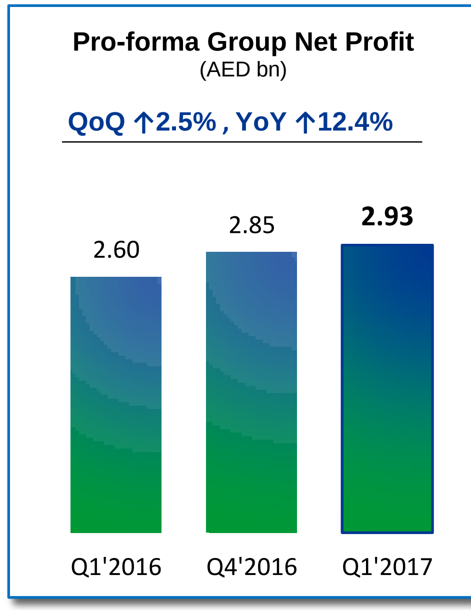
Management Discussion and Analysis Report

As the merger of FGB and NBAD was declared effective at the end of Q1 2017, this release discusses Pro-forma Preliminary Condensed Consolidated Financial Information for the combined bank as at 31 March 2017. Pro-forma Financial Information for prior periods was restated for retrospective comparability of adjustments

Pro-forma Group Net Profit increases 12.4% to AED 2.93 Billion

KEY FINANCIAL HIGHLIGHTS

- Pro-forma Q1'2017 Group Net Profit at AED 2.93 billion, up 12.4% compared to AED 2.60 billion in the first quarter of 2016 led by growth in revenues
- Pro-forma Group Revenues at AED 5.20 billion, up 8.5% compared to AED 4.80 billion in Q1'2016, on the back of healthy business volumes and investment gains
- Realisation of cost synergies of AED 75 million during the first quarter led to a 1.5% reduction in pro-forma operating expenses (ex-integration costs) and improvement in Cost-to-Income ratio (ex-integration costs) to 27.3%
- Healthy growth in pro-forma Loans and Advances of 4.6% to AED 368 billion; pro-forma Customer Deposits up 11.1% to AED 416 billion resulting in comfortable Loans to Deposits Ratio of 88%
- Excellent asset quality with pro-forma NPL ratio at 2.5% and strong provision coverage of 114%
- Other key ratios on pro-forma basis: Net Interest Margin of 2.1%, CET1 ratio of 14.7%, Return on Tangible Equity[1] (RoTE) at 16.0% and Return on Risk Weighed Assets[1] at 2.5%



OTHER BUSINESS & OPERATIONAL HIGHLIGHTS

- Integration journey off to a strong start with seamless merger completion as per initial timeline and realisation of cost synergies
- Strong credit profile of combined bank led to ratings affirmation of NBAD of AA- or equivalent by the three major credit rating agencies post-merger completion, and removal of 'CreditWatch Negative' by S&P to 'Stable' outlook; FGB ratings were withdrawn post-merger
- General Assembly Meeting to be held on 24 April, 2017 to approve name change of combined bank from "National Bank of Abu Dhabi" to "First Abu Dhabi Bank"

Abu Dhabi, 19 April 2017: NBAD and FGB reported a pro-forma Group Net Profit of AED 2.93 billion for the first quarter of 2017, a 12.4% increase from AED 2.60 billion for the same period last year.

These results were achieved on the back of a healthy operating performance driven by higher business volumes and investment gains, coupled with disciplined risk management and the realisation of cost synergies in relation to the merger between the two banks.

[1] Annualised

Commenting on this performance, Abdulhamid Saeed, Group CEO of the combined bank, said: "With the merger of FGB and NBAD now effective, we are starting First Abu Dhabi Bank's* journey on a solid footing thanks to robust fundamentals at the end of Q1'2017, positioning us well to successfully execute our integration plan. We have already achieved a number of key milestones since the completion of the merger, which is a strong testament to the exceptional merits of bringing two highly complementary businesses together, as we already began to draw on our combined strengths and realise synergies for the benefit of all our stakeholders."

He continued: "The combined bank delivered a good set of results in the first quarter of 2017, in spite of challenging operating conditions. Pro-forma Group net profit increased by 12.4% from last year, driven by healthy activity across our various businesses and notable improvements in efficiency and asset quality. Our liquidity profile has strengthened and our capital position is robust with CET1 ratio of 14.7% which places us in a positive standing to comply with the Basel III regulatory framework. The affirmation of our AA-, Aa3 and AA- credit ratings by Fitch, Moody's and Standard & Poor's, respectively, is also a key milestone for the new bank, recognising its strong credit profile and unique ability to navigate the evolving economic, banking and regulatory landscape."

Q1'2017 PRO-FORMA SUMMARY FINANCIALS

Income Statement - Summary (AED million)	**Q1'17**	**Q1'16**	***YoY %***	**Q4'16**	***QoQ %***
Net interest & Islamic financing income	3,208	3,373	*-4.9*	3,348	*-4.2*
Fees & commissions, net	799	936	*-14.7*	994	*-19.7*
Other non-interest income	1,197	487	*145.5*	773	*54.8*
Total Operating Income	**5,203**	**4,797**	*8.5*	**5,115**	*1.7*
Operating expenses	(1,526)	(1,444)	*5.7*	(1,566)	*-2.5*
Impairment charges, net	(645)	(671)	*-3.9*	(590)	*9.3*
Taxes	(105)	(78)	*35.4*	(97)	*8.9*
Minority Interest	(1)	(1)	*27.1*	(9)	*-90.2*
NET PROFIT	**2,926**	**2,603**	*12.4*	**2,854**	*2.5*

Balance Sheet - Summary (AED billion)	**Mar'17**	**Mar'16**	***YoY %***	**Dec'16**	***QoQ%***
Loans and advances	367.7	351.7	*4.6*	356.2	*3.2*
Customer deposits	415.7	374.1	*11.1*	400.3	*3.9*
CASA (deposits)	113.3	104.5	*8.4*	108.2	*4.7*
Total Assets	682.4	641.7	*6.3*	670.5	*1.8*
Equity (incl Tier-1 capital notes)	94.6	89.6	*5.6*	97.7	*-3.2*
Tangible Equity[1]	69.1	63.4	*8.9*	73.0	*-5.4*

Key Ratios	**Q1'17**	**Q1'16**	***YoY (bps)***	**Q4'16**	***QoQ (bps)***
Net Interest Margin[2] (YTD)	2.1%	2.4%	*-27*	2.3%	*-17*
Cost-Income ratio	29.3%	30.1%	*-78*	30.6%	*-128*
Cost-Income ratio (ex-integration costs)	27.3%	30.1%	*-277*	29.1%	*-173*
Cost of Risk (CoR) (annualised)	68bps	72bps	*-5*	61bps	*6*
Non-performing loans ratio	2.5%	2.7%	*-25*	2.5%	*-5*
Provision coverage	114.0%	109.8%	*414*	117.2%	*-326*
Loans-to-deposits ratio	88.5%	94.0%	*-556*	89.0%	*-54*
Return on Tangible Equity[3] (RoTE)	16.0%	15.2%	*84*	15.3%	*71*
Return on Risk-w eighted Assets (RoRWA)	2.5%	2.2%	*31*	2.5%	*9*
CET1 ratio	14.7%	13.4%	*130*	14.2%	*56*
Capital Adequacy ratio	18.3%	16.9%	*133*	17.7%	*56*

1 - tangible equity is shareholders' equity net of Tier-1 capital notes and goodw ill & intangibles
2 - annualised; based on daily average of performing assets
3 - annualised; based on attibutable profit to equity shareholders' excl amortisations and average tangible equity

** Subject to shareholder approval at the upcoming GAM on 24th April, 2017*

INCOME STATEMENT HIGHLIGHTS

Pro-forma Group Revenues increase 8.5% year-on-year supported by healthy volumes and investment gains

Pro-forma Group revenues were recorded at AED 5.20 billion in Q1'2017, 8.5% higher compared to AED 4.80 billion in Q1'2016.

Net Interest and Islamic Financing Income stood at AED 3.2 billion, down 5% year-on-year as higher volumes were offset by margin contraction during the period.

Q1'2017 **Net interest margin (NIM)** landed at 2.1% compared to 2.3% in Q4'2016 and 2.4% in Q1'2016. This decrease mainly stemmed from planned de-risking of the unsecured SME portfolio, coupled with placement of excess liquidity into lower-yielding assets.

Fees and commissions (net) declined by 15% year-on-year to AED 799 million due to lower fees from corporate lending and lower commission income.

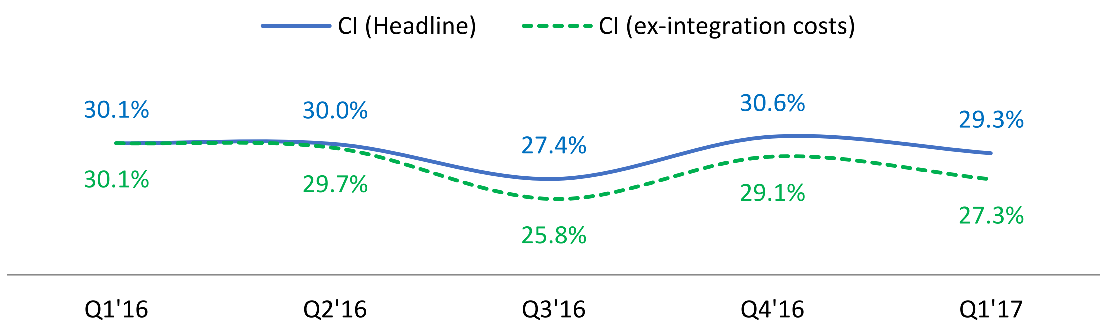
During the quarter, strategic investment disposals translated to net gains on investments and derivatives of AED 982 million.

Pro-forma operating expenses (ex-integration costs) reduced by 1.5% year-on-year due to disciplined expense management and synergies realisation

Headline operating costs were AED 1.5 billion for Q1'2017, growing 5.7% year-on-year but declining 2.5% sequentially. Integration expenses of approximately AED 100 million were incurred during the period primarily on the back of professional fees. Excluding integration costs, operating expenses decreased 1.5% year-on-year.

Reflecting a strong focus on creating efficiencies for the combined business, cost synergies of approximately AED 75 million, were realised during the first quarter, in line with the management's medium-term guidance. Headline Cost-to-income ratio of 29.3% in Q1'2017 is lower than 30.1% in Q1'2016 and 30.6% in Q4'2016. Excluding integration costs, pro-forma cost-to-income ratio was 27.3%.

Cost-to-Income Ratio (%)



BALANCE SHEET HIGHLIGHTS

Industry-leading asset quality metrics

At the end of the first quarter of 2017, pro-forma Non Performing Loans were AED 9.4 billion, lower by AED 465 million as compared to March-end 2016 on the back of positive trends across the wholesale portfolio, complemented by recoveries, and write-offs.

As a result, pro-forma NPL ratio further improved by 25bps to 2.5% as at March-end 2017, standing at an industry-leading level amongst local peers. Total provisions of AED 10.7 billion comprise of specific provisions of AED 4.0 billion and collective provisions of AED 6.7 billion. This translates into a comfortable pro-forma NPL coverage ratio of 114%. General Provisions represent 1.7% of Credit Risk Weighted Assets, comfortably above the 1.5% regulatory threshold. Strong provision buffers position the combined entity well to comply with IFRS9 requirements when they take effect on 1st January 2018.

With pro-forma loan impairment charges at AED 632 million in Q1'2017, cost of risk remained relatively flat at 68bps compared to 70bps for FY'16.

Healthy balance sheet trends and strengthened liquidity and funding position

Pro-forma **Loans and Advances** grew to AED 368 billion in Q1'2017, up 4.6% year-on-year and 3.2% sequentially. This increase was primarily driven by growth in the public sector and FI (financial institutions) trade loans.

Pro-forma **Customer Deposits** grew notably faster than loans, by a strong 11.1% year-on-year (3.9% sequentially) to AED 416 billion, primarily driven by the government deposits and international clients. Current Accounts and Saving Accounts (CASA) contributing 27% of total deposits grew by 4.7% in Q1'17.

On the wholesale funding side, FGB repaid a USD 500 million Sukuk carrying a net profit rate of 4.046% and NBAD repaid bonds under its EMTN program aggregating USD 825 million during the last quarter. Both banks were pro-active in managing funding needs ahead of merger completion, and raised more than USD 4.4 billion during the past six months. This activity included two Formosa bond issuances of USD 1.6 billion and the MENA region's debut Green Bond of USD 587 million. The bank has seen strong demand for issuances on its USCP (US Commercial paper) program, which was established in 2016.

As at March-end 2017, the combined bank's liquidity position is strong with a Loans to Deposits ratio of 88% compared to 94% for Q1'2016. In addition, Liquidity Coverage Ratio (LCR) was in excess of 100%, well above the minimum (UAE) regulatory requirement of 80% for the current year.

Robust capital position after dividend distribution; well positioned on Basel-III requirements

Upon merger completion, 5,630 million new NBAD shares were issued to FGB shareholders bringing the total number of issued shares to 10,898 million.

Pro-forma shareholders' equity stood at AED 94.6 billion, an increase of AED 5.0 billion from the first quarter of 2016. Adjusted for goodwill and Tier-1 capital notes, tangible book value stands at AED 69.1 billion, or AED 6.4 per share, as at March-end 2017.

The Bank presents a robust capital position at the end of Q1'2017, with a pro-forma CET1 ratio of 14.7%, Tier-1 ratio of 17.0% and a total CAR (capital adequacy ratio) of 18.3%.

BUSINESS INTEGRATION UPDATE

Corporate and Investment Banking (CIB)

Q1'2017 witnessed major preparation work for CIB ahead of merger completion, driven by a core philosophy revolving around building specialisation, synergy and service.

- The CIB architecture has been finalised and is centered around putting customers at the core of the model built on coverage for corporates and for financial institutions by geographies with proper business segmentation and dedicated relationship managers.
- Products specialisation is split into four areas, namely: Global Transaction Banking, Global Corporate Finance, Global Markets as well as a window for Islamic Banking.
- Customers are serviced across geographies, locally and internationally, as well as across a comprehensive range of product offerings.
- Teams across CIB cooperated together on several landmark transactions during the quarter.

Personal Banking (PB)

During the first quarter of 2017, the Personal Banking Group teams at both banks continued with intensive preparations for legal merger completion, addressing all necessary changes across all customer touch points to ensure clarity, security and the seamless continuation of services - the key guiding principle being minimum disruptions to customers.

- Significant progress has been achieved on customer segmentation, including value propositions, product harmonisation and end-state product offerings.
- To maximise business potential and market reach, PB is structured along the major customer segments, spanning from Mass Market to Private Banking and Business Banking segments.
- Assessment of sales and distribution channels, with initial view on end-state coverage and capacities has been performed.
- Execution is in progress with initial synergies being already delivered according to the plan. Further due diligence is scheduled, especially for digital channels, to be conducted later in the next two quarters.
- Customers, from 1 April, have been availing free transactions across more than 500 ATMs throughout the UAE as well as unified branch services in one branch each, in Dubai and Abu Dhabi.

OUTLOOK

Abdulhamid Saeed, concluded: "While 2017 is poised to be a transitional year for the economy and for the banking industry, we are looking ahead with confidence and a clear focus on driving individual and institutional prosperity by putting our customers first, as we continue to deliver an extensive range of fully personalised solutions, products and services to meet their needs. Over the next few months in our integration journey, we will be focusing on establishing a strong platform across our various businesses to ensure that we have the right infrastructure to deliver a harmonised banking offering across our various channels. As the largest bank in the UAE and one of the world's largest and strongest financial institutions, we are firmly on track to move forward and pursue growth opportunities across UAE, MENA region and beyond. At our upcoming General Assembly Meeting on 24th of April, we will be proposing to change the name of our institution to "First Abu Dhabi Bank" – a name that embodies the UAE's vision for growth and prosperity, whilst reconfirming our commitment to driving top shareholder value as a financial services leader."

- Ends -

About NBAD

The UAE's largest bank and one of the world's largest financial institutions, NBAD offers an extensive range of tailor-made products and services to offer a customised experience to clients. Through its strategic offerings, NBAD looks to meet the banking needs of customers across the world via its market-leading Corporate and Investment Banking and Personal Banking franchises.

Headquartered in Abu Dhabi in Business Park, Khalifa Park, NBAD's international network spans 19 countries across the world, providing the global relationships, expertise and financial strength to support local, regional and international businesses seeking to do business at home and abroad.

In line with its commitment to put customers first and help them grow stronger, the Bank continually invests in people and technology to create the most customer-friendly banking experience possible, and support the growth ambitions of shareholders, residents, entrepreneurs and the economy.

NBAD has a strong, diversified balance sheet, leading efficiency and a solid corporate governance structure in place that is set to drive forward growth for the business and for the region.

For More Information

Please visit www.bankfortheUAE.com or www.nbad.com

Download the NBAD IR app: http://bit.ly/2pw2WGG

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