FAB Q4/FY'17 Financial Results

- *Management Discussion & Analysis*
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Grow Stronger

بنك أبوظبي الأول

FAB

First Abu Dhabi Bank

Management Discussion & Analysis Report

for the full-year ended 31 December 2017

(subject to approval of the financials by the Central Bank of the UAE)

Please note that FAB pro forma consolidated financials at 31 December 2017 serve as the main basis of reference for our Management Discussion & Analysis Report (MDA) and Investor Relations presentation.

FAB's audited consolidated financial statements at 31 December 2017 are prepared on the basis that the FGB/NBAD merger was declared effective on 1st April 2017 with FGB being the accounting acquirer as per IFRS 3. Therefore, these financials reflect the consolidation of NBAD since 1st April 2017 only, while prior period comparative financial information relates to FGB.

Abu Dhabi, 29th January 2018

Management Discussion and Analysis Report

FAB proposes outstanding cash dividend of AED 0.70 per share
Full year 2017 Group Net Profit at AED 10.92 Billion

First Abu Dhabi Bank (FAB), the UAE's largest bank and one of the world's largest and safest financial institutions, reported its financial results for the full year ended 31 December 2017 today.

Resilient performance in transitional year

- Full year 2017 Group Net Profit at AED 10.92 Billion, compared to AED 11.32 Billion in 2016
- Adjusted Group Net Profit (excluding integration costs and merger-related amortisation of intangibles, totaling AED 601 Million in 2017) at AED 11.52 Billion, broadly in line with 2016
- Adjusted Group Net Profit for the fourth quarter (excluding integration costs and merger-related amortisation of intangibles, totaling AED 336 Million) up 18% sequentially and 6% year-on-year
- Earnings per Share (EPS[1]) at AED 0.96, compared to AED 1.0 in 2016
- Group Revenue in the fourth quarter up 10% on the back of strong business momentum
- Full Year Group Revenue at AED 19.53 Billion, down 4% year-on-year amid softer market conditions and portfolio optimisation

Cash dividend of AED 0.70 per share proposed in the first year

- Board of Directors recommends the distribution of a cash dividend of AED 0.70 per share, implying total cash dividends of AED 7.6 Billion for 2017 – the highest combined dividend amount distributed by FGB and NBAD – up 11% compared to 2016

Integration exceeds expectations

- All planned milestones fully delivered as per integration agenda
- Around AED 500 Million of cost synergies already realised in integration year 1
- Integration costs tightly controlled
- "Purchase Price Allocation" exercise is substantially complete

Strong balance sheet and healthy ratios

- Loans and advances at AED 330.5 Billion, up 1% quarter-on-quarter and 1% lower year-on-year
- Customer deposits at AED 395.8 Billion, up 4% both sequentially and year-on-year
- Highly comfortable liquidity position with loans-to-deposit ratio improving to 83.5%
- Cost-to-income ratio (excluding integration costs) at 27.7%, improving from 28.3% the previous year
- Healthy asset quality metrics with Non-Performing Loan ratio at 3.1% and provision coverage at 120%
- Solid profitability with Return on Tangible Equity at 14.8%, or 15.5% excluding integration costs
- Common Equity Tier-1 (CET1) ratio at 14.5%, comfortably in excess of regulatory requirements

FY'17 Group Revenue	FY'17 Adjusted Group Net Profit	Cost-to-Income Ratio (ex-integration costs)
AED 19.53 Billion	**AED 11.52 Billion**	**27.7%**
EPS[1]	RoTE	CET1
AED 0.96	**14.8%**	**14.5%**

[1]Basic EPS based on attributable profit to equity shareholders' excluding Tier-1 notes coupon and outstanding shares

FAB delivered a resilient performance in a transitional year with an Adjusted Group Net Profit at AED 11.52 Billion in 2017, broadly in line with 2016. Group Revenues were 4% lower year-on-year mainly reflecting softer market conditions, and the Bank's focus on portfolio optimisation to enhance risk-adjusted returns. This was offset by lower impairment charges compared to 2016, as well as disciplined cost control and the realisation of substantial synergies related to the merger.

Commenting on the results, His Highness Sheikh Tahnoon Bin Zayed Al Nahyan, Chairman of FAB, said:

"FAB's 2017 financial results are a clear testament to the sound rationale behind the merger and clearly demonstrate that it was a well-planned and strategic decision, based on solid forward-looking, market perspective and insights. Our merger, which was officially inaugurated in early 2017, created the UAE's largest bank, with the aim of actively supporting the UAE's economy, through combining the solid expertise and strengths of both legacy banks'."

His Highness added: "At the end of our first year, we have created significant value for our shareholders, customers and employees despite challenging market conditions. Reflecting FAB's continued focus on delivering top shareholder returns, the bank's Board of Directors has recommended the distribution of a cash dividend of AED 0.70 per share for the financial year ended 31 December 2017. This implies total cash dividends of AED 7.6 Billion for FAB's first year, up 11% compared to 2016. This is the highest combined dividend amount distributed by the legacy banks and further underscores the strategic rationale of the merger. The recommended dividend proposal is subject to shareholders approval at the Ordinary General Assembly Meeting which is proposed to be held in Abu Dhabi on Sunday, February 25th, 2018."

His Highness concluded: "As we continue to build on our success moving forward, our board and senior leadership are optimistic about our strategic direction for the future of FAB, and we are confident that we will continue to demonstrate sustained growth and meet our goals."

Abdulhamid Saeed, Group Chief Executive Officer of FAB, added:

"We are proud to announce that FAB has achieved a resilient set of results in its first year, as the largest bank in the UAE. Our adjusted net profit for 2017, excluding integration costs and merger-related amortisation of intangibles (totaling AED 601 Million in 2017), amounted to AED 11.52 Billion, in line with the combined profit of both legacy banks in 2016, despite a challenging global operating environment."

"FAB has moved significantly ahead in its integration journey and in a short period of time we have successfully delivered against many of the milestones that were set, ahead of schedule and realised around AED 500 Million in cost synergies in our first year alone. Last year, we also launched and rolled out our new brand which has been implemented across a number of our key customer touch points, regionally and internationally, with the target of completing our rebranding activities by the end of 2018. We have also finalised our organisational structure and operating model, and integrated our policies and risk framework. As part of the overall integration, we are also evaluating our local activities and branch network, to enhance efficiency and productivity across the group. Regionally, we are working on expanding our presence to Saudi Arabia which forms part of FAB's long-term strategy."

He concluded: "The success of our integration journey so far comes as a result of the strong commitment to our plans across the Bank. 2017 was a year of transition for us and we are confident that 2018 will be a year of consolidation and growth, and being the Year of Zayed - inspire and motivate us to achieve further success and reach the vision of our founding father, the late Sheikh Zayed bin Sultan Al Nahyan, and that of our leaders, to support the growth and prosperity of the UAE."

A successful integration journey

FAB continued to make excellent progress against the targets set in the integration agenda. Reflecting a strong focus on execution, all planned milestones for 2017 were successfully delivered, including the network and channel rebrand across customer and digital touch-points completed in the last quarter. While the Group is carrying out a comprehensive strategic review of its international value proposition, rebranding across FAB's international network is also underway.

As the next key milestone in the integration journey, FAB's IT systems integration is progressing well and on track to be completed around the end of 2018. This will enable the bank to unlock further merger benefits both on the cost and revenue side.

Moreover, cost synergies are continuing to materialise quickly with around AED 500 Million realised in 2017, exceeding expectations for the year. In parallel, one-time integration costs remain under tight control and were up in the last quarter reflecting accelerated integration momentum.

As of 31 December 2017, the "Purchase Price Allocation" (PPA) exercise as per IFRS 3 (Business Combinations) is substantially complete and no significant changes to NBAD's net asset value are expected by 31 March 2018. The exercise determined a goodwill amount of AED 19.9 Billion arising from the merger. This includes intangible assets of AED 2.6 Billion to be amortised over a period of 12 years, with a charge of AED 138 Million recognised in the fourth quarter related to the nine month-period post-merger.

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FAB Q4/FY'17 Pro forma Summary Financials

Income Statement - Summary (AED Mn)	Note	Full Year			Quarterly				
		FY'17	**FY'16**	*YoY %*	**Q4'17**	**Q3'17**	*QoQ %*	**Q4'16**	*YoY %*
Net interest Income	a	13,106	13,550	*-3*	3,363	3,244	*4*	3,392	*-1*
Fees & commissions, net		3,362	3,886	*-13*	932	788	*18*	968	*-4*
FX and investment income, net	a	2,586	2,023	*28*	464	491	*-5*	652	*-29*
Other non-interest income		479	844	*-43*	289	89	*226*	90	*220*
Total Operating Income		**19,533**	**20,302**	*-4*	**5,049**	**4,611**	*10*	**5,102**	*-1*
Operating expenses		(5,875)	(5,922)	*-1*	(1,616)	(1,344)	*20*	(1,553)	*4*
Incl: Integration costs	b	*(463)*	*(178)*	*161*	*(198)*	*(70)*	*183*	*(118)*	*68*
Amortisation of intangibles (merger-related)		*(138)*	-	-	*(138)*	-	-	-	-
Impairment charges, net		(2,384)	(2,664)	*-10*	(562)	(562)	*0*	(590)	*-5*
Non Controlling Interests and Taxes		(358)	(394)	*-9*	(48)	(100)	*-52*	(105)	*-55*
Net Profit		**10,915**	**11,322**	*-4*	**2,822**	**2,605**	*8*	**2,854**	*-1*
Adjusted Net Profit	c	**11,517**	11,500	*0*	**3,159**	2,675	*18*	2,972	*6*
Basic Earning per Share (AED)	d	0.96	1.00	*-4*	1.00	0.92	*9*	1.01	*-1*

a) Negative interest income booked on some placements has been reclassified to net FX income; NIM has been restated accordingly

b) Integration costs prior to 2017 are merger transaction-related costs

c) Adjusted Group Net Profit is stated before amortisation of intangibles (merger-related) identified as a result of the "purchase price allocation", and excluding one-off integration costs

d) Basic EPS based on attributable profits to equity shareholders' excluding Tier-1 notes coupon and outstanding shares

Balance Sheet - Summary (AED Bn)	Note	**Dec'17**	**Dec'16**	*YoY %*	**Sep'17**	*QoQ %*
Loans and advances	e	330.5	334.4	*-1*	328.3	*1*
Customer deposits	e	395.8	379.2	*4*	378.9	*4*
CASA (deposits)		116.0	108.5	*7*	112.4	*3*
Total Assets	e	669.0	649.1	*3*	644.1	*4*
Equity (incl Tier-1 capital notes)		101.7	97.0	*5*	99.1	*3*
Tangible Equity	f	71.1	71.9	*-1*	73.3	*-3*

e) Restated net of National Housing Program loans and deposits

f) Tangible equity is shareholders' equity net of Tier-1 capital notes, goodwill & intangibles

Key Ratios (%)	Note	**FY'17**	**FY'16**	*YoY (bps)*
Net Interest Margin	a	2.49	2.55	*-6*
Cost-Income ratio (ex-integration costs)		27.7	28.3	*-59*
Cost of Risk (bps)	i	69	76	*-7*
Non-performing loans ratio	j	3.1	2.7	*41*
Provision coverage	j	120.1	124.6	*-451*
Loans-to-deposits ratio	e	83.5	88.2	*-472*
Return on Tangible Equity (RoTE)	g	14.8	15.7	*-83*
Return on Risk-weighted Assets (RoRWA)		2.3	2.3	*0*
CET1 ratio	h	14.5	14.8	*-32*
Capital Adequacy ratio	h	17.8	18.2	*-34*

g) Return on Average Tangible Equity, annualised; based on attributable profit to equity shareholders' excl coupon on Tier-1 capital notes (AED 465Mn - FY'17) and amortisation of intangibles (AED 159 Million - FY'17)

h) As per UAE Central Bank's Basel III framework; figures prior to Dec 2017 are based on UAE CB's Basel II framework; CET1 ratio is based on Tier-1 capital net of perpetual notes as a percentage of risk weighted assets

i) Loan-related impairment charges (net) as a percentge of average gross loans and advances (net of interest in suspense)

j) Gross loans and advances net of interest in suspense

Rounding differences may appear in above table

Financial Review

Group Revenue for the 12-month period ended 31 December 2017 was achieved at AED 19.53 Billion, down 4% year-on-year. This decrease mainly reflects relatively softer market conditions compared to 2016, and portfolio optimisation initiatives implemented throughout the year in order to enhance risk-adjusted returns. In the fourth quarter, Group Revenues grew 10% primarily as a result of a double-digit growth in fees and commissions.

Reflecting margin compression as a result of portfolio optimisation and lower interest in suspense (IIS), **Net Interest Income (including Islamic Financing Income)** for the full year was down 3% to AED 13.11 Billion. Sequentially, net interest income grew 4% primarily on the back of asset growth.

Group Net Interest Margin (NIM) stood at 2.49%, slightly lower than 2.55% for 2016 as margin compression and deployment of excess liquidity partially outweighed the positive impact of rate hikes. In the fourth quarter, Group NIM reduced by 13 basis points, mainly due to the increase in short-term excess liquidity placements into lower-yielding assets.

Fees and commissions (net) were up 18% in the last quarter driven by a double-digit growth in loan-related fee income. This was mainly due to a strong pipeline execution across CIB products, as well as higher credit card and insurance-related fees in Personal Banking. For the full year, fees and commissions show a reduction of 13% indicating a subdued loan market and lower trade activity relatively to 2016.

Despite challenging market conditions, **FX and investment income** grew 28% year-on-year reflecting opportunistic Available For Sale (AFS) investment gains realised in 2017, mostly in the first quarter.

"Other non-interest income" of AED 289 Million in the fourth quarter, comprises investment property gains of AED 181 Million. Overall, "Other non-interest income" for the full year shows a 43% drop mainly due to higher property-related revenues in 2016.

G&A expenses in 2017 were down 8% year-on-year on a like-for-like basis, excluding integration and amortisation of intangibles as a result of merger-related PPA. One-off integration costs in 2017 amounted to AED 463 Million, and remain under tight control. Reflecting an accelerated pace of integration, integration costs totaled AED 198 Million in the last quarter, up from AED 70 Million in Q3. Cost synergies realised in the first year of integration were substantial at around AED 500 Million on the back of a strong focus on implementing the integration agenda.

Providing further evidence of improved efficiencies across the Group, **cost-to-income ratio** (ex- integration costs) improved to 27.7% from 28.3% in 2016, an industry-leading level amongst regional and global banks.

Impairment charges (net) for Q4'2017 were 10% lower year-on-year driven by write-backs and collective provision reversals resulting from balance sheet optimisation. Impairment charges were flat sequentially as collective provision reversals were offset by an increase in specific impairments reflecting prudent provisioning. **Cost of risk** on loans and advances for the full year reduced by 7bps to 69bps.

While reported Group Net Profit amounted to AED 10.92 Billion, **Adjusted Group Net Profit** for the full year stood at AED 11.52 Billion, broadly in line with 2016, reflecting a resilient performance in a transitional year. In the fourth quarter, Adjusted Group Net Profit grew 18% sequentially and 6% year-on-year.

(AED Mn)	FY'17	FY'16	*YoY %*	Q4'17	Q3'17	*QoQ %*	Q4'16	*YoY %*
Group Net Profit	10,915	11,322	*-4*	2,822	2,605	*8*	2,854	*-1*
Add: One-off integration / Pre-merger transaction costs	*463*	*178*		*198*	*70*		*118*	
Add: Amortisation of intangibles (merger related)	*138*	*-*		*138*	*-*		*-*	
Adjusted Net Profit	**11,517**	11,500	*0*	**3,159**	2,675	*18*	2,972	*6*

Credit quality

Non-performing loans (NPLs) stood at AED 10.6 Billion, up 4% sequentially, translating to a healthy NPL ratio at 3.1% against 3.0% the previous quarter. The increase in NPLs, both sequentially and year-on-year, is driven primarily by the Personal Banking segment reflecting the slowdown in the retail market as well as ongoing consolidation activities across Abu Dhabi.

Total provisions increased by 14% in the fourth quarter to AED 12.7 Billion primarily due to higher provisions taken as a result of the PPA exercise. Consequently, **provision coverage** strengthened to 120% from 109% at the end of previous quarter. At 1.9% of Credit Risk Weighed Assets (CRWAs), FAB's **collective provision** buffer is well above the required regulatory minimum of 1.5%.

Balance sheet trends

Reflecting asset optimisation in a challenging environment, December-end 2017 **loans and advances (net)** stood at AED 330.5 Billion, down 1% compared to 2016. Sequentially, loan portfolio was up 1% as strong corporate loan origination in the fourth quarter was partially offset by continued balance sheet optimisation, and fair value adjustments linked to PPA.

Customer deposits grew 4% to AED 395.8 Billion, on the back of significant inflows of government deposits in the fourth quarter. **Current Account and Saving Account** (CASA) deposits grew at a faster pace of 7% year-on-year, contributing 29% to overall customer deposits as of December-end 2017. Providing further evidence to the Bank's solid deposit franchise, deposits from international locations grew by 15% year-on-year, and remain a major contributor to Group deposits with a share of 27%.

FAB's liquidity position further strengthened in the last quarter with loans-to-deposit ratio improving to 83.5% compared to 88.2% the previous year. In addition, Liquidity Coverage Ratio (LCR) remained well above the glide path as defined by Basel III norms at 112%.

One of the Bank's primary focuses in 2017 was to maximise funding cost benefits in the context of the merger. This led to several strategic initiatives including the repayment of legacy FGB's AED 1 Billion Syndicated loan and USD 300 Million bilateral loan, as well as the re-pricing of legacy deposits to FAB's wholesale funding curve.

2017 also marked the completion of several landmark transactions on the wholesale funding side. In March, the Bank issued the first ever Green Bond in the Middle East, demonstrating its commitment to sustainable business, and to pursue innovative financing solutions. The Bank also completed the first Formosa issuance out of the GCC in January 2017, achieving significant arbitrage funding. As the highest rated bank in the Middle East and one of the safest banks worldwide (with credit ratings of AA- or equivalent), FAB has access to various sources of funds from multiple geographies, at a competitive pricing.

Shareholders' equity, capital and returns

Shareholders' equity grew by 5% year-on-year to AED 101.7 Billion, driven by profits generated during the year, with tangible equity standing at AED 71.1 Billion.

Capital position as of December-end 2017 is robust and remains comfortably in excess of regulatory requirements as per Basel III capital guidelines, with CET1 ratio standing at 14.5%.,

December-end 2017 Tier-1 capital ratio and total Capital Adequacy Ratio under Basel III stand at 16.7% and 17.8% respectively.

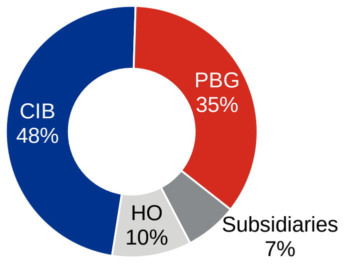
The Bank's strong internal capital generation capacity combined with continued RWA discipline, position it well to continue to display robust capital levels and comfortably meet regulatory requirements under the Basel III framework as a Domestic Systemically Important Bank (D-SIB).

Return on average Tangible equity (RoTE) for 2017 stood at 14.8%, compared to 15.7% the previous year, exceeding management guidance. Excluding one-off integration costs, RoTE stands at 15.5% against 15.9% in 2016.

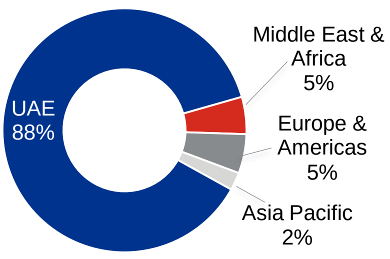
Business performance

As of December-end 2017, the Corporate & Investment Banking (CIB) Group generated 48% of FAB Group revenue, followed by the Personal Banking Group (PBG) with 35%. Head Office (HO) and Subsidiaries contributed 10% and 7% to total operating income respectively.

Revenues by Segment



Revenues by Geography



Corporate & Investment Banking (CIB) Group

In 2017, FAB's industry-leading CIB franchise delivered a solid performance in a challenging operating backdrop marked by a subdued loan market and lower trade activity. Despite revenues reducing 4.5% year-on-year, strong business momentum in the fourth quarter translated to 6% sequential growth in operating income. This was led by a strong performance across the loan capital markets, debt capital markets and corporate advisory businesses, capitalising on a very active pipeline in the second half of 2017. The UAE business overall delivered solid results year on year with higher risk adjusted returns.

Liquidity position improved with customer deposits rising 7% while loans added 2% sequentially. Disciplined cost management and the realisation of synergies following the merger resulted in a 11% reduction in operating expenses compared to the previous year. Impairment charges were up year-on-year on the back of specific impairments in the fourth quarter due to prudent provisioning.

In 2017, CIB's Cash Management business recorded a stellar performance with revenues growing 34% year-on-year, supported by a significant number of new mandates and the launch of innovative products and customised solutions for core clients. Despite a subdued activity in the last quarter due to low market volatility, Global Markets (GM) delivered a solid performance in 2017 with the investment portfolio producing healthy returns across asset classes. This was partly offset by lower FX & rates income due to difficult market conditions impacted by the global interest rate environment. GM sales continued to play a pivotal role in enhancing cross-sell opportunities across the Group, while further strengthening its franchise through a consolidated expansion into new markets.

Following the successful execution of landmark transactions across the region, , FAB dominated both GCC and MENA league tables in 2017 with market shares of 12.5% and 11.5% respectively and deal volumes exceeding USD 5 Billion.

The Debt Capital Markets (DCM) franchise continued to grow stronger, placing the Bank among the top 5 bookrunners in the MENA Bonds and Sukuk League Tables for full year 2017, with around USD 35 Billion of financing raised for clients from over 40 capital market transactions.

In 2017, CIB is proud to have won numerous awards in recognition of its achievements and the franchise's market leading position:

- "Best Trade Finance Bank in MENA" at the GTR Leaders in Trade 2016 awards highlighting excellence in trade, commodity, supply chain and export finance markets
- "Best Bank for Financing in the Middle East" and "Best Investment Bank in the United Arab Emirates" at the 2017 Euromoney Middle East Awards
- "Best FX Provider in UAE", "Best Overall Bank for Cash Management" and "Best Bank for Liquidity Management in MENA" at Global Finance magazine's 2017 Transaction Processing Awards
- "Most Innovative Investment Bank" for the MENA region at The Banker's prestigious 2017 Investment Banking Awards.

Personal Banking Group (PBG)

FAB's Personal Banking franchise delivered a resilient performance in 2017 amidst a slowdown in retail spending and continued asset mix optimisation.

Revenues were down 8% year-on-year primarily as a result of lower interest income due to tighter risk appetite leading to margin compression. Higher credit card and insurance-related fees in the fourth quarter supported a 2% sequential growth in operating income.

Net loans and advances were 3% lower year-on-year reflecting disciplined lending and portfolio optimisation. At the same time, mortgage lending recorded a solid growth (of 7%) in line with the Bank's strategy to channel liquidity towards higher risk adjusted assets.

Operating expenses reduced by 13% indicating tight cost control and the realisation of substantial synergies post-merger. Provisions were also 8% lower year-on-year with sufficient coverage of impaired loans.

During the period, PBG continued to implement strategic initiatives designed to enhance customer value proposition through cross-sell, innovation and technology, leading to increased efficiency and productivity across the business.

On the product side, the FAB Visa Infinite Credit Card was launched in October 2017, to address a key affluent segment. This is the first FAB branded credit card launched post-merger offering exclusive concierge, travel, dining and lifestyle benefits.

With active mobile banking customers increasing by almost 25% in 2017 and mobile banking transactions rising by 40%, PBG's 'smart' distribution model continues to leverage on digital solutions to drive further sales and operating efficiencies.

Furthermore, the Private Banking and Wealth Management business was re-organised into three distinct segments to offer a superior customer value proposition in the long-term. A new client coverage model has been adopted for Elite, Wealth and Private Banking segments, which has been segregated by geography, ensuring a coverage model that's better suited to customer needs.

Throughout the second half, the Business Banking team continued to focus on enhancing the customer value proposition and designed a comprehensive product suite for SME clients. New products launched include Mortgage-backed Business Finance (MBBF) and Bancassurance while the Keyman Insurance proposition was redefined. A prudent risk framework was also adopted and key policies were redesigned.

FAB's leading PBG franchise was recognised at the 2017 Seamless Awards, winning the 'Best Seamless Government Experience' award, and won the 'Digital Leader Award' - Government at the Digital Leader Awards 2017.

The Asset Management division also won prestigious awards including 'Best Fixed Income of the Year' and 'UAE Asset Manager of the Year' at the MENA Fund Manager Performance Awards 2017 and 'UAE Asset Manager of the Year' at the Global Investor Group and ISF's MENA Asset Management and Trading Summit 2017.

Subsidiaries

FAB enjoys a highly diversified business model supported by complementary offerings provided across real estate management, Islamic banking, brokerage, and credit cards through its subsidiaries.

Revenues for Subsidiaries in 2017 stood at AED 1.3 Billion, down 21% from 2016, as lower property-related income offset higher net interest income. Both, operating expenses and impairment charges were higher year-on-year, reflecting challenging operating conditions.

2017 was marked by the integration of the real estate and property management businesses and the re-branding of the brokerage business into FAB Securities. Integration of the Islamic Finance subsidiaries is underway.

In recognition of leading franchises in brokerage and consumer finance, the Banker Middle East named FAB (formerly NBAD) Securities "Best Brokerage Company" for the second year in a row, and Dubai First "Best Consumer Finance Company" for the third consecutive year at their 2017 Industry Awards ceremony.

International

While the Group is carrying out a comprehensive strategic review of its international value proposition to align with long-term strategic targets, FAB's international business remains a key competitive advantage and differentiator for the Bank as a significant contributor to liquidity and risk diversification.

Full year 2017 revenues stood at AED 2.43 Billion, down 5% year-on-year, primarily impacted by FX devaluation. International revenues contributed 12% to Group revenues as of December-end 2017.

While loans increased by 3%, FAB's solid core deposit franchise led to a 15% growth in international deposits in 2017. As of December-end 2017, international loans and deposits represent 20% and 27% respectively of total Group loans and deposits.

About First Abu Dhabi Bank (FAB)

FAB, the UAE's largest bank and one of the world's largest and safest institutions, offers an extensive range of tailor-made solutions, and products and services, to provide a customised experience. Through its strategic offerings, it 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 Khalifa Business Park, the bank's international network spans over 19 countries outside the UAE, 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, to Grow Stronger, FAB will continually invest in people and technology to create the most customer-friendly banking experience, and will support the growth ambitions of its stakeholders across countries in which the bank operates.

To empower its customers and clients to Grow Stronger, FAB initiated a powerful movement, which goes beyond banking. The Grow Stronger movement represents the bank's promise to support its stakeholders' goals and growth ambitions, providing ideas, tools and expertise to help them become stronger, today and in the future.

Based on audited financial information as at December-end 2017, FAB had total assets of AED 669 Billion (USD 182 Billion). FAB is rated Aa3/AA-/AA- by Moody's, S&P and Fitch respectively, the strongest combined ratings of any bank in the MENA region. The Bank has been ranked by Global Finance® as the safest bank in the UAE and the Middle East, 4th in emerging markets, 17th amongst commercial banks worldwide, and 31st in the world.Through a strong, diversified balance sheet, leading efficiency and a solid corporate governance structure in place, FAB is set to drive growth forward.

For further information, visit: www.bankfortheuae.com

For investor-related queries, please contact FAB Investor Relations team on ir@bankfab.com

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Pro forma Condensed Consolidated Financial Statements

December 31, 2017

PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

The following pro forma condensed consolidated financial statements ("Pro forma financial statements") illustrates the effects on the statement of financial position and financial performance of the combination (Merger) between National Bank of Abu Dhabi and its subsidiaries (together referred to as "NBAD") and First Gulf Bank and its subsidiaries (together referred to as "FGB").

The Pro forma financial statements consists of the audited Pro Forma Condensed Consolidated Statement of Financial Position of NBAD and FGB (together referred to as "the Group") as at 31 December 2017, and its audited Pro forma Condensed Consolidated statement of Profit or Loss for the year then ended. These statements are prepared as if the Merger has taken place as at 1 Jan 2016.

The purpose of the Pro forma financial statements is to show the material effects that the Merger of NBAD and FGB would have had on the historical consolidated statement of financial position if the Group had already existed in the structure created by the Merger as at 31 December 2017 and on the historical consolidated statement of profit or loss for the financial year ended 31 December 2017. They are not representative of the financial situation and performance that could have been observed if the indicated business combination had been undertaken at an earlier date.

The presentation of the Pro forma financial statements of the Group is based on certain pro forma assumptions and has been prepared for illustrative purposes only and, because of its nature, the pro forma consolidated statement of financial position and financial performance addresses a hypothetical situation and, therefore, does not represent and may not give a true picture of the financial position and financial performance of the Group. Furthermore, the Pro forma financial statements are only meaningful in conjunction with the historical consolidated financial statements of NBAD and FGB as at and for the financial year ended 31 December 2016.

The Pro forma financial statements have been compiled based on the accounting policies adopted by the Group for the preparation of 31 December 2017 financial statements. Any impact due to change in the accounting policy and adjustment have been reflected in prior comparative periods. The Pro forma financial statements does not take into consideration the effects of expected synergies or costs incurred to achieve these synergies as a result of the Merger. The Pro forma financial statements gives no indication of the results and future financial situation of the activities of the Group.

Pro forma Condensed consolidated statement of financial position

As at 31 December

Assets	2017 AED'000	2016 AED'000
Cash and balances with central banks	**138,111,054**	123,441,316
Investments at fair value through profit or loss	**19,320,764**	11,381,851
Due from banks and financial institutions	**13,829,490**	17,308,257
Reverse repurchase agreements	**21,346,974**	14,278,842
Derivative financial instruments	**11,399,432**	13,796,739
Loans and advances	**330,465,888**	334,430,035
Non-trading investments	**88,457,710**	92,855,423
Investment properties	**6,927,692**	6,468,106
Property and equipment	**3,535,501**	4,594,230
Intangibles	**19,901,374**	14,304,189
Other assets	**15,672,416**	16,261,635
Total assets	**668,968,295**	649,120,623
Liabilities		
Due to banks and financial institutions	**30,576,336**	48,401,950
Repurchase agreements	**37,674,016**	29,594,535
Commercial paper	**24,124,097**	13,725,897
Derivative financial instruments	**14,941,331**	16,040,059
Customer accounts and other deposits	**395,843,664**	379,165,290
Term borrowings	**42,145,718**	46,830,945
Subordinated notes	**420,381**	355,987
Other liabilities	**21,033,339**	17,571,983
Total liabilities	**566,758,882**	551,686,646
Equity		
Share capital	**10,897,545**	10,897,545
Share premium	**53,026,644**	52,771,684
Treasury shares	**(42,433)**	(48,746)
Statutory and special reserves	**7,081,074**	5,254,545
Other reserves	**962,736**	725,067
Tier 1 capital notes	**10,754,750**	10,754,750
Share option scheme	**256,265**	228,349
Convertible notes - equity component	**108,265**	108,265
Retained earnings	**18,677,552**	16,309,736
Total equity attributable to shareholders of the Group	**101,722,398**	97,001,195
Non-controlling interest	**487,015**	432,782
Total Equity	**102,209,413**	97,433,977
Total liabilities and equity	**668,968,295**	649,120,623

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FAB
First Abu Dhabi Bank

Pro forma Condensed consolidated statement of profit or loss

For the year ended 31 December

	Note	2017 AED'000	2016 AED'000
Interest income	*1*	**18,846,918**	18,687,450
Interest expense	*2*	**(5,740,867)**	(5,137,679)
Net interest income		**13,106,051**	13,549,771
Fee and commission income		**4,765,261**	5,287,914
Fee and commission expense		**(1,403,397)**	(1,401,978)
Net fee and commission income	*3*	**3,361,864**	3,885,936
Net foreign exchange gain	*4*	**1,003,284**	1,053,368
Net gain on investments and derivatives	*5*	**1,582,442**	969,792
Other operating income	*6*	**479,344**	843,517
Operating income		**19,532,985**	20,302,384
General, administration and other operating expenses	*7*	**(5,875,349)**	(5,922,299)
Profit before net impairment charge and taxation		**13,657,636**	14,380,085
Net impairment charge	*8*	**(2,384,334)**	(2,663,691)
Profit before taxation		**11,273,302**	11,716,394
Overseas income tax expense		**(323,538)**	(350,552)
Net profit for the period		**10,949,764**	11,365,842
Profit attributable to:			
Shareholders of the Group		**10,915,157**	11,322,268
Non-controlling interests		**34,607**	43,574
		10,949,764	11,365,842

Segmental information

	Business Segment					Geographic Segment				
	Corporate and Investment Banking AED'000	Personal Banking AED'000	Subsidiaries AED'000	Head Office AED'000	Total AED'000	UAE AED'000	Middle East And Africa AED'000	Europe and Americas AED'000	Asia - Pacific AED'000	Total AED'000
For the year ended 31 December 2017										
Net Interest income	5,853,942	5,094,817	566,567	1,590,725	**13,106,051**	11,503,407	611,806	716,768	274,070	**13,106,051**
Net non-interest income	3,520,781	1,766,935	742,020	397,198	**6,426,934**	5,597,194	345,730	297,434	186,576	**6,426,934**
Operating income	9,374,723	6,861,752	1,308,587	1,987,923	**19,532,985**	17,100,601	957,536	1,014,202	460,646	**19,532,985**
General administration and other operating expenses	2,014,741	2,642,111	545,009	673,488	**5,875,349**	5,022,857	344,768	328,017	179,707	**5,875,349**
Net impairment charge	299,678	1,770,465	521,195	(207,004)	**2,384,334**	2,304,790	85,185	(4,481)	(1,160)	**2,384,334**
Profit before taxation	7,060,304	2,449,176	242,383	1,521,439	**11,273,302**	9,772,954	527,583	690,666	282,099	**11,273,302**
Overseas taxation	184,647	114,408	21,973	2,510	**323,538**	5,263	116,818	170,452	31,005	**323,538**
Net profit for the period	6,875,657	2,334,768	220,410	1,518,929	**10,949,764**	9,767,691	410,765	520,214	251,094	**10,949,764**
As at 31 December 2017										
Segment total assets	450,430,907	97,980,652	21,782,636	126,431,598	**696,625,793**	544,299,763	21,240,671	129,441,066	23,406,626	**718,388,126**
Inter segment balances					**(27,657,498)**					**(49,419,831)**
Total assets					**668,968,295**					**668,968,295**
Segment total liabilities	438,220,833	95,001,870	11,430,776	49,643,868	**594,297,347**	456,642,219	13,808,673	126,033,661	19,694,270	**616,178,823**
Inter segment balances					**(27,538,475)**					**(49,419,951)**
Total liabilities					**566,758,872**					**566,758,872**

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FAB First Abu Dhabi Bank بنك أبوظبي الأول

Segmental information *(continued)*

	Business Segment					Geographic Segment				
	Corporate and Investment Banking AED'000	**Personal Banking AED'000**	**Subsidiaries AED'000**	**Head Office AED'000**	**Total AED'000**	**UAE AED'000**	**Middle East And Africa AED'000**	**Europe and Americas AED'000**	**Asia - Pacific AED'000**	**Total AED'000**
For the year ended 31 December 2016										
Net Interest income	6,040,346	5,708,783	514,558	1,286,084	**13,549,771**	11,950,828	803,449	551,345	244,149	**13,549,771**
Net non-interest income	3,776,509	1,751,524	1,147,654	76,926	**6,752,613**	5,782,985	316,146	436,768	216,714	**6,752,613**
Operating income	9,816,855	7,460,307	1,662,212	1,363,010	**20,302,384**	17,733,813	1,119,595	988,113	460,863	**20,302,384**
General administration and other operating expenses	2,265,236	3,024,107	452,002	180,954	**5,922,299**	5,043,529	393,729	300,395	184,646	**5,922,299**
Net impairment charge	134,877	1,926,936	452,546	149,332	**2,663,691**	2,911,036	15,165	63,596	(326,106)	**2,663,691**
Profit before taxation	7,416,742	2,509,264	757,664	1,032,724	**11,716,394**	9,779,248	710,701	624,122	602,323	**11,716,394**
Overseas taxation	215,771	108,057	26,805	(81)	**350,552**	(1,647)	167,218	173,920	11,061	**350,552**
Net profit for the period	7,200,971	2,401,207	730,859	1,032,805	**11,365,842**	9,780,895	543,483	450,202	591,262	**11,365,842**
As at 31 December 2016										
Segment total assets	422,013,912	101,349,880	24,919,474	158,874,736	**707,158,002**	530,916,692	22,251,895	111,357,266	26,808,386	**691,334,239**
Inter segment balances					(58,037,379)					**(42,213,616)**
Total assets					649,120,623					**649,120,623**
Segment total liabilities	411,167,120	98,520,038	14,310,867	85,726,000	**609,724,025**	446,830,495	16,160,476	109,214,755	21,694,536	**593,900,262**
Inter segment balances					(58,037,379)					**(42,213,616)**
Total liabilities					551,686,646					**551,686,646**

Notes to the condensed consolidated Pro-forma financial statements

1 Interest income

	2017 **AED'000**	2016 AED'000
Interest from:		
Central banks	**393,633**	234,600
Banks and financial institutions	**534,255**	476,351
Reverse repurchase agreements	**297,671**	165,767
Investments at fair value through profit or loss	**425,735**	405,099
Non-trading investments	**2,129,967**	2,487,719
Loans and advances	**15,065,657**	14,917,914
	18,846,918	18,687,450

2 Interest expense

	2017 **AED'000**	2016 AED'000
Interest to:		
Banks and financial institutions	**698,074**	982,528
Repurchase agreements	**409,014**	316,236
Commercial paper	**178,992**	63,617
Customer accounts and other deposits	**3,029,734**	2,617,693
Term borrowings	**1,404,651**	1,133,762
Subordinated notes	**20,402**	23,843
	5,740,867	5,137,679

3 Net fees and commission income

	2017 **AED'000**	2016 AED'000
Fee and commission income		
Trade finance	**998,445**	1,113,582
Collection services	**43,241**	54,640
Brokerage income	**49,245**	53,718
Asset management and investment services	**116,331**	127,085
Investments, derivatives and risk participation	**8,115**	17,725
Retail and corporate lending	**1,171,248**	1,580,422
Cards and e-services	**1,896,355**	1,866,671
Accounts related services	**59,397**	51,038
Commission on transfers	**116,571**	117,649
Others	**306,313**	305,384
Total fee and commission income	**4,765,261**	5,287,914
Fee and commission expense		
Brokerage commission	**35,553**	28,204
Handling charges	**30,618**	29,721
Credit card charges	**1,025,697**	980,369
Retail and corporate lending	**262,840**	338,423
Others	**48,689**	25,261
Total fee and commission expense	**1,403,397**	1,401,978
Net fee and commission income	**3,361,864**	3,885,936

4 Net foreign exchange gain

	2017 **AED'000**	2016 AED'000
Trading and retranslation gain on foreign exchange and related derivatives	**626,664**	657,146
Dealings with customers	**376,620**	396,222
	1,003,284	1,053,368

5 Net gain on investments and derivatives

	2017 **AED'000**	2016 AED'000
Net realised and unrealised gain on investments at fair value through profit or loss and derivatives	**630,797**	133,678
Net gain from sale of non-trading Investments	**913,064**	816,326
Dividend income	**38,581**	19,788
	1,582,442	969,792

6 Other Operating Income

	2017 **AED'000**	2016 AED'000
Investment property income	**215,631**	550,682
Leasing related income	**103,590**	184,483
Other income	**160,123**	108,352
	479,344	843,517

7 General, administration and other operating expenses

	2017 **AED'000**	2016 AED'000
Staff costs	**3,422,654**	3,944,851
Other general and administration expenses	**1,877,303**	1,576,394
Depreciation	**374,101**	341,085
Intangible amortisation	**159,156**	21,118
Sponsorships and donations	**42,135**	38,851
	5,875,349	5,922,299

8 Net impairment charge

	2017	2016
	AED'000	AED'000
Collective provision for loans and advances	**(360,879)**	1,148,986
Specific provision for loans and advances	**3,614,458**	2,404,961
Recoveries	**(903,320)**	(956,536)
Write-off of impaired financial assets	**33,118**	58,463
Provisions for investment and others	**957**	7,817
	2,384,334	2,663,691