
Operating Income



CONSUMER BANKING (CB)

CB delivered operating income of AED 1.1 Billion, representing a decline of 11% year-on-year, primarily attributable to the deconsolidation of Magnati during the quarter, as well as lower credit card related income. Costs were 4% lower year-on-year while impairments reduced by 41% on lower delinquencies and an improved macro environment.

Business momentum remained strong reflecting increased economic activity, growing consumer confidence and a pickup in consumption. Loans and advances grew 3% quarter-on-quarter, driven by personal loans and IPO-related lending, while customer deposits expanded 4% quarter-on-quarter helped by new customer and CASA acquisitions. Sales of credit cards to new-to-bank customers grew 55% year-on-year driven by strengthened propositions and sales process changes, and analytically driven campaigns helped increase credit card spends by 27% compared to Q1'21. AUMs also increased by 55% year-on-year driven by our Elite segment.

Our proposition was enhanced to ensure competitiveness and profitability – we launched market leading savings rates for fresh funds, adopted a variable focused mortgage strategy to adapt to rate changes, adjusted our credit card and reward offerings, and expanded our bancassurance offering for our Elite customers.

Digital sales and servicing tablets were rolled out to over 300 sales staff, helping to onboard customers and cross-sell new products through an instant and paperless process, therefore enhancing customer experience, and improve staff productivity and efficiency. New features were added to FAB Mobile to help increase customer usage and adoption – chatbots for FAQs, personalised notifications, complaints management and improved product dashboards. These enhancements helped improve overall FAB Consumer Bank NPS to 60+. Our digital efforts were recognised by The Digital Banker's "Best use of Data and Analytics for Customer Experience" award.

Going forward, Consumer Banking Group remains well positioned to benefit from a growing UAE economy and positive retail banking outlook.

5% of
Operating Income

GLOBAL PRIVATE BANKING (GPB)

GPB saw an overall growth in AUM of 22% year-on-year in Q1'22, led by business acquisition, increased capital markets activity and active participation in the vibrant UAE IPO market. Although broadly flat year-on-year, revenue improved 2% sequentially, helped by 9% growth in loans and advances.

The UAE Advisory business saw an increased interest in mandate driven investments with multiple new mandates signed in Q1 '22. GPB held its first in-person Global Investment Outlook Q1 Update at the Museum of the Future in Dubai where our panel of experts discussed alternative investment opportunities and the current global conditions. The business remains focused on international collaboration, service excellence and providing our clients with bespoke investment solutions.

INTERNATIONAL OPERATIONS

Revenues from international operations grew 1% sequentially and 30% year-on-year reflecting the inclusion of Bank Audi Egypt starting Q2'21, and represent 24% of Q1'22 operating income.

Loans, advances and Islamic financing were up 2% sequentially and 7% year-on-year driven by a strong performance from our franchises in Egypt (including consolidation of BAE), and Saudi Arabia. Customer deposits were down 2% sequentially and up 7% year-on-year. The integration of FAB's Egypt operations is well underway to be completed during 2022.

ECONOMIC OVERVIEW AND OUTLOOK

With the global economy facing multiple headwinds from tightening monetary and fiscal policy, ongoing supply chain constraints, and elevated inflation, markets are expected to remain volatile on the back of geopolitical tensions, putting global growth prospects at risk. The pace of global monetary tightening in the coming quarters will also determine the direction of financial markets in Q2'22 and beyond. Fed funds futures currently anticipate a further aggregate eight 25 basis point rate hikes by the Federal Reserve by year end, although we continue to believe that such expectations will ease in the latter half of this year as geopolitical drivers of and supply chain disruptions behind inflationary pressures begin to stabilise.

Helped by higher oil prices, the UAE demonstrated resilience during the first quarter of 2022, with improving economic activity levels underpinned by the removal of Covid-related restrictions, Expo 2020, a recovery in the real estate market, and continued fiscal & monetary support targeted towards economic growth and diversification. The underlying strength of the economy was also highlighted by PMI data, which continued to hover comfortably above 54.5 throughout Q1'22. With oil prices expected to stay above USD 80 bbl over the coming months, the UAE economy is expected to remain resilient, leading us to maintain our GDP growth expectations at 4.8% for 2022 and 4.0% for 2023.

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.

With total assets of over AED 981 Billion (USD 267 Billion) as of March-end 2022, 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 2021 rankings, measured by Tier 1 capital, ranked FAB as #1 in the UAE, #3 in the Middle East and #94 across the globe. FAB is also a regional sustainability leader (MSCI ESG rating of AA, ‘Leader’ category), and a constituent of MSCI ESG Leaders and FTSE4Good EM indices.

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

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