



ANNUAL REVIEW 2019

**Grow
Stronger**

بنك أبوظبي الأول
FAB
First Abu Dhabi Bank

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THE LATE
**SHEIKH ZAYED BIN SULTAN
AL NAHYAN**
THE UAE'S FOUNDING FATHER



HIS HIGHNESS
**SHEIKH KHALIFA
BIN ZAYED AL NAHYAN**
PRESIDENT OF
THE UNITED ARAB EMIRATES



HIS HIGHNESS
**SHEIKH MOHAMMED
BIN ZAYED AL NAHYAN**
CROWN PRINCE OF ABU DHABI AND
DEPUTY SUPREME COMMANDER OF
THE UAE ARMED FORCES

KEY FINANCIAL HIGHLIGHTS AS OF 31 DECEMBER 2019

The largest bank in the UAE by total assets and market capitalisation



TOTAL ASSETS
+10% YOY



LOANS AND ADVANCES
+16% YOY



CUSTOMER DEPOSITS
+12% YOY



MARKET CAPITALISATION
+8% YOY



REVENUE
+4% YOY



NET PROFIT
+4% YOY

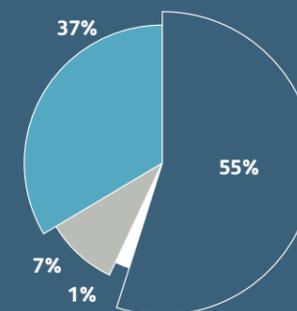
With the strongest combined credit ratings of any other bank in MENA



A dominant and diversified banking franchise with market-leading corporate and personal banking businesses, and a presence across 5 continents

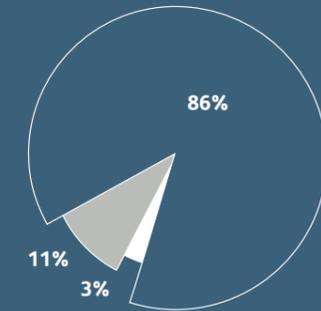
FY'19 Revenue: AED 20.2 Bn (USD 5.5 Bn)

BY BUSINESS SEGMENT



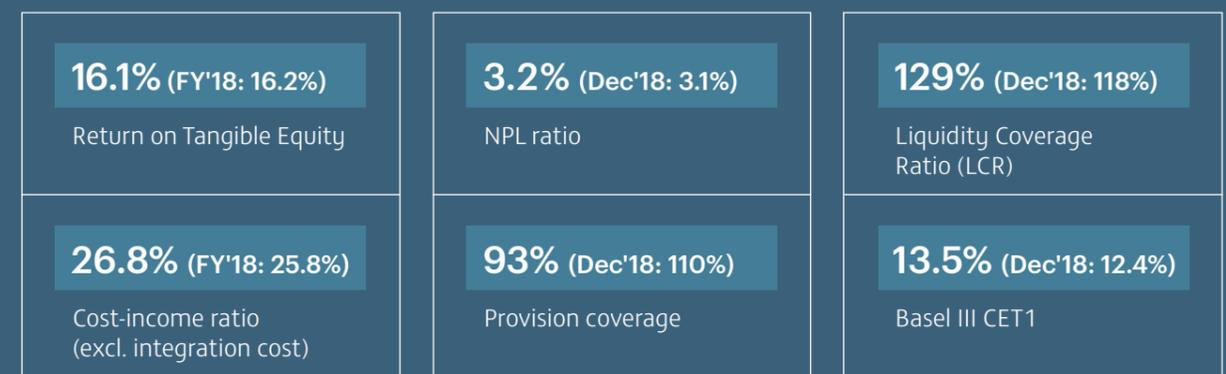
- 55% Corporate & Investment Banking
- 37% Personal Banking
- 7% Head Office
- 1% Subsidiaries

BY GEOGRAPHY



- 86% UAE
- 3% Asia Pacific
- 11% Europe, Americas, Middle East & Africa (EAMEA)

Robust Financial Metrics – FY'19



Award-winning franchise



Global Finance magazine's **World's Safest Banks Ranking**

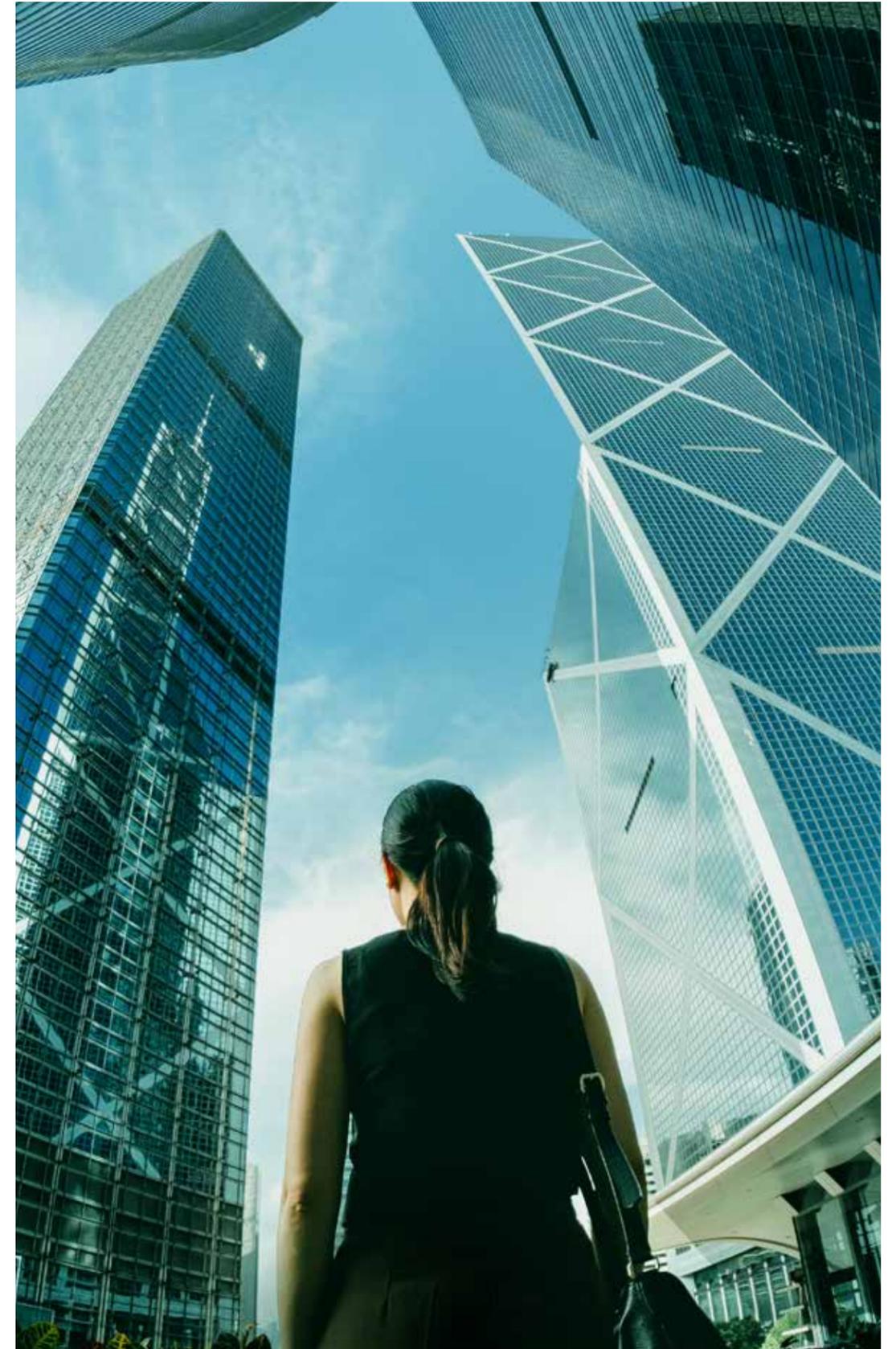
September 2019

- #1** in UAE & Middle East
- #4** in Emerging Markets
- #22** World's Safest Commercial Banks

The Bankers' **Top 1000 World Banks Ranking**

July 2019

- #1** in UAE (By Tier 1 Capital)
- #2** in the Middle East (By Tier 1 Capital)
- #108** in the World (by Assets)



WHERE WE OPERATE

Europe and Americas (E&A)

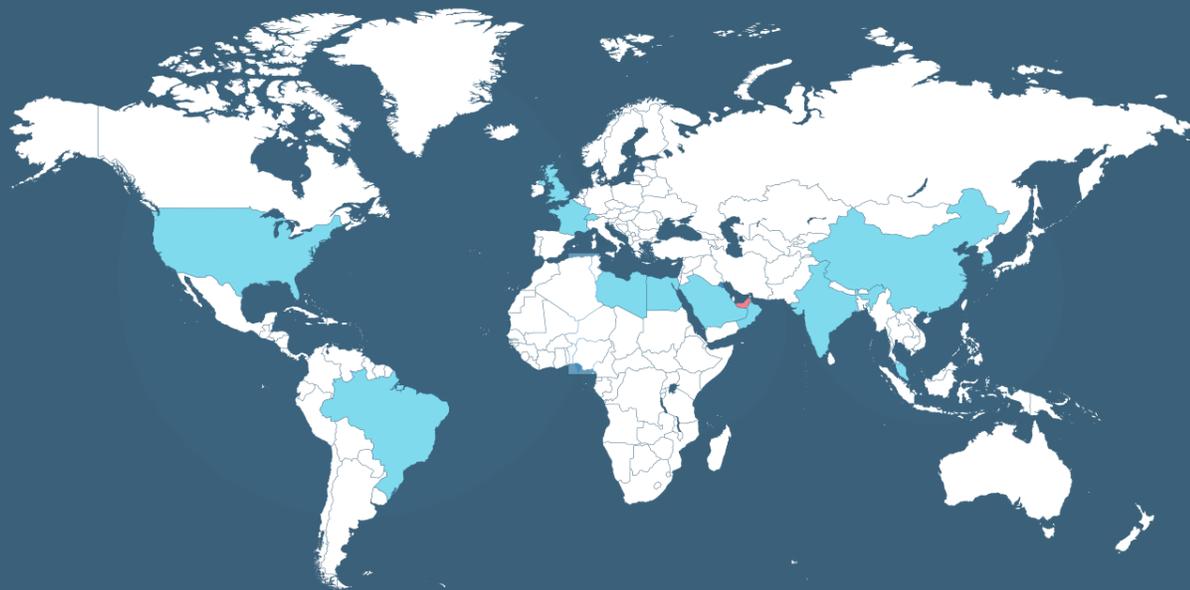
France | UK | Switzerland | USA | Brazil

Middle East and Africa (MEA)

UAE | Bahrain | Egypt | Kuwait | Libya | Oman | Saudi Arabia

Asia Pacific (APAC)

China | Hong Kong | India | Labuan (Malaysia) | Singapore | South Korea



Domestic network across **7** Emirates

76 Branches/ Cash offices in UAE

541 ATMs/ CDMs



Rooted in the UAE with a global network across 5 continents, FAB will continue to strengthen and facilitate inward and outward trade and investment flows.

BOARD OF DIRECTORS



His Highness
Tahnoon Bin Zayed Al Nahyan
Chairman



His Highness
Nasser Ahmed Alsowaidi
Vice Chairman



His Excellency
Khalifa Al Mubarak
Board Member



His Excellency
Khalifa Sultan Ahmed Sultan Al Suwaidi
Board Member



His Excellency
Sheikh Mohammed Bin Saif Bin Mohammed Al Nahyan
Board Member



His Excellency
Sheikh Ahmed Mohammed Sultan Al Dhaheri
Board Member



His Excellency
Mohammed Thani Al-Romaithi
Board Member



His Excellency
Mohamed Saif Al Suwaidi
Board Member



His Excellency
Jassim Mohamed Al Seddiqi
Board Member

EXECUTIVE MANAGEMENT TEAM



André Sayegh
Deputy Group CEO & Group Head of Corporate and Investment Banking



Abdulhamid Saeed
Group Chief Executive Officer



Hana Al Rostamani
Group Head of Personal Banking



Peter Baker
Group Chief Human Resources Officer



Zulfiqar Ali Sulaiman
Group Head of International Banking & Group Chief Operating Officer



James Burdett
Group Chief Financial Officer



Karim Karoui
Group Head of Subsidiaries, Strategy and Transformation



Shirish Bhide
Group Chief Credit Officer



Arif Shaikh
Group Chief Risk Officer



Nurendra Perera
Group Chief Audit Officer



Fadel Al Ali
Group Chief Customer Experience and Digital Officer



Yuri Misnik
Group Chief Technology Officer

CHAIRMAN'S STATEMENT



HIS HIGHNESS

TAHNOON BIN ZAYED AL NAHYAN

CHAIRMAN

ENHANCING OUR MARKET LEADING POSITION, LOCALLY AND INTERNATIONALLY

FAB is committed to maximising returns for shareholders and supporting our employees, customers and communities to grow stronger



*2019 was a year of achievement
both at home and abroad*



74

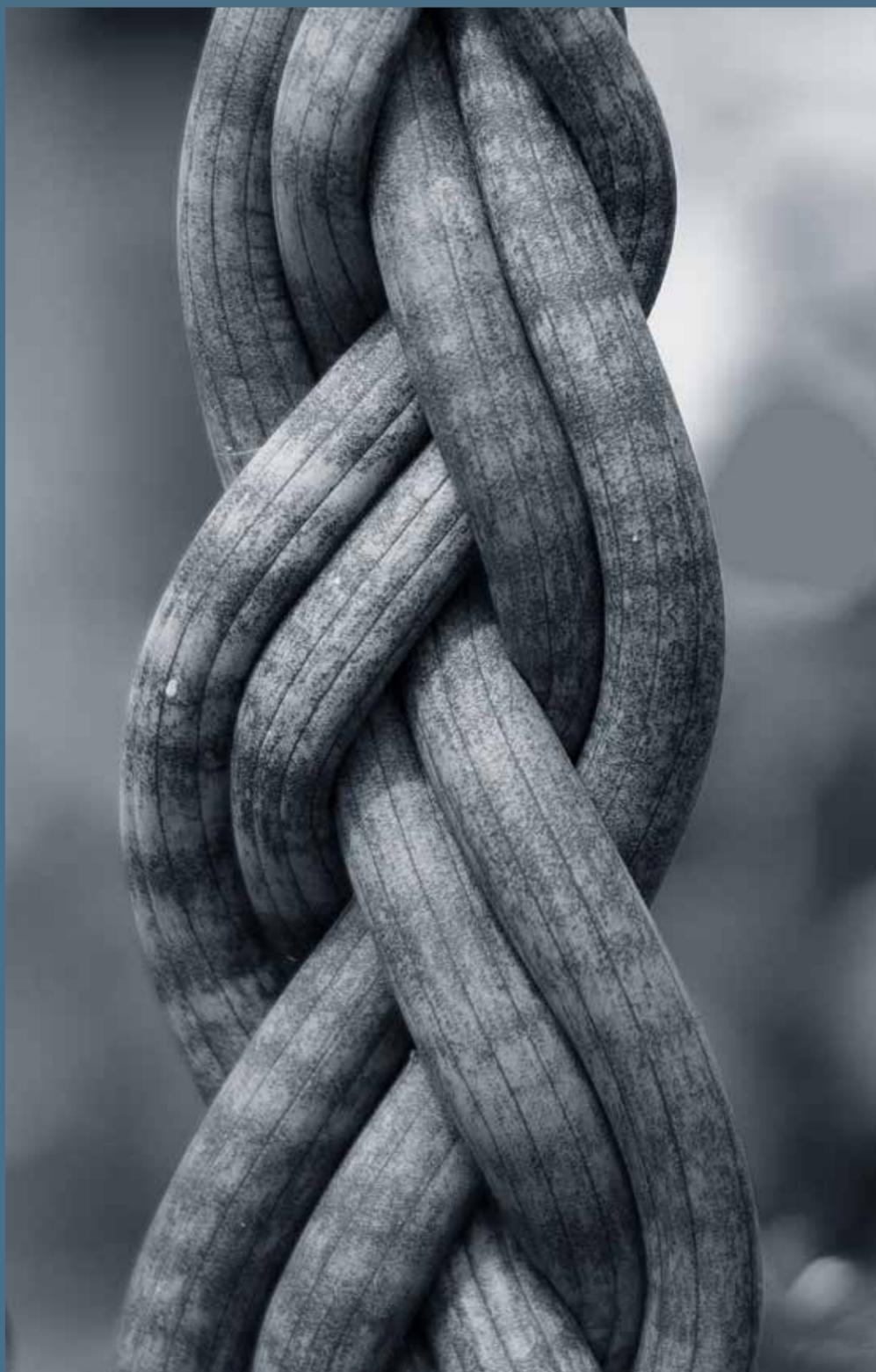
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dividend per share

12.5

AED Billion

net profit



Chairman's Statement

Continuing to enhance our market leading position, locally and internationally

FAB is committed to maximising returns for shareholders and supporting our employees, customers and communities to grow stronger.

Since the merger, FAB has performed solidly, gaining market share throughout 2019, enhancing our financial position and delivering a record net profit of AED 12.5 Billion. Following the bank's sustained success over the year, the Board of Directors recommended the distribution of cash dividends of 74 fils per share for the financial year ended 31 December 2019.

2019 was a year of achievement both at home and abroad. Expanding our operations in the Kingdom of Saudi Arabia created significant new opportunities in a key market and further strengthened our international network. With the strongest combined credit ratings of any bank in the MENA region and as one of the world's 50 largest listed banks by market capitalisation, increasing our foreign ownership limit to 40% served to further increase our attractiveness to global investors. While at home, we delivered the power of a fully unified bank to our customers and remained a strategic partner to the Abu Dhabi and UAE government and a key enabler of its diversification plans.

I am particularly proud of FAB's work in the UAE's 'Year of Tolerance' to support

His Highness
TAHNOON BIN ZAYED AL NAHYAN
Chairman

communities and create a more sustainable future as an enabler of economic growth, including our initiative with the Abu Dhabi Social Support Authority (ADSSA) to assist limited-income families, and our continued support of the Ghadan 21 program. By the end of 2019, and only four years after committing to finance US\$10 Billion worth of sustainable projects over 10 years, FAB has already exceeded this target six years ahead of schedule.

On behalf of FAB's Board of Directors, I would like to thank the President of the United Arab Emirates, His Highness Sheikh Khalifa bin Zayed Al Nahyan, for his wise leadership and support, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister and the Ruler of Dubai, His Highness Sheikh Mohammed bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, and their Highnesses, the rulers of the UAE, and members of the Supreme Council, for their continued guidance.

I would also like to express my appreciation to our shareholders and customers for their loyalty throughout 2019, to our employees for their hard work during the last year, and to our partners for contributing to another successful year for FAB.

CEO STATEMENT



HIS EXCELLENCY

ABDULHAMID SAEED

GROUP CHIEF EXECUTIVE OFFICER

A year of leadership and progress for the UAE's largest bank

2019 was a year of solid growth, underlying strength and ongoing transformation for FAB.

I am pleased to present FAB's financial results and operational highlights for 2019.

At the beginning of the year we set out to achieve disciplined growth, deliver on our efficiency and transformation agenda, and maintain our industry leadership and core financial strength. I am delighted to report that we accomplished all these strategic priorities in 2019.

Our first full year benefiting from an integrated IT platform enabled us to leverage FAB's competitive strengths, generate growth from scale and outperform the market across key segments. Our industry-leading Corporate & Investment Banking (CIB) franchise set the regional standard while the Personal Banking Group (PBG) enjoyed positive momentum during 2019.

This was reflected in our Group Net Profit reaching AED 12.5 Billion, up 4 percent, and our Group Revenue crossing the AED 20 Billion mark, achieved while maintaining strong balance sheet and risk discipline. Significantly, we also ended 2019 ahead of plan in delivering our annual cost synergy run-rate target, giving us a highly efficient platform for sustained growth.

The bank's achievements are particularly impressive when viewed in the context of global market volatility and challenging market conditions, including a reversal of the interest rate cycle in the second half of the year, and significant change in the global banking landscape.

His Excellency
ABDULHAMID SAEED
Group Chief Executive Officer

It was a year of both financial and operational success as FAB progressed digitally to deliver an enhanced customer experience and position the Group for future growth and ongoing agility, for instance by digitising the SME lending process and onboarding a steady stream of new Payit mobile wallet customers.

We operated with an international outlook throughout the year as we continued to implement our growth strategy in target markets, including opening three branches in Saudi Arabia and increasing our foreign ownership limit to 40%. At the same time, we matched the ambition of entrepreneurs at home by launching products like the SME Growth Loan and a dedicated debit card for smaller companies.

Finally, we enhanced our unique position as an enabler of economic growth and a strategic partner to Abu Dhabi's diversification plans through our support of initiatives like Ghadan 21, while also making a meaningful contribution to the communities in the markets where we operate through our proud involvement in events like the Special Olympics World Games Abu Dhabi 2019.

It was a year when we grew stronger in partnership with our stakeholders, and we look forward to doing the same again in 2020.

VISION, VALUES AND STRATEGY

Our Vision

"Creating value for our customers, employees, shareholders and communities to **grow stronger** through differentiation, agility and innovation"



Mobile-centric digitisation

- Digitise customer journeys
- Launch digital ventures and new business models
- Become a data-driven company through advanced analytics, AI
- Build a modern and flexible technology foundation



Growth and leadership in PBG

- Enhance value proposition across key segments and products
- Digital investments: acquisition and servicing capabilities
- Accelerate international growth (KSA, Egypt, private banking)



Regional dominance and international relevance in CIB

- Strengthen leadership position in UAE
- International: grow in KSA and Egypt, dominate MENA trade flows
- Expand product offering, focus on flow business and cross-sell
- Elevate customer convenience through digital



Talent mobilisation

- Strengthen and evolve unified culture
- Acquire new talent to support transformation and cultural shift
- Enable employees to acquire new skills and capabilities



Drive value from scale

- Drive organic growth across segments and geographies
- Opportunistically pursue transactions that create significant value

Making significant progress against our strategic priorities



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

OUR JOURNEY TO GROW STRONGER

The creation of First Abu Dhabi Bank (FAB) was a historic chapter in the story of the UAE, establishing one of the world's largest and safest financial institutions.

The journey began in July 2016 with the landmark decision to unite First Gulf Bank (FGB) and National Bank of Abu Dhabi (NBAD). More than a combination of two companies, FAB brought together complementary strengths, distinct cultures and shared values to create a new corporate leader.

This vision was realised on 2 April 2017 when the bell rang at the Abu Dhabi Securities Exchange to mark the first day of trading in FAB's shares, with the bank's Grow Stronger movement launched soon after.

The following period has seen new many achievements, including the completion of FAB's UAE integration journey in less than two years. Meanwhile, the bank's international journey has begun, with FAB now operating three branches in Saudi Arabia, and innovations like paylt placing it firmly at the heart of the UAE's digital payments landscape.

Today, FAB stands as the strongest, most international bank in the Middle East, and as one of the UAE's most powerful and recognisable brands.

Looking ahead, the bank's vision is to continue creating value for our employees, customers, shareholders and communities and to grow stronger through differentiation, agility and innovation.

2017 FAB delivered a resilient performance in a transitional year

2018 Strong set of results with **+10% YoY** net profit growth despite focus on integration

2019 **+4% YoY** net profit growth in the first year of growth and transformation

Outlook



FAB well positioned to drive **sustainable growth**

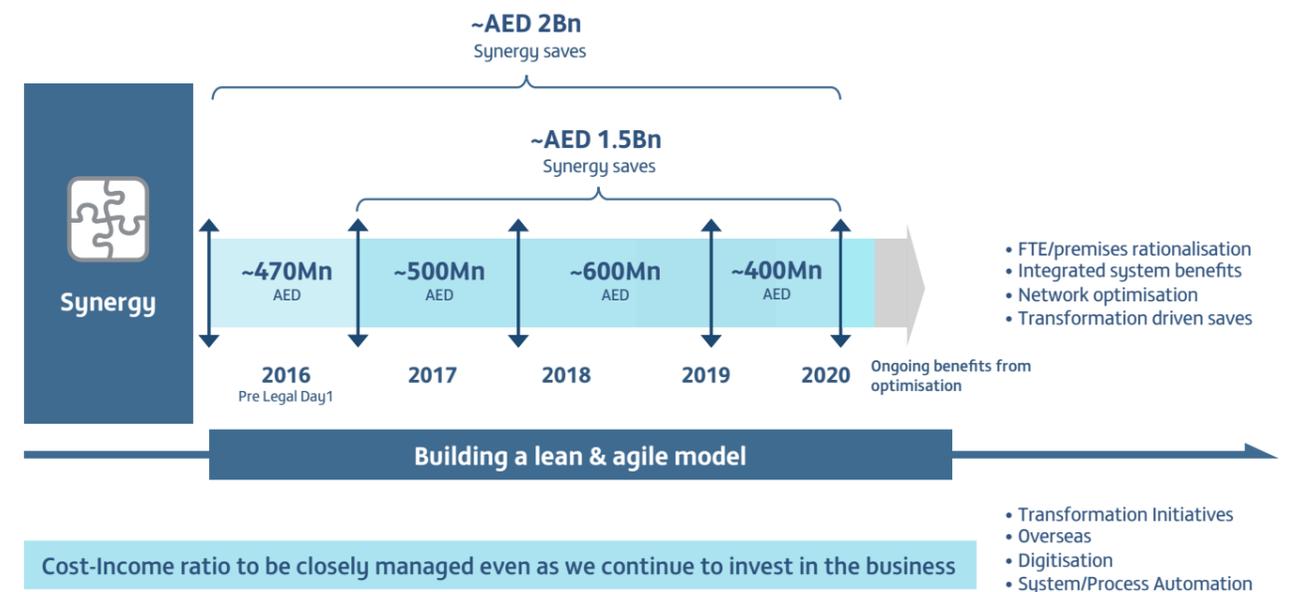


Strong foundation to support **higher market share**



Continue to focus on **maximising shareholder return**

Significant cost synergies from the merger



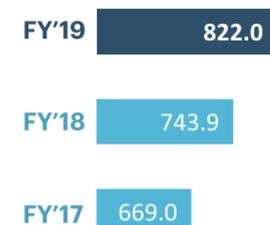
FINANCIAL PERFORMANCE

Key financial highlights as of 31 December 2019

The largest bank in the UAE by total assets and market capitilisation

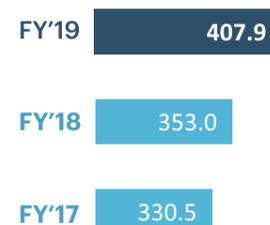
Total Assets (AED Bn)

CAGR 2017-19: 11%



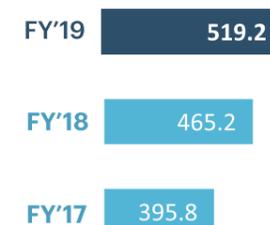
Loans & Advances (AED Bn)

CAGR 2017-19: 11%



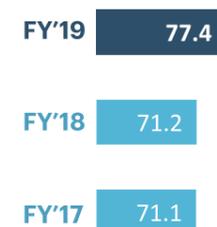
Customer Deposits (AED Bn)

CAGR 2017-19: 15%



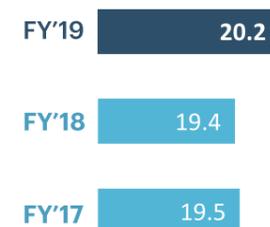
Tangible Equity¹ (AED Bn)

CAGR 2017-19: 4%



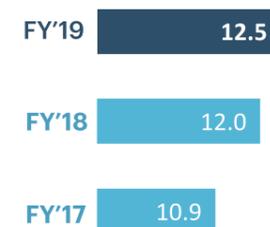
Operating Income (AED Bn)

CAGR 2017-19: 2%



Net Profit (AED Bn)

CAGR 2017-19: 7%



¹ Post-dividend

FAB delivered another year of solid growth despite challenging market conditions regionally and internationally, reporting a full-year Group Net Profit of AED 12.5 Billion, up 4% from the previous year.

FAB's full-year Group Revenue was AED 20.2 Billion, up 4% from AED 19.4 Billion the previous year, driven by continued strength in non-interest income, which largely offset softer net interest income. In line with the bank's commitment to maximise shareholder value, total cash dividends of AED 8.08 Billion were approved and distributed for the full year ended 31 December 2019, amounting to 74 fils per share.

The strength of FAB's balance sheet was clear in 2019 as loans and advances grew by 16% year-on-year to reach AED 408 Billion, while customer deposits increased by 12% to stand at AED 519 Billion. A strong liquidity position and funding profile was maintained with a Liquidity Coverage Ratio of 129%.

The bank's cost-to-income ratio (ex-integration costs) reached an industry-leading level of 26.8%, reflecting cost discipline amid investments in strategic and digital initiatives. This was further underscored by the annual run-rate cost synergy target being almost fully met as of December-end 2019.

With total assets of AED 822 Billion as of December-end 2019, up 10% year-on-year, FAB enhanced its position as the UAE's largest bank. The bank maintained healthy asset quality with a Non-Performing Loan ratio at 3.2% and a provision coverage ratio of 93%. Impairment charges (net) were up 7% year-on-year to AED 1.8 Billion, translating to a cost of risk (on loans and advances) of 48 basis points, in line with 2018.

The bank's robust capital position was enhanced in 2019, with FAB's Common Equity Tier 1 (CET1) ratio increasing from 12.4% to 13.5%, comfortably in excess of regulatory requirements.

The bank leveraged the strongest combined ratings of any bank in the MENA region to continue diversifying its funding sources in 2019, raising USD 5.8 Billion of term funding across multiple platforms and geographies at competitive pricing. This included a USD 850 Million public Sukuk issuance, which was the first ever intraday international public Sukuk issued by a financial institution, and a three-year USD 1.1 Billion public Formosa which was FAB's largest issuance to-date and the tightest priced Floating Rate Note from the region.

Performance by business

The Corporate & Investment Banking (CIB) Group generated 55% of 2019 Group Revenue, while the Personal Banking Group (PBG) contributed 37%. Head Office (HO) and Subsidiaries generated 7% and 1% of Group Revenue respectively.

Revenue from our international operations grew 6% year-on-year, contributing 14% to Group Revenue. International loan book grew 5% year-on-year reflecting business expansion across strategically targeted markets, including Saudi Arabia, while liquidity position remained strong.

FINANCIAL SUMMARY

Income Statement - Summary (AED Mn)	FY'19	FY'18	YoY %
Net interest Income	12,775	13,030	(2)
Non- interest Income	7,474	6,416	17
Total Operating Income	20,249	19,446	4
Operating expenses	(5,499)	(5,329)	3
<i>Includes: Integration costs</i>	(82)	(303)	(73)
Impairment charges, net	(1,843)	(1,726)	7
Non Controlling Interests and Taxes	(387)	(381)	2
Net Profit	12,520	12,011	4
Basic Earning per Share (AED)	1.10	1.06	4
Balance Sheet - Summary (AED Bn)	Dec '19	Dec '18	YoY %
Loans and advances, net	408	353	16
Customer deposits	519	465	12
CASA (deposits)	174	161	8
Total Assets	822	744	10
Equity (incl Tier 1 capital notes)	108	102	6
Tangible Equity	77	71	9
Key Ratios (%)	FY'19	FY'18	YoY (bps)
Net Interest Margin	2.11	2.36	(25)
Cost-Income ratio (ex-integration costs)	26.8	25.8	91
Cost of Risk (bps) (loans & advances)	48	48	0
Non-performing loans ratio	3.2	3.2	8
Provision coverage	93	110	lge
Liquidity Coverage Ratio (LCR)	129	118	lge
Return on Tangible Equity (RoTE)	16.1	16.2	(5)
Return on Risk-weighted Assets (RoRWA)	2.56	2.46	11
CET1 ratio	13.5	12.4	115
Capital Adequacy ratio	16.9	15.7	118

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
- Rounding differences may appear in above table

MARKET OVERVIEW

The economic backdrop in 2019 was firmly on the shifting sands of monetary policy as the Federal Reserve cut rates three times in the second half of the year, thereby partially reversing previous tightening efforts. Geopolitics also remained a recurring theme against a backdrop of Brexit, continuing trade wars and developments in the Middle East.

Outlook for interest rates, global trade and geopolitics are expected to remain key macro challenges for financial markets in 2020, especially in a year of US elections. After decelerating to its slowest pace since the global financial crisis, the global economy should modestly pick up as investment and trade gradually recover.

In MENA, regional growth will continue to be impacted by oil policy and a less supportive global demand, although government and private sector spending are expected to pick up in the context of long-term economic diversification strategies in the region. UAE real GDP is expected to accelerate to 2.5% in 2020, up from 1.75% in 2019.

Despite persistent challenges in the current environment across key sectors, economic activity is expected to benefit from increased government spending on the back of stimulus plans and the positive impact of Expo 2020, and recent structural reforms to support population growth and private sector/ SME activity.



CORPORATE AND INVESTMENT BANKING GROUP (CIB)

CIB contribution to Group FY'19 metrics



FAB's award-winning CIB franchise offers market leading products and services, including corporate finance, global transaction services, global markets and Islamic finance to both UAE and international clients.



CIB continued to lead the market both regionally and internationally throughout 2019 and successfully navigated the global economic turbulence thanks to its strong operating model and clear focus on strategic markets and client-led growth. All products, customer segments and markets delivered solid underlying performance, reflecting the strength of CIB's client-centric model.

Global Corporate Finance (GCF)

GCF delivered a resilient performance against a challenging market backdrop with overall market MENA loan volumes down 36% YoY to their lowest level since 2014. Continued focus on our regionally dominant origination and distribution model contributed to increased fee revenue, outpacing net interest income, as well as improved our league tables' positions and

market share gains across all GCF activities. While leadership in ESG remained central to GCF's value proposition, the business also won several marquee mandates through its growing ECM & Advisory business. Securities Services also grew Assets under Custody as we continue to build a best-in-class regional custody proposition in MENA.

Global Markets (GM)

GM posted record results with revenue rising year-on-year, against a backdrop of volatile markets and shifting monetary policies. Investment and ALM desks capitalised on opportunities in a volatile credit and interest rate environment, while GM sales achieved a strong performance on the back of increased client flow, new relationships

and enhanced cross-sell across FAB's global network. Distribution of GM Products to clients internationally hit a new high in 2019, driven by FX, rates and commodity hedging. FAB also made significant progress in building out its electronic platform capabilities across FX and credit products, enabling best-in-class execution for clients.

Global Transaction Banking (GTB)

Digitalisation continued to be a key strategic focus, increasing the proportion of targeted clients adopting electronic channels to more than 90%. Deployment of Robotics Process Automation (RPA) in Trade Finance, also significantly reduced turnaround times, enabling faster processing of trade

transactions. GTB achieved growth even in a falling interest rate environment with the closing of a significant number of new cash management mandates, mitigating some of the rate cut impact and maintaining CASA balances.

Achieving regional and international objectives

Globally, EMEA operations focused on growth, as well as heightened inter-connectivity between different international branches. Asia delivered another year of solid results, capturing several landmark deals, and providing enhanced client management across geographies and product services.

Continuing its growth journey, CIB rolled out a number of key tools and strategic initiatives in

2019. We launched Global Command Centre to manage the CIB business on a global basis encompassing all international locations, rolled-out our Global Banking model, created a dedicated CIB client services unit (CCS) to support our clients on their day-to-day transactions, introduced a new Risk & Control function embedded within CIB as First-line-of defense. These collectively made our operating model more robust.

Recognition

CIB's achievements during 2019 are reflected in the numerous prestigious awards the bank received, including:

- Most Innovative Investment Bank from the Middle East - The Banker/FT (third consecutive year)
- Best Investment Bank in the UAE - Euromoney and Global Finance (second consecutive year)
- Best Equity Bank in the Middle East - Global Finance and EMEA Finance
- Best Arranger of Loans in the Middle East - Global Capital (third consecutive year)

- Most Innovative Investment Bank in MENA - The Banker
- Best UAE Custodian - Global Custodian and Global Finance
- Best FX Provider in UAE - Global Finance
- Best Bank for Cash Management in the Middle East - Global Finance
- Best Trade Finance Bank in MENA - Global Trade Review
- The Innovators 2019 for Cash Management - Global Finance
- #1 bookrunner of MENA loans,
- #1 MENA loans bookrunner and agent
- #1 agent of MENA loans
- #1 for MENA liability management
- #1 bookrunner of India G3 loans agents
- Best Islamic Deal of the Year - Asset Asian Award

Looking ahead

A key priority is to strengthen and maintain our market leading position in the UAE and become a regional bank of choice for Corporate and Investment Banking clients. A global banking coverage model is the next stage of CIB's client-led approach, ensuring delivery of FAB services to clients globally as one team across our international network, while increasing the bank's strategic

relevance to customers. Furthermore our continued focus on digital will help drive the future of CIB - intersecting our Business Strategy and Operating Model with new technologies and emerging trends (innovation) to enhance the way we do business with our clients and deliver a differentiated digital experiences and insights.



PERSONAL BANKING GROUP (PBG)

PBG contribution to Group FY'19 metrics



REVENUE



LOANS & ADVANCES



PROFIT AFTER TAX



CUSTOMER DEPOSITS

With a focus on the diverse needs of the retail, affluent private banking and SME customer segments, **Personal Banking Group (PBG)** offers a wide range of attractive products, from current accounts, deposits, credit cards and loans for day-to-day banking needs, to more sophisticated investment solutions and business banking products and services.



Our achievements

PBG delivered a strong performance in 2019, generating a net profit of AED 3.5 Billion. Improved sales momentum drove increased revenue throughout the year, with significant growth in both deposits and loans balances.

Operating income grew 1% year-on-year reflecting a pick-up in sales momentum throughout the year leveraging on a unified technology platform, enhanced product

offerings, new partnerships and ongoing process improvements.

Loans and advances grew 3% year-on-year, while customer deposits added 13% with a strong increase in CASA balances reflecting competitive product propositions. We also continued to grow our international business, opening three new branches in Saudi Arabia.

Recognition

FAB's innovations and service were recognised by the industry. Our innovative iSave product won the 2019 Best Savings Account at the Banker Middle East Product Awards, while FAB was named best Private Bank at the

2019 Banker Middle East Industry Awards. FAB was also named 'World's Best Bank for Transformation' at the Euromoney Awards for Excellence 2019.

Enhanced customer experience

PBG achieved significant improvement in customer experience, driven by a range of initiatives encompassing technology, culture, processes and service quality.

Customer migration to digital channels continued to increase, reflecting the introduction of enhanced mobile functionalities, proactive marketing efforts and specific service request migrations. We digitised a number of processes, including digitising our SME lending process using Robotics, Blockchain and optical character recognition. Also, for better and more convenient self-service, the customer contact centre received an enhanced Interactive Voice Response (IVR) system to improve customer interaction.

FAB won the "Retail Tech" award at Seamless Awards 2019. This award recognised the bank's

leadership in the retail space for implementing technology to deliver outstanding customer experience through a tailored state-of-the-art payments solution.

Enhancing customer service culture was a key priority in 2019. PBG put in place focused training and development designed to place our customers at the heart of our business. This included our 'Customer First' training programme that was rolled out to more than 3,500 employees across PBG. By the end of 2019, PBG's relentless focus on customer obsession resulted in positive customer feedback, with 2 out of 3 customers saying they would recommend FAB to friends or family.

New offerings and strategic partnerships

PBG delivered a number of innovative solutions during 2019 to drive growth in personal banking and continuously enhance banking experience for customers across all segments, distribution channels and geographies.

We enhanced our offering for Private Banking and Elite clients with a range of new funds and other products, process enhancements and improvements to our client management systems.

For our business banking customers, new products included the Mastercard 'World' series debit card for small and medium enterprises (SMEs). This offers a range of

features designed to give SMEs greater financial flexibility, convenience and security, saving time and money, and offering customers a competitive edge.

Other business banking initiatives included participating in a venture debt program with Tawazun Strategic Development Fund for SMEs in the defence and security sector, and a partnership with Dubai SME's Mohammed Bin Rashid Fund to provide financial services for Emirati-owned businesses. FAB also entered into a strategic partnership with Ras Al Khaimah Economic Zone to provide banking services to the free zone's clients.

Payments remained a strategic focus. We grew key merchant acquiring clients, as well as strategic alliances with market leaders and enhanced our digital payments solutions to increase customer convenience and successfully introduce Samsung Pay, Apple Pay and Google Pay in 2019.

Payit, the UAE's first fully-featured digital wallet, grew to over 100,000 users in 2019 and continued to enhance its value proposition through new features and innovative partnerships. These included a tie-up with the Abu Dhabi Securities Exchange (ADX) to enable

investors to receive corporate dividends through the mobile wallet and with Abu Dhabi National Insurance Company (ADNIC) to offer customers new payment options through 'Payit'.

During 2019, FAB also partnered with the Abu Dhabi Social Support Authority (ADSSA) to launch an innovative financial aid programme for low-income Emirati families. The state-of-the-art Application Based Programming (API) solution provided by the bank allows recipients to quickly and efficiently access funds, while reducing administrative processes for the Authority.



Looking ahead

Leveraging a leading market position and a unified technology platform, FAB will launch innovative and best-in-class new products in 2020, while fully implementing the 'Customer First' programme to raise customer experience

to new levels. The bank will continue to migrate more customer servicing to digital channels, and develop new opportunities for growth within the UAE and internationally.

OUR APPROACH TO SUSTAINABILITY

As the UAE's largest bank and one of the largest in the MENA region, FAB recognises the broader role and ability we have to play in the transition to a low carbon economy and in shaping a sustainable future.

FAB's approach to sustainability is embedded throughout the core of our business, as we build a stronger economic, social and environmental future for our customers, our people, our shareholders and our communities.



Embedding sustainability throughout our strategy and corporate culture is the foundation stone of our approach to conducting business in a responsible, sustainable manner. Our objective is to maximise stakeholder value through the identification of new opportunities and the active management of current and future ESG risks.

FAB seeks to respond to emerging issues through its sustainability framework and policies which actively inform its corporate strategy. Key facets of this approach include:



A group-wide Sustainability Policy, which sets out broad principles for taking a precautionary and responsible approach to business



Our Corporate Strategy, which is a prioritised set of actions for achieving our vision, with clear focal areas and long-term targets



FAB's Corporate Sustainability team, which guides and implements our sustainability strategy



A set of policies that embed relevant sustainability principles in our day-to-day operations, such as FAB's Code of Conduct and Environmental Policy

2019 highlights



Exceeded our 10 x 10 target to finance USD 10 Billion worth of sustainable projects over 10 years. This commitment was achieved in just 4 years



We were the first Financial Institution in the MENA region to commit to implementing the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD).



Acted as sole mandated lead arranger, lender and facility agent for the MENA region's first SDG loan and the first SDG facility availed by a commercial airline globally, providing funding to Etihad in support of their long term lease of the Etihad Eco-Residence located in Masdar city.



FAB issued the first public Green Bond from the MENA region and has subsequently printed two Green Bond private placements, in addition to providing 2 Green Finance issuances including the first Green Sukuk for the MENA region.



Received a 'B' score by CDP for our climate change response, once again demonstrating our environmental leadership among UAE banks.



Through our #PeopleWithPurpose employee volunteering programme, FAB participated in the Special Olympics World Games Abu Dhabi 2019. FAB Unified Volunteers collectively accounted for more than 3,000 volunteering hours.



Drafted one of the first Group Policies for the removal of single use plastics within the region to support our commitment on becoming single use plastic free.



Launched a pilot Financial Literacy programme for Youth of Determination to further FAB's commitment to engaging with People of Determination. The programme aims to empower and to continue to support the financial wellbeing of our communities in which we operate.

Sustainability focus areas

Our vision is to create value for our customers, employees, shareholders and communities and we measure it by the positive impacts we can realise working in collaboration with our diverse stakeholders. Sustainability at FAB, is our way of doing business.



Responsible banking

To achieve long-term success we're committed to taking a responsible approach to banking through behaving fairly, and responsibly and maintaining high standards of conduct for our customers, our employees, our stakeholders and our communities.



Governance, integrity and risk management

Our strong Sustainability Framework governs the parameters for responsible and ethical business across FAB, while assuring the highest ethical behaviour in everything we do.



Responsible employment

We're committed to supporting our people and to promoting gender equality in the work place, helping our women thrive at work. We also continue to support the development of the Emirati community for the long-term benefit of our business and the national economy.



Positive social impact

We're committed to improving the financial wellbeing of all of our customers. In 2019 in collaboration with SEDRA, we trialled our financial literacy pilot with People of Determination. We strive to be a respected community partner that continues to improve the financial wellbeing of our customers, our employees, our stakeholders and our communities.

Looking ahead

FAB aims to preserve and further strengthen its position as a regional leader in sustainability across the financial sector and the wider business community. In alignment with international best practice and the UAE Government's commitment to mitigate climate change, FAB has committed to implement the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), making us the first financial institution in the MENA region to make this commitment.

We're committed to maintaining leadership in managing climate change risks, developing sustainable investing and lending options, promoting responsible employment and governance, and helping our customer's transition to a low carbon economy whilst ensuring economic growth and stability.

In 2016, FAB committed to lend, invest and facilitate a total of USD 10 Billion of financing within the next 10 years to projects focused on environmentally sustainable activities. The commitment, which was a first for a GCC bank, supports the research from NBAD's: 'Financing the Future of Energy Report', released in 2016, which identified a funding gap of USD 48 Trillion required in the next 20 years to meet global energy demand, with renewables playing a critical role in the energy mix of the future. During 2019, we exceeded USD 10 Billion in financing for sustainable projects, six years ahead of our plan.

FAB is committed to maintaining a strong relationship with our stakeholders, from shareholders and investors, to governments, regulators, local communities, suppliers and our employees. We will maintain a high degree of transparency when reporting on our sustainability priorities and the impact of our operations. FAB is committed to providing as much useful, up-to-date information as possible to its stakeholders and to keep them informed through a variety of mechanisms, both financial and non-financial.

OUR PEOPLE

5,451

Employees*

85

Different Nationalities

17

International locations



At FAB, we have established a work culture that puts our customers at the heart of everything we do, delivering superior value and sustainable growth for our shareholders. We believe in attracting, retaining and building the strength and abilities of our people to empower them to be strong ambassadors for FAB.

* Full time employees (FTE), excludes outsourced and other contract staff at 31 December 2019

UAE National Development

As the largest bank in the UAE, national talent is vital to our success and is therefore part of our strategic workforce planning. Inspired by the UAE Vision 2021, which sets the key themes for the region's socio-economic development, we are firmly committed to nurturing and developing the local Emirati community for the long-term benefit of our business and the national economy.

To support Emirati advancement, we delivered a number of mobility initiatives including the Qeyada and other talent development programs, which help us identify and train employees for succession to more senior roles over a six-month period. Programs such as Tatweer prepared Emiratis for key roles in areas like Corporate and Investment Banking, Finance, Audit, Risk and Credit, while Al Masar developed Emiratis for middle management positions as part of a fast track, 12-month process for existing staff. We continue to develop bespoke development curriculums with top learning and development vendors to help Emirati employees upskill and gain the knowledge required for key roles at FAB.

In 2019 the percentage of Emiratis in senior management increased significantly. This improvement can be attributed to our efforts to develop and promote Emiratis into critical roles and senior management positions across our business.

We continued to support youth development programs, including the Nujoom Management Trainee Programme, to help Emirati students obtain challenging positions within FAB.

Learning Opportunities for Emiratis

Qeyada Programs and Talent Development (bespoke development program for Talent and Successors)	Emirati Succession Program to support individual development within 6 months to equip for the next role
"Tatweer program" Emirati Future Leader	Develop the capabilities of Emiratis in critical roles in key business areas
Al Masar Programme	Develop internal Emiratis talent for 'middle management' and 'critical roles' as a key strategic initiative. Fast track for existing staff and prepare high potential Emirati talent for critical roles in 12 months
Nujoom Management Trainee Program	Graduate Development to support FAB Emirati Talent Pipeline – offering ambitious fresh graduates career growth opportunities to take on "Middle Management" Roles in 18 months on job development and six months specialist
Tamkeen	Develop technical capabilities of high performing Emiratis to build the pipeline for critical roles
FAB Business School	Leadership and technical curriculums

Talent Acquisition

To meet the strategic growth aspirations of the bank, the HR team recruited key talent at all levels of the organisation in 2019, including providing support for growth in Egypt, our expansion into Saudi Arabia, as well as upgraded senior leadership positions in the UAE and internationally.

Training and Organisational Development

We recognise that we need to invest in our talent to continue to build a strong and engaged workforce. Throughout 2019 we provided over 99,500 training hours to employees, with each employee achieving an average of 18 training hours during the year. We also rolled out the following initiatives to help our people to grow stronger everyday within their roles and provide them with opportunities to learn, grow and succeed at every stage of their career.

- We launched the 'Hayakum' (Welcome) Induction Programme, to engage our new employees, as well as launching the FAB Toastmasters Club to help our employees enhance their leadership skills.

- To support our organisational transformation, we introduced a variety of people-focused training and development initiatives across areas that are important to us and our culture including Emiratisation, Talent, Culture and Values, Systems and Processes, and Performance Management and Capability.

- We launched a new internal career platform and onboarding tool, to streamline recruitment and employee activation and encourage career mobility among existing employees.

- We rolled out the Customer First learning programme to 3,600 UAE employees, to help instill a customer-focused culture in the Personal Banking group.

Taking a wide and multi-level approach, we continued to build the capabilities of our employees as individuals, team members and as leaders. We continued to also operate our own in-house training facility, the FAB Business School, to build both technical and soft skills and deliver compliance training to our people. In addition to this we offered external training for our people through classroom and online learning.



RISK MANAGEMENT

As part of our risk strategy, we have a **comprehensive Enterprise-wide Risk and Compliance Framework** aligned with our vision to drive consistent value for stakeholders through the optimisation of risk and reward. Within this framework, we have established robust controls and tools that include the following:

- A "three lines of defence" model is central to our risk management framework, helping us to identify potential risks and gauge the effectiveness of related functions and policies.
- FAB has a 'New Product Approval Policy' that provides guidelines on developing new products, and our Risk Management team reviews and approves all new products before launch.
- Our Risk Appetite Framework includes metrics and thresholds, which form part of the balanced scorecard and performance appraisals of senior executives.
- We provide risk-related training to relevant employees that cover Basel guidelines, credit risk and modelling, and financial statement analysis. We also provide mandatory training to all employees on general risks, such as data security and money laundering, discussed in other sections of this report.
- We conduct internal surveys annually to get employee feedback on managing risks, which help us continuously improve our practices.
- To sustain our operations in the event of major events and crises, FAB has a Business Continuity Policy along with plans and incident response procedures that are tested regularly and at a minimum on an annual basis.

Oversight

Overall accountability for risk governance lies with the Board Risk and Compliance Committee (BRCC), which develops and oversees the Group risk strategy, risk appetite and policy guidelines, and monitors adherence to these.

Assisting the BRCC in carrying out these functions are the Group Risk Committee and the Compliance Committee, as well as several sub-committees such as the Operational Risk Committee and the Information Technology/Information Security Risk Committee that oversee specific risk responsibilities.

Managing Risk

Three Lines of Defence

Board group CEO Executive management

Provides Oversight of Three Lines of Defence



First Line of Defence

- Execute processes & Controls
- Business & Enabling Functions
- Own, Supplement & Operate within the Risk Appetite, Limits and Framework



Second Line of Defence

- Design & Facilitate Pro-active Risk Management
- Group Risk & Compliance
- Design & Monitor Risk Appetite, Limits and Framework Based on Group's Strategy



Third Line of Defence

- Independent Assurance
- Group Internal Audit
- Provide independent assurance on the Adequacy & Effectiveness of the Internal Control, Risk Management, Governance, System and Processes

Data Privacy & Security

The very nature of our business is based on safeguarding customers and their assets, and personal information is an integral component of those assets.

That's why protecting the privacy of our clients and handling sensitive information they entrust to us with the utmost care will always be a top priority at FAB.

A Layered Approach

We have a multi-layered program in place to protect and use personal data in a responsible manner. Aligned with information security standards such as PCI-DSS and NESA, the program includes security and privacy policies, procedures and protocols, such as strong customer authentication methods; secure data storage areas with employee clearance requirements to minimise the risk of unauthorised data access; and a comprehensive data leakage prevention strategy.

We build robust data encryption techniques, network security (e.g., firewalls) and other tools into our products, services and technologies. Sophisticated systems are in place to continuously monitor suspicious activity and thwart cyber attacks in an evolving threat landscape, and FAB works closely with government agencies and other financial institutions to share security intelligence and analytics. We perform periodic testing and security assessments and our 24/7 security monitoring team reviews security events and incidents.

Employee and Customer Education

Employee education is a key cornerstone of our data governance program. We provide compulsory training (e-learning and classroom based), promote good privacy and security practices among our employees and contractors, and test compliance with

these practices through periodic "phishing" simulations. In addition, we have a customer awareness program in which we communicate the importance of customer vigilance regarding online safety and protection of their accounts, financial information and devices.

Oversight

FAB's Group Security Office (GSO) provides direction and oversight of the bank's data privacy and security programme including employee training and awareness. All related policies and procedures are periodically reviewed by the GSO and approved by FAB's executive team. Our EVP & Chief Information Security Officer and Head of Business Continuity Management is responsible for the bank's data security and privacy program.

FAB's information security/cyber security

risk, challenges, regulatory requirements and the bank's security initiatives are discussed and reviewed by the Group Security Committee (GSC) and Group Risk on a monthly basis, the Compliance Committee (GRCC) on a quarterly basis, and the Board Risk and Compliance Committee (BRCC) on a quarterly basis. FAB's Information Security Strategy is formulated on the basis of such discussions and reviews in GSC, GRCC, BRCC meetings which are delegated committees from Board of Directors and includes FAB Executive Management.

Fighting financial crime

We invest heavily in crime prevention strategies and maintain robust controls to combat various types of criminal activities – including fraud, corruption, bribery, money laundering, terrorist financing, and breaching of international sanctions.

Anti-Fraud

Our global financial crime unit includes dedicated experts who specialise in crime prevention and managing threats posed to FAB. They undertake activities like fraud risk assessments, review new products before roll-out from a fraud risk perspective, conduct mystery shopping and spot checks to proactively test fraud controls, and update staff and customers about the latest trends in financial crime.

The financial crime unit also works together with law enforcement agencies and industry

peers to share intelligence, coordinate efforts and help fight financial crime in the wider community.

We have a Group Vulnerability Assessment and Penetration Testing Policy and Procedures and perform routine assessments to identify possible vulnerabilities on all bank assets and infrastructure including payment card systems. We use advanced analytics that give us better insights and real-time data to uncover and act on potential threats.

Employee Screening and Training

Our approach to fraud prevention includes an employee background check process, mandatory fraud awareness training as part of staff induction and an annual mandatory Anti-Money Laundering (AML), Anti-Bribery and Corruption (ABC) and Sanctions e-learning programme, which requires a minimum pass rate of 80%.

We train our people on how to identify, prevent and deal with financial crime and provide risk-assessment tools and models.

Various policies are in place to guide employees and articulate our commitments, including Anti-Corruption and Anti-Bribery Policy and the Prevention of Money Laundering and Counter Financing of Terrorism and Sanction Compliance Policy.

Screening Customers and Transactions

To verify and onboard legitimate customers, our due diligence process reflects international best practices and complies with relevant laws and regulations with respect to Know Your Customer (KYC) and other client identification requirements.

We continuously update our deterrence and detection infrastructure, which includes sophisticated tools to monitor, track and report criminals and any suspicious transaction activity across channels. Customers and counterparties are regularly screened against listed terrorist organisations and sanctioned names issued by the UN, US, EU, UK and UAE.

CORPORATE GOVERNANCE



The bank has been operating for nearly three years since the merger. In that time FAB has committed itself to developing a strong and robust corporate governance model/structure. There has been a consistent focus on developing governance across all areas of the business, both in the UAE and internationally.

Good corporate governance is important, to our shareholders, customers, employees and the communities in which we operate.

Our emphasis has been on improving the quality of decision-making and continuing to strengthen relationships with our stakeholders through transparent disclosures. In FAB, we believe that good governance supports ethical conduct and allows us to focus on running the business and complying with the applicable laws and standards.

Our governance structure includes a comprehensive code of conduct which all employees must be aware of and comply with in their daily interactions. This is supported by robust values which are communicated throughout the organization and influence the way in which we do business. How we conduct our business is as important as what we do.

FAB is highly focused on achieving best practices in corporate governance, business integrity and professionalism. Its Board of Directors (“the Board”) approved the Group corporate governance framework which is aligned with its strategic objectives and reflects applicable regulatory guidelines, including those of the Central Bank of the UAE (“CBUAE”) and its other regulators.

The framework was recently enhanced to reflect the provisions of the new 2019 CBUAE Corporate Governance Regulation for Banks and the accompanying Corporate Governance Standard for Banks (the “CBUAE CG Regulations and Standards”).

Under Article 2 of the CBUAE CG Regulations and Standards, members of the Board must ensure that a bank has robust corporate governance policies and processes commensurate with its risk profile and systemic importance. The Framework, together with the Bank’s Corporate Governance Policy, also approved by the Board in 2019, is designed to meet this requirement. Our goal is to be perceived as the best governed bank in the GCC.

FAB's overarching corporate governance protocols are overseen by the Board, which directs the Group's affairs and works with executive management to set the bank's strategic objectives.

FAB is driven by the selection of productive strategies and management of risk. It also has a closely monitored delegation of authority ("DOA") framework that supports the need for independence in decision-making and escalation of reporting, with clearly articulated individual and collective accountabilities and compliance with all applicable laws and regulations.

This allows the bank to satisfy the interests of stakeholders through transparent and material disclosures, meet its regulatory obligations and engage positively and transparently with the community and its customers.

High-level overview of the FAB Corporate Governance Framework

FAB is governed by a framework of boards and committees. The bank undertook a comprehensive structural review of the management committees as part of its continuing work to establish a streamlined and effective reporting structure to the Board Committees.

This included a review of the charters for each committee in order to maximise the efficiency of operations and to ensure clear lines of accountability for decisions.

The corporate governance framework identifies the responsibilities and accountabilities for: the Board and individual Board Directors, Board Committees, the Executive Committee and its supporting Management Committees, and the organisation's support and control functions.

FAB Governance Structure



↑ Indicates flow of information and not reporting lines.

* The Bank also operates Internal Shari'ah Supervision Committee which advises all relevant parts of the FAB business on key aspects of its Islamic Banking activities (more details are included later in this report).

Board of Directors

Good governance starts with the Board. Pursuant to the FAB Group's Articles of Association and in accordance with Federal Law No. 2 of 2015 concerning Commercial Companies, the FAB Board consists of nine (9) members. The composition of the Board satisfies best practice relating to the separation of Chairman and Group Chief Executive and the majority membership of non-executive Directors.

The Board considers that a Director is independent if neither himself nor any of his first-degree relatives have been a member of the Senior Management of FAB during the last two years or has a relationship that creates any financial transactions or deals with FAB or any of its subsidiaries totalling a value of 5% of the paid-up capital of FAB, or exceeds AED 5 Million (or an equivalent amount in a foreign currency, whichever is less).

The Board of FAB has overall responsibility for directing the Group's affairs, to create and preserve value through the group's operations, and to consider the shareholders' and other stakeholders' interests.

The Board, either directly or through its committees, is responsible for oversight in the following areas: strategic planning, defining risk appetite, the bank's risk management framework, capital management, fostering a culture of integrity including oversight of the FAB code of ethics/conduct and whistle-blowing procedures, internal controls, succession planning and evaluation of senior management, material Compliance and Financial Crime policies, communication, public disclosure and corporate governance. It has documented its roles and responsibilities in a Board Charter and associated policies.

The Board Charter and its associated policies have been reviewed and amended as necessary to reflect the evolution of the FAB Group and in line with changes to the legal and regulatory landscape. This includes a comprehensive Code of Conduct for Directors which reflects their fiduciary duties and role in setting the tone for the conduct of the whole organisation.

The Board delegates its authority to executive management through the Board and Board Committees and the delegation of authority framework. Aside from certain authorities and powers reserved by the Board for its own decision-making, the Group Chief Executive is delegated full responsibility for the management, operations and compliance of FAB.

To satisfy its oversight role, the Board has defined a clear control structure, which monitors management activities, in addition to creating supporting controls and reporting structures both internal and external to the bank. The delegation and control structure is also subject to compliance with and oversight by regulators and third parties, including the CBUAE and the Securities and Commodities Authority of the UAE ("SCA"), and regulators in jurisdictions where FAB operates.

The emerging governance issues and associated risks makes the role of a board director more complex than ever. Continuing Board education was introduced in 2019 to address the need for the board to receive materials and insight into emerging governance and environmental issues to support their role. These included, amongst other governance issues, information security, financial crime and sustainability. In addition the Board is committed to continuous enhancement, and agreed to conduct a self-assessment for the year 2019.

The anonymous survey is used to assess the operation and dynamics of the board, the adequacy of information provided to directors, board structure and composition, agenda planning and strategic direction and process. It helps to provide the Board with assurance that it is dealing with the right strategic issues, and is efficient in its operation. A similar self-assessment is used for the Board committees.

Strategic Planning

The Board provides governance and oversight to strategic planning at FAB and oversees the execution of the strategies. The board approves and monitors the Group strategy and long term objectives, ensuring alignment with the Group's risk appetite and the Group risk management framework.

The Board also reviews financial performance in light of the strategy, long term objectives and budget of FAB. Directors receive updates on the progress of strategic plans, including those for each principal business group, throughout the year.

Risk Oversight

The Group's Enterprise-wide Risk Management ("ERM") framework, approved by the Board, is comprised of a governance structure that includes a robust committee structure and a comprehensive set of corporate policies, which are approved by the Board and its committees, together with supporting Standard Operating Procedures ("SOPs").

The ERM framework is governed through the Group Risk Committee and through a hierarchy of individual responsibilities.

All elements of our risk management framework are reviewed on a regular basis by the Group Risk Committee with oversight from the Board Risk and Compliance Committee to provide effective guidance for the governance of our risk-taking activities.

Board Sub-Committees

To enable the Board to carry out its objectives, authority is delegated to the committees appointed by the Board as required.

The Board has established the following four Board sub-committees:



Board Management Committee ("BMC")

The BMC approves and oversees execution of the FAB Group's business plan as per the strategy approved by the Board, and oversees and reviews material aspects of the Group's business.



Board Audit Committee ("BAC")

The BAC ensures the quality and integrity of financial statements and financial reporting, including oversight of the internal and external auditor, and assesses the effectiveness of internal control, risk management and governance systems, including oversight of compliance related matters such as fraud and whistleblowing.



Board Risk and Compliance Committee ("BRCC")

The BRCC provides oversight and advice to the Group Board in relation to current and potential future risk and compliance exposures of the FAB Group. It also considers and helps direct future risk strategy, including the determination of risk appetite and tolerance, and the promotion of a risk and compliance awareness culture among the Group.



Board Remuneration and Nomination Committee ("REMCO")

The REMCO oversees the composition of the Group Board Directors and succession planning for the Group Executive Committee members. This includes an assessment of the skills, knowledge and expertise needed to ensure they are positioned to discharge their responsibilities in the interests of the shareholders and FAB Group.

It also reviews FAB's reward policy framework, approves and oversees reward design and ensures it is appropriate and consistent with the FAB Group's culture, values, business performance and risk strategy.

Each of these committees remain an integral part of the Board, and its members are composed of Board Directors and the Chief Executive Officer. The remit of these committees is to research and consider topics in greater detail and provide recommendations to the Board, to manage conflicts of interest, to satisfy regulatory requirements, provide leadership, satisfy the interests of shareholders and provide management oversight to ensure the proper governance of the Group. The Committee Charters are reviewed annually to align closely with the evolving business and structure of the Group.

Internal Shari'ah Supervision Committee ("ISSC")



FAB is supervised from a Shari'ah perspective by the Internal Shari'ah Supervision Committee ("ISSC") who are appointed by the FAB Group Board. The ISSC consists of renowned and qualified Shari'ah scholars who are responsible for ensuring that all of the bank's Islamic banking products, services and operations are in compliance to the Shari'ah principles, and reviewing them on an ongoing basis. The bank's Islamic banking operation regularly seeks the guidance of the ISSC on matters relating to Shari'ah.

The ISSC also supervises the bank's Islamic subsidiaries in all matters related to Shari'ah. These subsidiaries are First Abu Dhabi Islamic Finance Pvt. JSC and Aseel Finance Pvt. JSC respectively.

FAB also has an Internal Shari'ah Unit ("ISU") consisting of personnel qualified in Shari'ah and Islamic banking. ISU is responsible for managing and performing all related Shari'ah functions including Shari'ah review, advisory and structuring; Shari'ah Secretariat to the ISSC; Shari'ah research and training; Shari'ah audit; and Shari'ah risk management.

The Federal UAE Banking Law No. (14) of 2018 made a number of changes to Islamic Banking. It established the Higher Shari'ah Authority ("HSA"), which will, among other things, determine the rules and standards for Islamic financial institutions. Included within the powers of the HSA is the pre-approval of all members of the ISSC, and pre-approval of any proposed new Islamic banking products.

The appointment of ISSC members must be pre-approved by the HSA before being elected at the Bank's General Assembly. The ISSC is required to produce an annual report which is required to be approved by the HSA and is presented at the Group General Assembly.

In addition, all business must be conducted in accordance with the Shari'ah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Management Committees

FAB has a number of management committees, including the Executive Management Committee. The management committees' structure helps drive senior-level management decision-making within the bank across a range of matters including the management of issues pertaining to strategy, finance, capital, risk, compliance business operations, information technology and employees.

The committee structure has continued to evolve and considerable work was undertaken in the year around the leadership and administration of the committee meetings, including the introduction of self-assessments that are aimed to review the performance of the committee and suggest areas to enhance quality. The composition, guiding principles and detailed roles and responsibilities of all FAB management committees are set out in their respective charters.

Subsidiary company and International governance

Dubai First Pvt. JSC, Aseel Finance Pvt.JSC, First Abu Dhabi Islamic Finance Pvt.JSC, and FAB Securities LLC are regulated subsidiary companies of FAB in the UAE, and each operates within the bank's overarching corporate governance framework. FAB subsidiary companies operate governance arrangements suited to their business.

They have their own boards and supporting committees as required by applicable laws and regulations. To assist, guide, direct and challenge the senior management of FAB subsidiary companies, these subsidiary boards consist of senior professionals with substantial banking, finance, Islamic banking and risk experience.

They are primarily FAB Group employees unless legal and/or regulatory requirements mandate the need for independent (non-FAB) directors. However, these Directors are chosen from a different line of business so that they can offer an independent perspective. The boards of FAB subsidiary companies have a majority of UAE Nationals as required under the UAE Commercial Companies Law.

In addition to its UAE subsidiaries, FAB has several international subsidiaries with their own fully constituted Board and committee structure. However, the majority of the bank's international presence is through branches and representative offices, providing operations and services at a local level and supported by regional and Group management as appropriate.

FAB has developed a risk control governance framework for each international location that sets out the governance structure, including the senior management organisation structure, committees, decision-making forums and reporting lines.

This is complemented by effective two-way communication and close oversight from Head Office to ensure that appropriate issues are escalated to group level and the governance for each international location is consistent with the governance at Group level.

2019 CBUAE Corporate Governance Regulations and Standards for Banks

In September 2019, the CBUAE issued its long awaited Corporate Governance Regulations and the accompanying Standards for Banks (the "CBUAE CG Regulations and Standards").

There is a three-year implementation period for the CBUAE CG Regulations and Standards.

Each UAE bank is required to submit to the Central Bank a plan approved by the Board that describes when and how the bank will meet its obligations under the CBUAE CG Regulations and Standards.

Following its release, the bank prepared an analysis to assess the current status of compliance with it.

This analysis was used as a basis for preparing the plan, which includes a timeline for implementation. The key governance documents were updated in line with the CBUAE CG Regulations and Standards, and are subject to internal approval, which is in progress. The Bank will monitor the implementation of the plan that will be presented to the CBUAE by end of January 2020.

Regulatory Compliance

FAB is regulated by the CBUAE and is therefore required to comply with CBUAE regulations, circulars and notices. In addition, FAB is required to comply with all applicable laws and regulations of the UAE, including, without limitation, the UAE Commercial Companies Law No. (2) of 2015 and the Federal UAE Banking Law No. (14) of 2018, rules and standards established by the SCA and the bank's Articles of Association, the latter which are reviewed annually.

FAB has a specialist compliance team that reviews new laws and regulations and assesses their impact on the bank, advising the Board as necessary through the Committee framework.

FAB is also impacted by international regulations that have global or regional impact where the bank conducts business, such as BASEL III and the General Data Protection Regulations ("GDPR").

The bank is also mandated to comply with international regulations in all jurisdictions in which it operates. This is achieved through local compliance staff, with oversight and guidance provided as necessary at Group level. Senior management has the responsibility to ensure compliance with applicable laws and regulations across the geographic spread of the Group and report on such matters to the Board.

Developing a strong relationship with our UAE and international regulators and partnering with them as appropriate is a key focus for FAB as it is considered good governance. In UAE, this includes providing a response to regulator consultations through the UAE Banks Federation ("UBF").

Codes of Conduct

In addition to the Directors Code of Conduct noted above, the Bank has a comprehensive Employee Code of Conduct which applies to directors, employees and subsidiaries of FAB. The Code encourage appropriate behaviour, defines inappropriate behaviour and the process and outcomes for the identification and reporting of such behaviour period.

Consistent with FAB's approach to employing high standards for transparency and disclosure for the benefit of shareholders and other stakeholders, the bank publishes a wide range of reports containing financial and non-financial data through its Investor Relations function, in addition to disclosures required for regulatory purposes. This includes FAB's Environmental Sustainability Governance (ESG) report, and a detailed Corporate Governance annual report, both of which can be found on the bank's website.

FAB has established a number of functions committed to engagement and communication with external stakeholders. These include Investor Relations, Corporate Communications, Sustainability, Regulatory Compliance and Corporate Governance.

In addition, internal transparency and disclosure is considered from operational, ethical and regulatory perspectives, ensuring that staff are aware of developments, strategies and risks pertaining to FAB, as well as their personal responsibilities and duties, whilst protecting customer and personal data confidentiality, sensitive information and confidential commercial information.

These considerations are embedded in the Employee Code of Conduct and the bank's values system. Shareholder rights and interests include powers reserved in the UAE Commercial Companies Law No (2) of 2015 the Federal UAE Banking Law No (14) of 2018 and FAB's Articles of Association, and are supported by the duty of the Board to act in the best interests of the Company. FAB acknowledges that there are diverse interests within the shareholder base and the Board considers such interests when determining the objectives and strategies for the Group.

Executive Management Compensation

Executive Management compensation at FAB aims at achieving sustainable business growth and protecting stakeholder value. Our compensation structure contains a mix of fixed and discretionary variable pay.

The fixed pay is aligned to external market benchmarks to ensure that senior leadership is adequately compensated and that there is relative stability at those levels. Variable pay is linked to achievement of results as per the elements of the balanced scorecard (Financials, Customer, Process and People) as well as demonstration of their achievement in line with Bank's stated values. Managerial discretion is also applied to ensure that there is a true reflection of 'how' the business growth is achieved in addition to 'what' was achieved.

Additionally, adequate safety measures such as partial deferral of variable compensation are in place to ensure that decision making is on the basis of long term sustainability. Such deferrals are applied on the basis of the value of the discretionary variable pay and is commensurate with the level of decision making and impact to the business. The deferral scheme segregates payments into retention based awards and organisation performance dependent awards that vest over a defined time frame. In the event performance parameters thresholds are not achieved, the performance based deferral for the year is subject to forfeiture.

Variable reward amounts (paid amounts as well as deferrals) are subject to claw-back conditions. Additionally, unvested deferred amounts are subject to forfeiture based on specific conditions.

SHAREHOLDER INFORMATION

A. 2019 Financial and Events Calendar

Date	Event
29/04/2019	Q1'2019 Financial Results Announcement
17/07/2019	Q2/H1'2019 Financial Results Announcement
24/10/2019	Q3/9M'2019 Financial Results Announcement
27/01/2020	Q4/FY'2019 Financial Results Announcement
24/02/2020	General Assembly Meeting
04/03/2020	Ex-Dividend Date

B. FAB Share Information

Listing date	2000 ¹
Exchange	Abu Dhabi Securities Exchange (ADX)
Symbol	FAB
ISIN	AEN000101016
Number of shares issued	10,920,000,000
Closing Price as of 31 Dec 2019	AED 15.16
Market cap as of 31 Dec 2019	AED 165.5Bn (USD 45.1Bn)
Foreign Ownership Limit	40% ²
Free Float	43% ³

C. FAB Index Weights^{4,5}

ADX	ADSMI	44.9%
MSCI Emerging Markets Index	MXEF	0.2%
MSCI Emerging Markets Banks Index	MXEF0BK	1.0%
MSCI Emerging Markets ESG Leaders ⁶	M1EFES	0.4%
FTSE Emerging Markets Index	FTAG01	0.3%

1. This is referring to the listing date of NBAD shares on ADX
2. Foreign Ownership Limit increase from 25% to 40% approved by FAB shareholders at the General Assembly Meeting on 25 February 2019
3. Free float designates FAB shares available for purchase in public equity markets which are not strategic in nature
4. As of December 2019, unless stated otherwise
5. Sources: Bloomberg, FAB, MSCI, FTSE
6. As of November 2019

D. Ownership Structure as of December-end 2019⁷

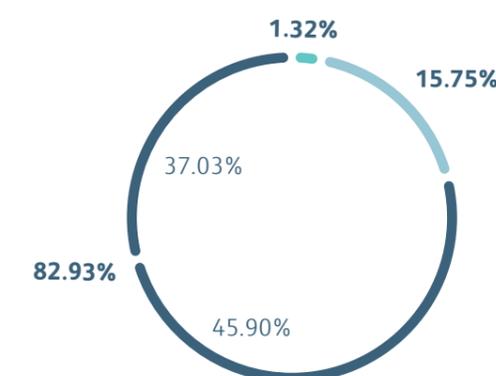
As of 31 December 2019, FAB's share capital stood at AED 10,920,000,000 divided into 10,920,000,000 shares of AED 1 each

Major Shareholders⁸

Name	Number of Shares	Shares (%) ⁶
Mubadala Investment Company (MIC)⁹		37.03%
Abu Dhabi Investment Council Company (ADIC PJSC)	3,634,789,745	33.34%
Mamoura Diversified Global Holding ⁹	401,507,065	3.68%

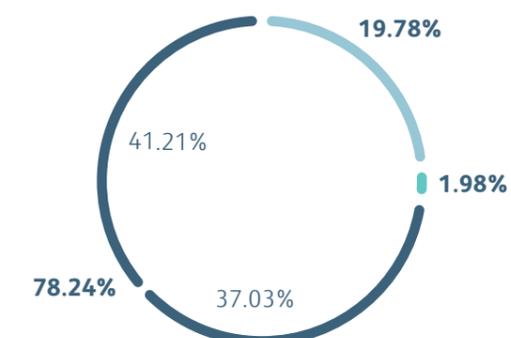
FAB Shareholding⁷ by Nationality

UAE	82.93%
Mubadala Investment Company	37.03%
Other UAE entities and individuals	45.90%
GCC (ex-UAE)	1.32%
Foreign (ex-GCC)	15.75%



FAB Shareholding⁷ by Category

Companies & Institutions	78.24%
Mubadala Investment Company	37.03%
Other companies & institutions	41.21%
Government entities	1.98%
Individuals	19.78%



7. Based on total outstanding number of shares (Issued less Treasury shares of 18,864,819)
8. Major shareholders defined as shareholders owning 5% or more of the issued capital (as per ADX)
9. MIC holding through its wholly owned subsidiaries ADIC PJSC and Mamoura Diversified Global Holding PJSC (formerly known as Mubadala Development Company PJSC). MIC is one of the wholly owned strategic investment companies of the Emirate of Abu Dhabi

E. Shareholder Returns & Share Price Information

Description	2017 (pro forma)	2018	2019
Returns to shareholders¹			
Capital Gains ²	2.6%	37.6%	7.5%
Cash Dividend Yield ³	6.8%	5.2%	4.9%
Stock Dividends (Bonus shares) ⁴	0	0	0
Cash Dividend (AED/share)	0.70	0.74	0.74
Total Cash Dividends (AED Bn) ⁵	7.63	8.06	8.08
Cash Dividend Payout ⁶	73%	70%	68%
Market Capitalisation (AED Mn)	111,700	153,655	165,547
Number of shares issued (AED Mn)	10,898	10,898	10,920
Price to Tangible Equity ratio (on Basic EPS)	10.7x	13.3x	13.7x
Price to Tangible Book ratio	1.6x	2.2x	2.1x
Share Price (AED/share)			
High ⁷	11.55	14.84	16.80
Low ⁷	9.72	10.45	13.60
Closing as of 31 Dec	10.25	14.10	15.16
Daily Average Volume (shares)	2,864,449	3,382,382	3,455,514
Relative Returns (capital gains)			
FAB vs ADX return	5.9%	25.8%	4.2%
FAB vs MSCI EM Banks Index return	(25.0)%	46.2%	0.4%

F. FAB Share Price Performance vs. UAE indices⁸ (rebased)



Percentage change since merger on 2 April 2017

Description	FAB	ADX	DFM	MSCI EM	MSCI EM Banks	FTSE EM
Absolute change	48%	14%	-21%	16%	13%	16%
CAGR (2 Apr 2017 - 31 Dec 2019)	15%	5%	-8%	6%	5%	5%

- ¹ Based on Issued Shares
- ² Percentage change in price during the year (31 Dec'18 – 31 Dec'19)
- ³ Dividend yield based on cash dividends per share as a percentage of closing share price as on 31 December or last traded day of the relevant financial year
- ⁴ Shown as a percentage of face value
- ⁵ Based on number of shares issued as at 31 December of the relevant financial year
- ⁶ Dividend payout ratio based on cash dividends as a percentage of attributable profits (net profits after minority interest and payment on Tier-1 capital notes)
- ⁷ High / Low based on daily closing prices
- ⁸ Rebased to FAB share price as on 31 March 2017

Source: Bloomberg, FAB financials 2019 & 2018, FAB Pro forma financials 2017

Pro Forma Consolidated Statement of Financial Position

As at 31 December 2019

Balance Sheet	Dec 2018	Dec 2019	Dec 2018	Dec 2019
	(AED 000)		(USD 000)	
ASSETS				
Cash and balances with central banks	182,908,727	169,702,008	49,798,183	46,202,561
Investments at fair value through profit or loss	14,620,910	20,099,181	3,980,645	5,472,143
Due from banks and financial institutions	19,176,092	17,026,502	5,220,826	4,635,585
Reverse repurchase agreements	19,033,451	24,678,375	5,181,990	6,718,861
Derivative financial instruments (assets)	13,084,192	15,917,321	3,562,263	4,333,602
Loans and advances	352,966,420	407,903,028	96,097,582	111,054,459
Non-trading investments	90,433,574	114,644,422	24,621,175	31,212,747
Investment properties	7,388,493	7,956,854	2,011,569	2,166,309
Property and Equipment	3,991,215	4,618,986	1,086,636	1,257,551
Intangibles	19,699,711	19,498,087	5,363,384	5,308,491
Other assets	20,583,602	19,923,251	5,604,030	5,424,245
Total assets	743,886,387	821,968,015	202,528,284	223,786,555
LIABILITIES				
Due to banks and financial institutions	40,266,535	36,007,875	10,962,846	9,803,396
Repurchase agreements	34,769,685	38,821,848	9,466,290	10,569,520
Commercial paper	18,144,105	21,236,955	4,939,860	5,781,910
Derivative financial instruments (liabilities)	15,219,464	19,228,541	4,143,606	5,235,105
Customer accounts and other deposits	465,237,066	519,161,857	126,664,053	141,345,455
Term borrowings	42,268,173	55,751,819	11,507,806	15,178,823
Subordinated notes	401,979	381,305	109,442	103,813
Other liabilities	25,606,380	23,340,779	6,971,517	6,354,691
Total liabilities	641,913,387	713,930,979	174,765,420	194,372,714
EQUITY				
Share capital	10,897,545	10,920,000	2,966,933	2,973,047
Share premium	53,188,043	53,434,461	14,480,818	14,547,907
Treasury shares	(25,530)	(18,864)	(6,951)	(5,136)
Statutory and special reserves	9,483,238	10,920,000	2,581,878	2,973,047
Other reserves	(37,477)	2,474,032	(10,204)	673,573
Tier 1 capital notes	10,754,750	10,754,750	2,928,056	2,928,056
Share option scheme	266,841	249,816	72,649	68,014
Retained earnings	17,083,868	18,872,367	4,651,203	5,138,134
Total equity attributable to the shareholders	101,611,278	107,606,562	27,664,383	29,296,641
Non-controlling Interest	361,722	430,474	98,481	117,200
Total Equity	101,973,000	108,037,036	27,762,864	29,413,840
Total liabilities and equity	743,886,387	821,968,015	202,528,284	223,786,555

Pro Forma Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

Income Statement	FY'18	FY'19	FY'18	FY'19
	(AED 000)		(USD 000)	
Interest Income	21,840,614	24,368,947	5,946,260	6,634,617
Interest Expense	(8,810,445)	(11,594,145)	(2,398,705)	(3,156,587)
Net interest income	13,030,169	12,774,802	3,547,555	3,478,029
Net fees and commission income	3,392,372	3,169,429	923,597	862,899
Net foreign exchange gain	2,042,480	2,600,978	556,080	708,135
Net gain on investments and derivatives	826,225	1,506,277	224,945	410,094
Other operating income	154,496	197,571	42,063	53,790
Operating income	19,445,742	20,249,057	5,294,240	5,512,948
General, administration and other operating expense	(5,328,555)	(5,498,991)	(1,450,736)	(1,497,139)
Profit before net impairment charge and taxation	14,117,187	14,750,066	3,843,503	4,015,809
Net impairment charge	(1,725,794)	(1,842,977)	(469,860)	(501,763)
Profit before taxation	12,391,393	12,907,089	3,373,644	3,514,046
Overseas income tax expense	(325,004)	(314,463)	(88,485)	(85,615)
Profit for the year	12,066,389	12,592,626	3,285,159	3,428,431
Profit attributable to:				
Shareholders of the Bank	12,010,820	12,520,206	3,270,030	3,408,714
Non-controlling interests	55,569	72,420	15,129	19,717

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