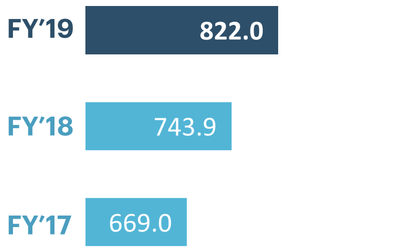
FINANCIAL PERFORMANCE

Key financial highlights as of 31 December 2019

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

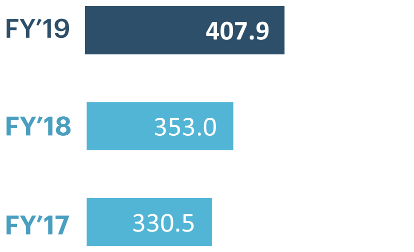
Total Assets (AED Bn)

CAGR 2017-19: 11%



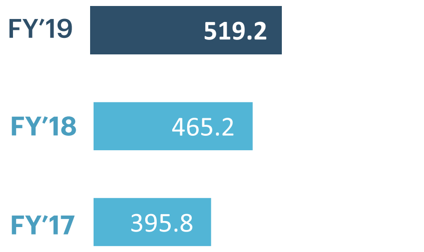
Loans & Advances (AED Bn)

CAGR 2017-19: 11%



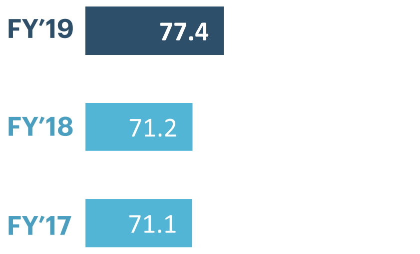
Customer Deposits (AED Bn)

CAGR 2017-19: 15%



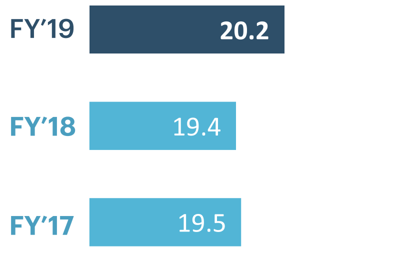
Tangible Equity[1] (AED Bn)

CAGR 2017-19: 4%



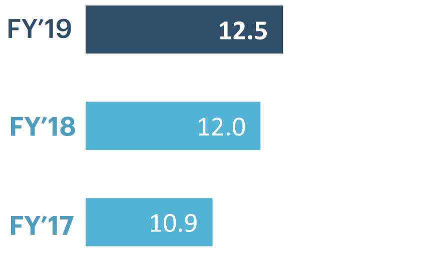
Operating Income (AED Bn)

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
Includes: Integration costs	*(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.