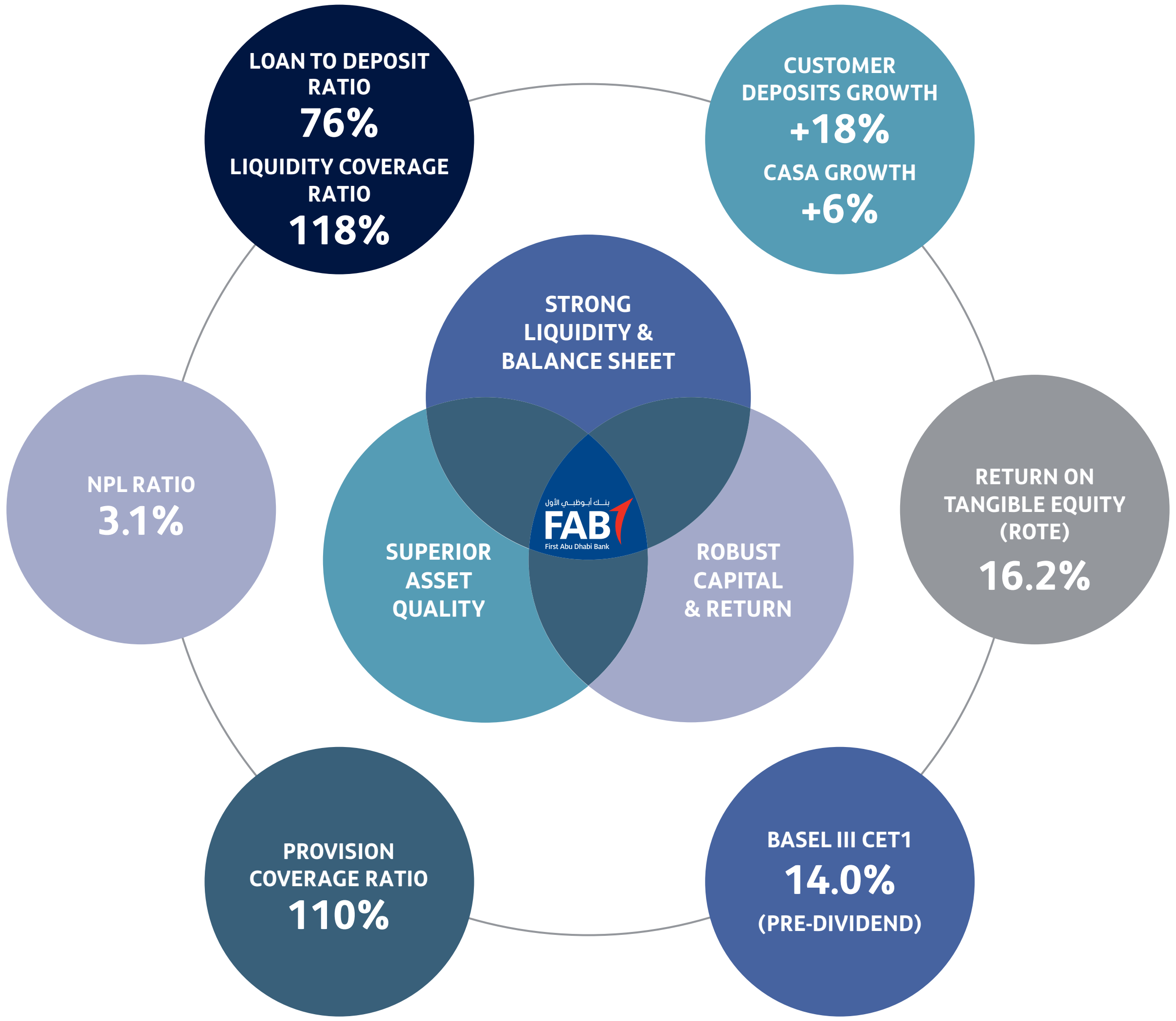
Financial Performance

Moving from strength to strength

FAB delivered a strong set of results for the year ended 31 December 2018, reporting a full-year group net profit of AED 12.0 Billion. This was an increase of 10% from 2017 and a remarkable achievement delivered in the context of our final UAE integration activities.

Key Financial Highlights



Our full year group revenue was broadly in line with 2017, a resilient performance given challenging market conditions against a strong comparative period in 2017 which included opportunistic investment gains. Total cash dividends of AED 8.06 Billion, amounting to AED 0.74 per share, were declared and paid for 2018. This is a record total for the bank and a 6% increase on 2017, underscoring our firm commitment to maximising shareholder returns.

FAB further strengthened its balance sheet and financial ratios in 2018, with loans and advances at AED 353 Billion and customer deposits at AED 465 Billion, representing year-on-year increases of 7% and 18% respectively. Our liquidity position and funding profile remains comfortable, with the bank's Liquidity Coverage Ratio at 118%.

Our cost-to-income ratio (excluding integration costs) of 25.9% marks a significant improvement from the 27.7% registered in 2017, as FAB continues to realise cost synergies and underscore its standing as one of the world's most efficient banks.

As of 31 December 2018, FAB had total assets of AED 744 Billion, up 10% from 2017 and maintaining our position as the largest lender in the UAE and one of the largest in the region. The group presented healthy asset quality metrics across corporate and retail portfolios in 2018 with Non-Performing Loans (NPL) of AED 11.5 Billion, and a stable NPL ratio at 3.1%. Adequate provision buffers post IFRS9 implementation and Purchase Price Allocation, coupled with risk optimisation in Personal Banking, led to a 28% reduction in net impairment charges year-on-year, translating to a cost of risk (on loans and advances) of 48 basis points, down 21 basis points from the previous year.

Our capital position remained robust in 2018 with Common Equity Tier 1 (CET1) ratio at 14.0%, or 12.4% post dividend, and Capital Adequacy Ratio (CAR) at 15.7% comfortably in excess of regulatory requirements considering FAB's Domestic Systemically Important Bank (D-SIB) status. FAB continued to leverage its status as the only AA- or equivalent rated bank in the MENA region and one of the safest banks worldwide. 2018 was a milestone year on the wholesale funding side, with the Group raising over USD 2.3 Billion across multiple currencies and geographies while navigating volatile market conditions. This included a benchmark USD 650 Million RegS Sukuk issuance in the first quarter of 2018. 2018 also saw the bank further diversify its investor base in Europe and Asia through the successful issuance of public local currency bonds.

Performance by business

Corporate and Investment Banking Group (CIB) delivered a solid performance in 2018, achieving double-digit growth in balance sheet and revenue despite increased competition and market volatility. This standout performance was driven by growth in Global Transaction Banking, Global Markets and Global Corporate Finance. Operating costs were significantly lower year-on-year, reflecting ongoing post-merger cost synergies and improved efficiency across the business.

Personal Banking Group (PBG)

PBG delivered a good performance in 2018 in spite of market headwinds and strong competition. Net profit and risk-adjusted returns improved significantly from 2017, due to a reduction in operating expenses and impairment charges.

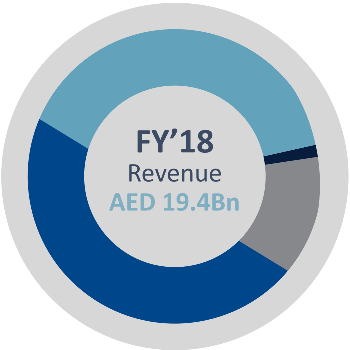
In a landmark fourth quarter, we unified legacy IT systems into a single platform, allowing FAB customers to open and manage their accounts through single channels and processes.
In line with its commitment to innovation, PBG signed a memorandum of understanding with the government of Abu Dhabi to co-develop a full digital payment solution, while launching enhanced online and mobile banking services for its customers in the fourth quarter.

International Banking Group

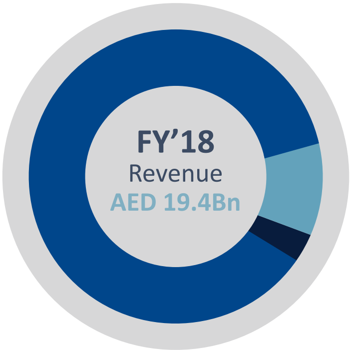
Revenue from our international operations grew 7% year-on-year, with contribution to group revenue increasing to 13.3% from 12.4% in 2017. The international loan book recorded solid growth year on year with a notable contribution from Asia-Pacific and the MENA region, while liquidity position remained strong.

The Group's international value proposition was under review, with operations outside of the UAE realigned to deliver maximum value going forward.

Group Revenue by Business



Group Revenue by Geography



Financial Summary

Income Statement - Summary (AED Mn)	Note	FY'18	FY'17	YoY %
Net interest Income		13,026	13,106	(1)
Fees & commissions, net		3,392	3,362	1
FX and investment income, net		2,869	2,586	11
Other non-interest income		159	479	(67)
Total Operating Income		19,446	19,533	(0)
Operating expenses		(5,329)	(5,875)	(9)
Incl: Integration costs		(295)	(473)	(38)
Amortisation of intangibles (merger-related)		(181)	(138)	31
Impairment charges, net		(1,726)	(2,384)	(28)
Non Controlling Interests and Taxes		(381)	(358)	6
Net Profit		12,011	10,915	10
Basic Earning per Share (AED)	a,h	1.06	0.96	10

a) Basic EPS based on attributable profits to equity shareholders' excluding Tier 1 notes coupon (FY'18: AED 523 Mn) and outstanding shares

Balance Sheet - Summary (AED Bn)	Note	FY'18	FY'17	YoY %
Loans and advances, net		353	330	7
Customer deposits		465	396	18
CASA (deposits)	b	159	150	6
Total Assets		744	669	11
Equity (incl Tier 1 capital notes)		102	102	(0)
Tangible Equity	c	71	71	0

b) CASA deposits include current, savings and call accounts; Dec 2017- has been reclassified to include call accounts
c) Tangible equity is shareholders' equity net of Tier 1 capital notes, goodwill & intangibles

Key Ratios (%)	Note	FY'18	FY'17	YoY (bps)
Net Interest Margin	h	2.35	2.48	(13)
Cost-Income ratio (ex-integration costs)		25.9	27.7	(178)
Cost of Risk (bps)	d,e,h	48	69	(21)
Non-performing loans ratio	d	3.1	3.1	6
Provision coverage	d	110	120	(1002)
Liquidity coverage ratio (LCR)		118	112	629
Return on Tangible Equity (RoTE)	f	16.2	14.6	154
Return on Risk-weighted Assets (RoRWA)	h	2.5	2.3	20
CET1 ratio	g	12.4	12.8	(44)
Capital Adequacy ratio	g	15.7	16.2	(49)

d) As 2018 ratios are based on IFRS9 accounting and ratios for prior periods are based on IAS39 accounting, they may not be fully comparable

e) On Loans and Advances

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

g) As per UAE Central Bank's Basel III framework; Dec 17- ratios are without considering the transitional arrangements

h) Annualised

Rounding differences may appear in above table